

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 24th November 2015 reconvened on 11th December 2015

Time: 2.00 - 4.46 p.m.
12.30- 12.45 p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: S Crawford, S Frost (substitute for Councillor M McGuire), R Henson, P Hudson, M Shellens, (Chairman), P Topping*, and J Williams

* For reconvened meeting only

Apologies: Councillors: M McGuire and P Topping (Vice Chairman) for the first part of the meeting on 24th November.

Action

166. DECLARATIONS OF INTEREST - None

167. MINUTES

The minutes of the meeting held on 14th July 2015 were confirmed as a correct record and were signed by the Chairman.

168. 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:

a) Minute 118 Home to School Transport

Further to concerns expressed at earlier meetings when considering the draft Accounts regarding the previous year's £1m overspend on the above, and as there was still no date for a final report, there was a request at the September meeting for details of milestones for the ongoing project.

As a result, the Chairman had met with Keith Grimwade with the latter clarifying that the Children and Young People Committee would be the appropriate Committee to make final decisions on the Home to School Transport Review. He also provided reassurance on the Home to School Transport budget going forward. The Chairman for his part had made clear that this budget would continue to be of interest to the Audit and Accounts Committee having been informed that the reason for the overspend had been as a result of underestimating demand in previous years.

It was clarified that the budget for Home to School Transport was to be re-set in the Business Planning Process to reflect the underlying pressure

and that a new savings target would be allocated to the Service. The Chairman indicated that the Committee would keep a watching brief for 2016-17 in a critical friend role.

b) Action Log from Minutes – 9d) Minute 136 Annual Governance Statement – Customer Feedback Questionnaire

At the September meeting Audit and Accounts Committee had asked the question whether the public had any input into the Member Review Group looking at public consultation to which the response received was that they did not. The Chairman was not satisfied with this response and sought a reply to a further question he raised on how Members could be expected to make decisions on future public consultation without the benefit of the public having input / making valid suggestions on how the Council could improve its previous consultation arrangements. **Action**

**RVS /
Mike
Soper**

c) Performance Targets - Corporate Priority –The proportion of Pupils attending Cambridgeshire schools judged good outstanding

A further update was provided to the Chairman by the Lead Finance Officer on 19th November and is attached for information as Appendix 1 to these minutes.

d) Minute 156 Report - Report to the Audit and Accounts Committee – ISA 260 Report - Request from PWC to provide an explanatory note following the September meeting on why such a significant anomaly on the valuation on 'Assets under Construction' (AUC) had not been identified in previous Audits.

This report was outstanding as External Audit had concentrated their resources on the further work on the AUC data provided at their request from the Council's accountants in order to finalise the most urgent matter, being finalising the 2014/15 Accounts. The Chairman indicated that the Committee still required the report to be produced. **Action**

**Clive
Everest /
Claire
Peacock
PWC**

e) Minute 157 - Statement of Accounts – Various requests for further information

i) Short Term Payables breakdown of the main items in a note to be circulated outside of the meeting

This was still outstanding as it would take a considerable amount of further analysis to drill down the data and split the categories further. The resources had not been available due to the accounts officers concentrating on AUC data work.

C Yates

ii) Capital Expenditure and Capital Financing - request for a briefing regarding the change in the figures in respect of Government grants and Contributions over the Two Years.

This had been circulated in an e-mail dated 22nd November and is included as part of Appendix 1 to these minutes.

iii) Street Lighting - request for a note to be circulated outside of the meeting of how the Council accounted for new street lights in the accounts.

This had been circulated in an e-mail dated 22nd November and is included as part of appendix 1 to these minutes.

iv) Outstanding Invoices – Less than three months – there was a request for a note on why this happened.

This was another request that could not be currently dealt with due to limited officer resources. **Action**

C Yates

f) Minute 161 Risk Management Report – Request for update on whether the City Deal was included on the Economy and Environment Committee Risk Register

It was orally reported that Bob Menzies written response that “it did not warrant a separate additional risk over and above the general issue of recruiting and retaining the staff to deliver all the programmes”, had been fully endorsed by Strategic Management Team. As a reply, the Committee wished to ask a further question of what the impact would be of failure to deliver the City Deal projects. **Action**

**RVS /
Bob
Menzies**

g) Minute 162 – Internal Audit Report to 2015 – Management Actions - Significant Recommendations Still Outstanding – Officers asked to attend the meeting to explain those still outstanding

As an oral update the Interim Head of Internal Audit was able to confirm that there were no longer any significant recommendations still outstanding that required such attendance at the current meeting.

g) Update on Interim Report on Workforce Strategy

As set out on the cover agenda, the Chairman made reference to a note he had received from Human Resources which explained that with the new Acting Chief Executive currently reviewing key activities around the new ‘Operating Model’, work on the above Strategy was currently on hold.

The Committee agreed it should receive a further update on any progress at the January meeting. **Action**

**Janet
Maulder**

169. SAFE RECRUITMENT IN SCHOOLS UPDATE

This report provided:

- a. a progress update on the introduction of a systematic checking system in maintained schools working with headteachers and administrators which would also help to overcome current weaknesses identified in some schools maintenance of their Single Central Record in order to ensure they were as accurate as possible.

- b. information on the number of staff (both teachers, ancillary staff and governors) trained in safe recruitment practice.
- c. details of the responses received from academy schools regarding their compliance with safeguarding recruitment policies form as part of the annual Child Protection Monitoring Report as requested in the minutes of the Audit and Accounts Committee of 22nd September. The Committee noted with regard to this that the absolute deadline for returns was the end of November. At the date the report had been written 21 out of 30 secondary academies and 27 out of 34 primary academies had returned the audit; and all had answered 'yes' to both the following questions about safer recruitment:
 - Have all selection panels had at least one trained member sitting on it?
 - Is there information recorded on the Single Central Record for all staff regarding their eligibility to work in the UK?

As an oral update at the meeting the number outstanding had now fallen to only 5 primary and 6 secondary schools, all of whom had received / would be receiving notice of concern letters with a request for responses to be provided by January at the latest.

In addition, since the Committee's meeting on 22nd September, the 2014/15 report has been published by LGSS Audit & Risk Management Service. The main report, recommendations and the management agreed actions were circulated to members separately. The overall assurance level for 2014/15 had been assessed as 'Moderate'. As a result, the Executive Director for Children, Families and Adults had written to all maintained schools and academies, summarising the findings and setting out clearly the actions that schools should take (Appendix 1 to the report).

Chris Meddle and Sara Rogers presented the report providing further detail on the actions being taken with it being highlighted that the additional measures / safeguarding guidance was welcomed by schools. As part of the introduction it was explained that:

- 61 of the 83 academy secondary schools currently subscribed to the Education Child Protection Service's safeguarding review package.
- Governor Services were organising extra training on safe recruitment and refreshers of which there was a demand for them from the schools.
- Ofsted as part of their revised had two main questions: 1) is the school good enough and 2) is safeguarding good enough.

Reassurance was provided in relation to concerns expressed that the inspection reports of maintained schools and academies were monitored by the Learning Directorate and any concerns were followed up as a matter of urgency.

Members comments included:

- Whether the Service's expertise was offered to schools out of the County? It was indicated this was the case, as the Service had a good reputation in surrounding authorities and was also required to generate income. Services were being purchased by schools located in Norfolk, Suffolk and Essex.
- Supporting the measures being taken on the basis that the current Audit Report findings were not good enough and as child safety at schools was the paramount concern of Members of the Committee, safeguarding children had to be what schools were required to do, as opposed to aspiring to.
- There should be the sanction that if schools still ignored the follow up letters, the headteacher and Chair of governors should be required to attend the Committee. In response it was explained that in the case of academies they could not be compelled to attend, as they were only answerable in terms of providing safeguarding information if the Education Funding Agency required it, with inspections of academies the responsibility of Ofsted. However the DfE had clarified the role of Local Authorities with regards to academies and safeguarding in 'Schools Causing Concern, that 'Where a local authority has concerns about an academy's safeguarding arrangements or procedures (arising as a result of investigations about individual children or otherwise), these concerns should be reported to the Education Funding Agency (EFA) who have responsibility to take any necessary improvement action and to monitor the situation'.

Attention was drawn to the Safeguarding Review Form included on page 55. The Interim Head of Internal Audit cautioned that in respect of the yes / no response box to the questions, which included requirements against a long list of policies where 'no' answers were recorded, this would automatically result in any Internal Audit Review only being able to provide a limited or moderate assurance rating to a school, even if the auditors did not believe there was a safeguarding concern. Chris Meddle explained that the form was the basis of a developmental conversation with the school leadership about safeguarding. The Chairman suggested there should be a date shown when a particular the policy was last reviewed. He also expressed his concerns that check visits to academies were not on a regular enough basis.

The safeguarding officers made the point that the DBS check was only one part of the safe recruitment process as effectively it was only good for the day it was issued and provided reassurance that appropriate checks had been made. As a result, the Safeguarding Service was also interested in the wider culture, ethos and attitude to safeguarding being promoted at any individual school.

On the basis that the follow up request for the forms had a deadline of January for compliance, taking account of the school Christmas break,

it was resolved;

To receive a further progress report to the March meeting to include if necessary a confidential list of those non-compliant schools. **Action**

170. INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER

This report provided details of the main areas of audit coverage for the period 1st September to 31st October 2015 and the key control issues arising.

Since the previous Progress Report to the Audit and Accounts Committee in September 2015, the following audit assignments had reached completion:

No .	Directorate Description /	Assignment	Assurance Opinion
1	LGSS	Health & Safety	Substantial
2	Public Health	Public Health Grant	Good
3	Economy, Transport & Environment	Highways Additional Maintenance Grant	N/A
4	Economy, Transport & Environment	Local Transport Capital Grant Funding	N/A
5	Children, Families & Adults	Community & Capacity Grant	N/A
6	Children, Families & Adults	Think Autism Grant	N/A
7	Children, Families & Adults	Safer Recruitment in Schools Consolidated Report	Moderate

Summaries of the finalised reports with moderate or less assurance were provided in Section 6 of the report.

The current audit plan was attached at Appendix A to the report and remained at the same number of previously agreed days, 1819. It was anticipated that there would be less days actually delivered in 2015/16 as a result of the work on CLEC. 242 days had currently been earmarked as unallocated. Paragraph 3.1 of the report provided a summary of the allocation of those resources. As an oral update it was reported that the Service had been asked as part of service cuts to reduce the number of audit days by 12-13%. The Chairman expressed concern on whether the need to save money would result in the Service still being able to cover its commitments. Assurance was provided by the Interim Head of Internal Audit in terms of their being adequate resource to cover financial system requests.

Section 4 of the report provided an update on fraud and corruption work undertaken including details of the successful criminal prosecution in the case of fraud by Sarah Lees, the former Children's Workforce Development Manager with the expectation that a prison sentence would be given and that all the monies stolen would be recouped. An application was also to be made for reimbursement of the costs incurred by both the Police and Internal Audit. The intention was to highlight this case within the Council and to use it to re-launch the Council Whistleblowing Policy.

In relation to the fraud management system, a procurement exercise had commenced and the delay in implementation was to ensure the right system was purchased.

Section 5 detailed the outstanding management actions as at November 2015. It was reported that there were no outstanding fundamental recommendations. As indicated earlier in the meeting, the three significant recommendations which had not been implemented at the time of the report preparation (two relating to business continuity and one on the use of Section 106 monies) had, following a report to SMT on 16th November, been implemented by the relevant service directors. It was highlighted that recommendations were continually being reviewed by Internal Audit in consultation with Directors to determine if they were still relevant and merited their significant categorisation and whether revisions were required to implementation dates.

Member comments included:

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| • A request that in future it would be helpful if the Audit Plan could indicate those areas being progressed. Action | N
Hunter |
| • The Whistle-Blowing poster should be redesigned to ensure that visually it could not be ignored. Action | N
Hunter |
| • There was a request for an update on Section 106 monies being used within its time limit via a report to come back to Committee later in the year, as part of the Internal Audit Update Report. Action | N
Hunter |
| • Requesting that the Audit Plan as set out in Appendix A should be provided in a more reader friendly, larger print format for future meetings. | N
Hunter |
| • On Appendix A, one Member queried on what looked like a generous allocation of five days in the Internal Audit Plan for Bus Operators Grant and why it was being undertaken. In response it was indicated that a requirement of the grant was for it to be signed off by the Chief Executive and appropriate assurance therefore needed to be provided. | |

Having commented on the report It was resolved:

- a) to note the progress being made against the approved Internal

Audit Plan.

- b) Approve the in-year changes to the Audit Plan as set out in Appendix A.
- c) to note the material findings and themes identified by Internal Audit reviews completed in the period.

171. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30th SEPTEMBER 2015

The Committee received the above report presenting the financial and performance information to assess the progress in delivering the Council's Business Plan which had been approved by the General Purposes Committee that morning.

Comments from Members included;

- On paragraph 3.2.2. One Member challenged the figure for Primary Schools Demography underspend having increased by £1.9m as a result of further slippage, highlighting that the spend on temporary mobile classrooms had increased.
- Page 74 Performance Targets - Helping people live independent and healthy Lives – in respect of the first indicator and the text reading "Percentage of closed family Worker Cases demonstrating progression" there was a request for an explanation of what this meant outside of the meeting. **Action**
- On paragraph 6.2.2 page 81 and the forecast underspend on Strategic investment in Adult Social Care one Member asked if this was a result of less people going into care homes. In response it was indicated that the paragraph related to capital investment as a result of re-phasing expenditure.

**Sarah
Hey-
wood**

It was resolved:

To note the report.

172. EXTERNAL AUDIT UPDATE ON THE MAIN ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA 260 UK & I) REPORT INCLUDING ADDITIONAL WORK ON ASSETS UNDER CONSTRUCTION (AUC)

The Chairman agreed to take the accounts related reports under his Chairman discretion as they had only been finalised following the first despatch on 18th November.

This short update report had been produced to explain the position in relation to the work on updating the ISA 260 Report deferred at the November meeting and included as a listed item on the current agenda the latter of which was provided as an appendix to the cove report.

With the exception of the work in relation to Assets under Construction, PWC the Council's External Auditors confirmed that they had completed their audit fieldwork on both the Council and Pension Fund audits, and that no further matters had arisen which needed to be reported to the Committee.

Once work was completed on the AUC Prior Period Adjustment and related disclosures, the expectation was that PWC would be able to issue an unqualified opinion and the Committee would be able to sign off the accounts. At the meeting a progress update on the latest position on the AUC work was tabled and this is included at Appendix 2 to these minutes. The intention was that the tabled paper would be the replacement note in the final accounts following further discussion with the Council's accounting team. Clive Everest took the opportunity to thank Eleanor Tod for all the help she had provided in looking at the detail of over 1000 projects going back ten years.

The Committee was reminded that the balance sheet to the draft accounts published on 30th June had included assets under Construction as at 31st March 2015 of £189.1m. Further detailed work undertaken after the publication had identified AUC totalling £34.8m. The update provided a breakdown of the various categories which totalled £154.3 million. The majority of the difference related to prior period error in recording transactions occurring between 2006/07 and 1012/13 relating to technical accounting for the classification and recognition of assets. No evidence had been identified to suggest there had been any material loss or failure to safeguard the Council's assets.

As the amounts relating to 2014/15 and 2013/14 were immaterial, the Council had included the adjustments in relation to those years as part of the Prior Period Adjustment. A table in the further update report provided details of the impact for each year. PWC indicated that they would report this treatment as an uncorrected misstatement in their final ISA 260 report, but that the impact was immaterial. A further table provided details of the impact on the financial statements as a result of the adjustments to Property, Plant and Equipment (PPE).

It was clarified that the £160m reduction in fixed assets had no impact on usable reserves.

Member comments included:

- That while it appeared that the changes were a paper accounting exercise one Member asked what the issue was for the Council. In response the Chief Finance Officer indicated that it was more reputational damage which had been caused to the Council as incorrect newspaper headlines had suggested that the Council had lost a £150m of assets.
- The Chairman took the opportunity to thank officers from both the Council side and PWC for all the additional work they had carried out.

- There was a request that the outstanding paper on the history around the classification of AUC should come back to the January meeting. **Action**

**Clive
Everest
/Claire
Peacock**

The update position was noted.

173. STATEMENT OF ACCOUNTS

As there were still outstanding issues to be resolved it was not possible to approve the accounts for final sign off for the reasons already discussed in the previous report. As a result, it was agreed to defer this report and to receive a further update at a reconvened meeting of the current meeting which it was agreed should take place on the day of the Member Seminar and Group meetings on 11th December. While this date might not be suitable for External Audit, it was agreed that provided they were in a position to submit a revised ISA 260 Report, their presence was not necessarily required.

It was resolved

To reconvene the remainder of this meeting at 12.30 p.m. on 11th December to receive updates on the deferred Accounts reports in order to be able to agree and sign off the Accounts.

174. ASSURANCE FRAMEWORK UPDATE

The Committee received an update report providing details of the Council Assurance Framework including the sources of assurance related to key controls for the Council and the detailed assurance used, based on the 'Three Lines of Defence' model. The Framework which had been amended to reflect recent changes, included all the Strategic Risks within the Corporate Risk Register, as well as all key principles from the Council's Code of Corporate Governance.

Member Comments:

- One Member, making reference to the previous reports on the Accounts, questioned whether there was an assurance to cover reputational risk on the Accounts. In response it was highlighted that the first two assurances related to failures to the Business Plan, but in further conversation it was recognised that this was a different issue and that officers should consider whether there was a need for a risk in respect of failure to agree the Accounts / to receive an unqualified opinion on the accounts by the external auditor. Officers would look into this, while highlighting that the way the Accounts were now constructed was not in question, as the area requiring further analysis related to a specific mis-statement from several years ago. **Action**
- The Chairman drew attention to an issue he had picked up from the Pensions Committee in relation to the forthcoming triennial

**S Hunter
/ D
Thorp /
C
Malyon**

review which could see the County Council as an employer required to make additional payments as liabilities were increasing faster than the increase in the value of assets.

- Councillor Crawford, making reference to new adults legislation in respect of care in the community / transforming lives, and possible legal challenge if the Council was no longer meeting its statutory responsibilities as a result of continued cuts, queried if this was included as a risk. In response it was explained that if the query related to the Adults Risk Register, as this was not considered by this Committee, this would be better raised at Adults spokes or the Adults Committee. The broader issue of whether there was a general risk and assurances around not complying with statutory responsibilities / duties placed on the Council, would be further investigated. **Action**

**N
Hunter /
M Kelly**

Having commented on the report it was resolved:

to note the report and that queries raised should be the subject of responses outside of the meeting.

175. AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT

The Committee received the above report which was due to be included on the Council agenda for December and was presented for the Committee's comments and approval as being an accurate representation of the main issues received by the Committee during the Municipal Year 2014/15.

In terms of Section 6 - 'Future Focus for the Committee' a comment made was that as the Council was adopting the new operating model for budgeting, consideration would need to be given on the Committee's future role in looking at outputs, as opposed to inputs.

N Hunter

It was resolved;

to approve the Annual Report for submission to the Council meeting.

N Hunter

176. AUDIT AND ACCOUNTS COMMITTEE TRAINING PLAN

It was agreed at a previous meeting that it would be useful for Members to have the opportunity to ask for additional training in respect of the work of the Committee. Further to this, Committee members were e-mailed to seek suggestions for future training requirements, taking into account the remit of the Committee (listed at paragraph 1.1 of the report).

Suggestions received for additional training were in relation to sessions on: risk management; the corporate accounts and on the background to the Council's Private Finance Initiative (PFI) Contracts and Council Borrowing. As a session on the accounts had been an issue raised by two members and as it made sense to receive additional training in advance of consideration of next year's accounts process,

It was resolved:

That a training session should be organised on the Corporate Accounts in advance of the June 2016 Committee.

I Jenkins

177. DRAFT AGENDA PLAN

It was resolved to note the agenda plan as set out with the following additions:

- January Committee - Update on Workforce Strategy - Lead officers Martin Cox / Janet Maulder
- January Committee - External Audit Report on explanation of why issues around Assets under Construction had not been identified by External Audit as part of previous ISA 260 Reports - Lead officers: Clive Everest - Claire Peacock
- March Committee – Update on Safe Recruitment in Schools – Lead Officer Keith Grimwade

178. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 26th JANUARY 2016 2015

179. AGREEMENT TO ADJOURN THIS MEETING

As agreed earlier, the current meeting had been adjourned to the re-convened time of 12.30 p.m. on the 11th December to receive updates on the Accounts reports in order to be able to approve them for signing off by the Chairman on behalf of the Council.

180. EXTERNAL AUDIT UPDATE ON THE MAIN ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA 260 UK & I) REPORT AND STATEMENT OF ACCOUNTS 2014-15 and

The Chairman agreed to take the updated Accounts related reports circulated to Members in advance of the reconvened meeting under his Chairman's discretion to agree late reports, due to the need to sign off the Accounts as a matter of the greatest urgency.

The new cover report from the External Auditors set out their findings and providing an updated ISA 260 report to the one received at the September Committee meeting, with the main changes being in relation to the additional work carried out around Assets under Construction (AUC). There were no additional issues to highlight from the update report provided to the earlier November meeting, with the current cover report listing the key changes as follows:

- Pages 1 and 13 updated to reflect current outstandings
- Page 14 - Additional section explaining Assets Under Construction (AUC) misstatement / issues
- Page 32 and 33 - Additional control findings relating to AUC issues

- Page 38 - Additional control finding relating to AUC issues
- Page 47 - Updated to reflect adjustments (corrected and uncorrected) relating to AUC
- Page 48 - Additional disclosure changes included in table as some significant accounts alterations were required as result of AUC work

Having now completed the work over the AUC accounting error the External Auditor's report stated that "... we believe that the accounts accurately reflect the AUC position as at year end".

In respect of the Executive Summary to the ISA 260 Report this indicated that the external auditors intended to issue:

- an a unqualified audit opinion on the Statement of Accounts.
- an unqualified opinion on the Pension Fund Statement of Accounts
- an unqualified value for money opinion.

In respect of the updated Accounts Report, the Committee was notified that since the meeting in November, a number of minor changes had been made to the Statement of Accounts document to ensure that all adjustments to the Council's AUC balance resulting from the prior period error, were consistent and accurately presented. It was highlighted that none of the changes since the 24th November were materially significant or required the Committee's particular attention. The majority of the changes were presentational for accuracy only, and were listed in the amendments table under section 3.1 of the cover report.

The Chairman drew Members' attention to an error he had identified in the External Auditor's report on page 21 in relation to unquoted investments in respect of the Pension Fund, where a figure of £1,328m was stated as representing approximately 15% of the Fund. The Chairman, who been a member of the Pension Fund Committee, was aware that the Pension Fund currently only had a value of just over £2,000m and therefore had queried this figure, which if correct, would have meant the value of the Pension Fund would have been around £8,000m. In an e-mail response received that morning the following update was provided by PwC who in apologising for the confusion wrote "Re-reading this it would probably be clearer to explain this as approximately 60% of the net investment assets held by the fund. (e.g. £1,328m within £2,267m)".

In addition, the Council accountants drew attention to the table on page 25 of the External Audit Report in respect of the Medium Term Financial Statement where the figures were incorrect, as the second line titled "Less Cumulative Intended Savings" showing a figure (£385m) should have read (£410m) which changed the other figures in the table. This had been the subject of previous discussions with PwC, but had not been reflected in the final version included on the agenda.

One Member drew attention to PwC's concerns regarding the material gap between the required cumulative savings in the next 5 years and the plans in place and reserves available to bridge the a gap, the latter of

which were less than half the identified gap. While it was appropriate to look at the issue, as highlighted by PwC, the Chief Finance Officer provided assurance that the first three of the five years could be covered, and that going forward over the longer term, this was not unique and was the situation facing nearly all the Councils in the Country.

The Chief Finance Officer took the opportunity to thank the Committee for their patience during the current accounts sign off process and wished to place on record his thanks to his officer team, and in particular, to Eleanor Tod for all the work she had undertaken to resolve the outstanding issues. This was endorsed by the whole Committee.

Having been assured by the Chief Finance Officer that in his professional opinion the errors identified and discussed above were not material in agreeing both the ISA 260 Report and the Statement of Accounts, and having noted the work undertaken on the significant and elevated risks as set out in the report of the external auditors,

It was resolved:

- a) to confirm the proposed treatment of unadjusted mis-statements listed in appendix 1 of the ISA 260 Report, and
- b) to approve the 2014/15 Statement of Accounts.

Chairman
26th January 2016

ACTIONS ARISING FROM THE MINUTES OF THE 22ND SEPTEMBER COMMITTEE,

A) Response on request for the Ofsted Outcomes data to be separated out for Maintained Schools and Academies, to be provided on a quarterly basis.

Data requested:-

Ofsted Outcomes at Cambridgeshire Primary Academies (as at 31 July 2015)

Proportion of pupils attending Good and Outstanding Primary Academies with valid Ofsted outcomes: 71.6%

Proportion of Good and Outstanding Primary Academies with valid Ofsted outcomes: 79% (23 out of 29)

Ofsted Outcomes at Cambridgeshire maintained Primary Schools (as at 31 July 2015)

Proportion of pupils attending Good and Outstanding maintained Primary Schools: 79.2%

Proportion of Good and Outstanding maintained Primary Schools: 79.8% (134 out of 168)

Summary from Keith Grimwade:- It is too early to draw any conclusions with regards to the relative performance of primary academies and maintained schools because the majority have only been open a short while and because a third of the primary academies became sponsored academies having been judged inadequate by Ofsted when they were maintained schools'.

B) Responses on Statements of Accounts Request for further Information

Page 156 – Capital Expenditure and Capital Financing - There was a request for a briefing regarding the change in the figures in respect of Government Grants and Contributions over the two years.	It relates to Revenue Expenditure Funded by Capital under Statute (REFCUS) and similar adjustments – when the spend for these items is moved to the Comprehensive Income and Expenditure Statement (CIES), any non-borrowing related funding is also transferred and is included on this line, reducing the balance. The amount of funding transferred relating to REFCUS and similar adjustments was higher this year as we did some work on sorting out the Assets Under Construction balance (although this only related to ensuring the balance for the last 2 or 3 years was correct, rather than the much older work we've been doing in recent weeks).
Page 161 Street Lighting – request for a note of how the Council accounted for new street lights in the accounts.	They are recognised within infrastructure assets

EXTERNAL AUDIT TABLED DOCUMENT RELATED TO ITEM 7.

PRIOR PERIOD ERROR

The Balance Sheet in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under Construction (AUC) as at 31 March 2015 of £189.1m. Further detailed work, undertaken after the publication of the draft accounts, has identified that Assets Under Construction at 31 March 2015 totalled £34.8m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been account for as a prior period adjustment.

The nature of the error relates to the technical accounting for the classification and recognition of assets, and no evidence has been identified to suggest there is any material physical loss or failure to safeguard the Council's assets.

The value and nature of adjustments that have been made as a Prior Period Adjustment (PPA) to AUC have been categorised as follows:

Transfers to:	Amount £000	Notes
Land and Buildings (L&B) in PPE	-4,280	Transfer to Land and Buildings within PPE. These amounts relate to finished construction projects which were not transferred out of AUC and into Land and Buildings on completion.
Reserves (Revaluation Reserve)	-34,010	Assets which were double counted in both AUC and through revaluations in Land and Buildings. These assets have been written out of AUC against the revaluation reserve to the extent there is a balance in that reserve attached to them. .
Reserves (Capital Adjustment Account ["CAA"])	-73,008	As above for Reserves, except this represents the adjustment required in excess of the related balances for these assets in the revaluation reserve. This amount includes £15,813k for the correction of errors in the accounting for the transfer of assets from AUC to completed assets in prior years.
Infrastructure in PPE	10,669	Correction of errors in the accounting for transfers from AUC to Infrastructure in prior years.
Revenue Account (Capital Adjustment Account ["CAA"])	-11,345	Expenditure below the capitalisation threshold on numerous items that are capital in nature, such as expenditure on minor IT or equipment. Should have been transferred to the Comprehensive Income and Expenditure Statement (CIES) in the year during which it is incurred, and then recognised within the CAA.
Revenue Expenditure Funded by Capital Under Statute (REFCUS) (Capital Adjustment Account ["CAA"])	-42,358	Expenditure on assets that are not owned by the Council, such as Academies. This expenditure should have been transferred to the CIES in the year during which it was incurred, and then recognised within the CAA.
TOTAL	-154,332	

An analysis of the net error within AUC by accounting periods is provided in the following table:

	2014/15 Amount £'000	2013/14 Amount £'000	Pre 2013/14 Amount £'000	Total £'000
Error value within AUC – increasing/ (decreasing) AUC	2,239	-1,681	-154,890	-154,332

As the amounts relating to 2014/15 and 2013/14 are immaterial, the Council have included these within the Prior Period Adjustment for AUC recorded within the financial statements, rather than adjusting the figures for each of those years.

There are then other consequential adjustments for accumulated depreciation. The total impact on Property, Plant and Equipment (PPE) for the adjustment is therefore to reduce the value of the Council's PPE at 1 April 2013 as follows:

	Cost or Valuation £000	Accumulated depreciation and impairment £000	Net impact £000
Increase /(Reduction) in AUC	-154,332		-154,332
Increase /(Reduction) in Land & Buildings	4,280	-725	3,556
Increase /(Reduction) in Infrastructure	-10,669		-10,669
TOTAL INCREASE/ (REDUCTION)	-160,631	-725	-161,445

The adjustments above do not affect the Usable Reserves figure disclosed in the prior years' financial statements.

The following table reflects the total impact on the financial statements as a result of these adjustments:

1-Apr-13# £000	1-Apr-13 (Restated for AUC PPA) £000	Movement in Reserves Statement	31-Mar-14# £000	31-Mar-14 (Restated for AUC PPA) £000	31-Mar-15 (Draft) £000	31-Mar-15 (Final) £000	Movement (in all years) £000
732,551	571,105	Unusable Reserves	676,835	515,389	731,833	570,387	-161,446
1-Apr-13# £000	1-Apr-13 (Restated for AUC PPA) £000	Balance Sheet	31-Mar-14# £000	31-Mar-14 (Restated for AUC PPA) £000	31-Mar-15 (Draft) £000	31-Mar-15 (Final) £000	Movement (in all years) £000
853,158	856,714	Land and buildings	817,196	820,752	1,002,535	1,006,091	3,556
635,377	624,708	Infrastructure	665,429	654,760	697,793	687,124	-10,669
251,176	96,844	Assets under construction	216,723	62,391	189,132	34,800	-154,332
367,983	333,973	Revaluation Reserve	355,390	321,380	466,091	432,081	-34,010
815,855	688,419	Capital Adjustment Account	771,286	643,850	834,419	706,983	-127,436
1-Apr-13# £000	1-Apr-13 (Restated for AUC PPA) £000	Property, Plant and Equipment	31-Mar-14# £000	31-Mar-14 (Restated for AUC PPA) £000	31-Mar-15 (Draft) £000	31-Mar-15 (Final) £000	Movement (in all years) £000

1,895,096	1,734,376	Cost at 1-Apr	1,907,154	1,746,434	2,116,672	1,955,952	-160,720
-143,483	-144,208	Accumulated Depreciation and Impairment at 1-Apr	-200,608	-201,333	-217,328	-218,053	-725
1-Apr-13# £000	1-Apr-13 (Restated for AUC PPA) £000	Unusable Reserves	31-Mar-14 # £000	31-Mar-14 (Restated for AUC PPA) £000	31-Mar-15 (Draft) £000	31-Mar-15 (Final) £000	Movement (in all years) £000
367,983	333,973	Revaluation Reserve	355,390	321,380	466,091	432,081	-34,010
815,855	688,419	Capital Adjustment Account	771,286	643,850	834,419	706,983	-127,436

Balances stated after adjusting for change in accounting policy for schools as set out in Note 42.

AGS Extract

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Balance Sheet included in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under Construction (AUC) of £189.1m. Further detailed work, undertaken after the publication of the draft accounts, has identified that Assets Under Construction at 31 March 2015 totalled £34.8m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been accounted for as a prior period adjustment. The nature of the error relates to the technical accounting for the recognition of assets, and no evidence has been identified to suggest there is any material physical loss or failure to safeguard the Council's assets.

A reconciliation and data cleansing exercise has now taken place which analysed balances over the last 9 years, covering all movements into and out of AUC. All non-operational schemes have been identified and operational schemes have been analysed to determine why the balance was still recorded within AUC and where the balance needed to be transferred to. The majority of this error relates to transactions occurring between 2006/07 and 2012/13 and as a result, all adjustments required to rectify this error have now been processed as a prior period adjustment.

It should be noted that this issue is a largely historic one. The exercise undertaken has not identified any material issues related to the Council's monitoring of additions and disposals to AUC in either 2013/14 or 2014/15, but has raised issues in relation

to the transfer of balances on completed projects in earlier years and over the review process for AUC at the end of each year. The Council has now implemented new control procedures whereby the AUC balance at the end of each year will be full analysed and reconciled, and all necessary transfers made each year. Therefore no further issues should arise.

Cambridgeshire continues to face very significant future challenges associated with a significant reduction in Central Government funding, particularly from 2016/17 onwards. The Council's 5 year Business Plan is reflective of these pressures and will be subject to annual review to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met whilst continuing to provide effective services to the people of Cambridgeshire.

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2014/15 Annual Governance Statement.