

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

**Date:** 20<sup>th</sup> January 2015.

**Time:** 14.00 -16.25 p.m.

**Place:** Kreis Viersen Room, Shire Hall, Cambridge

**Present:** Councillors: S Crawford, R Henson, M McGuire, M Shellens,  
(Chairman) and Cllr J Williams

**Apologies:** P Hudson and P Topping

**Action**

### **104. DECLARATIONS OF INTEREST**

None

### **105. MINUTES**

The minutes of the meeting held on 25<sup>th</sup> November 2014 were confirmed as a correct record and signed by the Chairman.

### **106. ACTION LOG FROM MINUTES**

The Committee noted the actions taken in relation to the Minutes from the last meeting as set out in the report.

### **107. PETITIONS**

None were received.

It was agreed to take report 7 'Risk Management' as the next item on the agenda.

### **108. RISK MANAGEMENT REPORT**

This report provided the profile of Corporate Risks faced by the Council and the details of the significant changes to the Corporate Risk Register since the last report in September 2014.

The table in paragraph 3.2 provided an analysis of Directorate Residual Risks as at January 2015. Appendix 1 illustrated the profile of Corporate Risk against the Council's risk scoring matrix. There were two red residual risks. One, Residual Risk 9 'Failure to Secure Funding for Infrastructure' which remained unchanged from the previous report. The other Risk 1a) 'Failure to effectively plan how the Council will deliver services over the 5 Year Business Plan' had been increased to red residual level due to the current budget position.

Also highlighted was a new risk, 'Increasing manifestation of Busway defects (Risk 26)' This had been included, following a request from the October General Purposes Committee.

At its September meeting his Committee requested a more detailed report on Risk 9 in relation to the key controls to help mitigate this red risk. A detailed report had been provided as Appendix 3 to the current report.

Issues raised in discussion in relation to the Corporate Risk Register included:

- Risk 3 'The Council does not have appropriate staff resources with the rights skills and experience to deliver the Council's Priorities at a time of significant demand'. The Chairman suggested a major trigger was lack of trained staff / lack of training at a national level.
- Risk 9 'Failure to secure funding for Infrastructure' with reference to the 'Key Controls / Mitigation' section and specifically 6 'Strategic Development sites dealt with through Section 106 rather than Community Infrastructure Levy (CIL) and S106'. The Chairman questioned a) whether this was really a mitigation, b) queried the impact of CIL on monies obtained for infrastructure compared to Section 106 agreements and c) why Section 106 was proposed over the mix of two, as suggested by the heading. In reply it was indicated that some areas were using Section 106 agreements, while some sites CIL. It was an offset of risk, as using Section 106 agreements on strategic sites rather than CIL agreements, provided an opportunity to obtain a greater amount of money. **Action: officers indicated they would clarify this heading to the Chairman outside of the meeting.**
- Risk 15 'Failure of the Council's arrangements for safeguarding vulnerable children and adults'. The Chairman asked what the objective / target was. It was explained that the risk description related to the arrangements around safeguarding rather than the numbers requiring to be protected. The Chairman suggested that this was another area where a lack of trained staff should be considered a trigger.
- Councillor Crawford made reference to the Cambridgeshire Local Assistance Scheme (CLAS) and whether this should be classed as a corporate risk as it was not sustainable, going forward. It was clarified that the Government funded scheme had been time- limited for two years. The discussion at the 6<sup>th</sup> January General Purposes Committee (GPC) indicated that Adults Committee had considered a number of options. It was proposing to run a basic scheme until April 2016. Adults Committee were looking at a Cambridgeshire wide solution, which would involve working with a number of organisations, so funding would not just be provided by the Council. The recommendation to GPC had been for a call on reserves only for 2015/16. GPC had however deferred making a final decision to allow for further consideration by Adults Committee and General Purposes Committee on 27th January 2015.
- Risk 21 Business Disruption – The Chairman suggested that an additional result not currently listed was 'harm to customers' On the same indicator and specifically relating to Action 4 'Plan to implement Phase 3 of IT Resilience programme – duplication of key systems progress' the Chairman noted that there had been five revisions to the

Sue  
Grace/  
Jon Idle

target date and asked if the January target date would be met. He also asked whether Audit and Accounts Committee could help by seeking a report on the reason for the delays. **Action: Officers agreed to follow up on this and provide the Committee with a response on whether the action had taken place or had slipped again. If the latter, also providing reasons and details of any mitigations to achieve a target date. It was also intended to feedback the comments from the Committee to the February Corporate Risk Group.**

**S. Grace  
/ J. Idle**

- On Risk 22 – ‘The Cambridgeshire Future Transport Programme fails to meet its objective within the available budget’. Councillor McGuire indicated that this would need to be updated to take account of the member group which had now been set up, which would also change the risk description and outcomes. **Action: officers agreed to update accordingly to reflect recent changes.**
- On Risk 26 – ‘Increasing Manifestation of Busway Defects’ – issues were raised in relation to the probability score compared to what was being shown on Risk 1a). The lead officer indicated she would take this back to colleagues.
- One Member asked whether the new responsibilities required of the Council from the new Social Care Act relating to care homes placements and failures of Care Homes, would be included in the current Corporate Risk Register. It was explained that the expectation would be that this would be included in the Children, Families and Adults (CFA) directorate risk register **Action: Officers would check and confirm.**

**S. Grace  
/ J. Idle**

**S Grace**

**J Idle**

The report was noted.

## **109. 2014/15 CLOSURE OF ACCOUNTS IMPROVEMENT / ACTION PLAN**

Following the external audit of the 2013-14 Statement of Accounts, a number of internal control deficiencies were highlighted as part of the ‘Report to those charged with governance (ISA (UK&I) 260).The Committee meeting on the 23<sup>rd</sup> September 2014 requested that an update report be provided. The current report provided a detailed update to the Committee on progress towards addressing those deficiencies, as well as other process improvements, ahead of the 2014-15 closure of accounts. The report provided:

- The Closedown Improvement Plan
- Improvements to the Property, Plant and Equipment (PPE) accounts preparation.
- addressing the lack of segregation of duties within the Accounts Payable cycle and the Accounts payroll module in Oracle.
- The General Ledger to Payroll reconciliation and remedying delays in obtaining income and payroll data
- Bad debt calculation

- Avoiding material errors derived from extrapolation methodology
- Pension Fund Accounts late contributions income
- Preparation of Pension Fund Accounts
- Ensuring all transactions were processed through the Pension Fund Bank Account
- Use of suspense accounts and Posting between PF and CC General Ledgers
- Cambridge and Counties Bank valuation
- Closedown timetable amendments.

Key issues highlighted were:

- that the valuation timetable was to be agreed two month earlier. This would result in systems work being undertaken six weeks earlier with completion targeted two weeks earlier.
- On PPE the asset management system was not now due to go live until late 2015 at the earliest, so would not be available for the 2014/15 closedown. The Chairman requested details of why there had been a delay. **Action: Officers to provide details outside of the meeting.**
- In relation to the Cambridge and Counties Bank Valuation an oral update indicated that an independent valuer had been appointed to review the bank's value.

**I Smith**

**It was agreed that a further update report should come back to the March meeting**

**Chris Yates**

#### **110. RAISING THE CLEARLY TRIVIAL REPORTING LIMIT FOR EXTERNAL AUDIT**

This report sought a review of the clearly trivial reporting limit practiced by External Audit as discussed by the Committee at its November meeting.

It was explained that: for Cambridgeshire County Council for 2013/14 a) the overall materiality threshold in was £19,000,000. It was set at 2% of actual expenditure for the year ended 31 March 2014. The 'Clearly trivial reporting de minimis' threshold was set at £250,000 for Statement of Accounts. The Committee was asked to consider the following options with the report providing the advantages and disadvantages for both the Council and External Audit.

- Retaining the £250,000 'clearly trivial' limit used previously
- Raising the 'clearly trivial limit' to £500,000
- Raising the 'clearly trivial limit' to £950,000 (the maximum permissible by the external auditors)

Following discussion with PricewaterhouseCoopers, officers recommended that raising the triviality limit to £500,000 would be likely

to provide benefits to both Cambridgeshire County Council, due to potential cost reductions, and to external audit, due to a reduction in required secondary testing. Raising the triviality limit to £500,000 would raise the limit to 2.6% of the overall materiality limit, which would still remain a relatively low level in comparison to other local authorities.

**It was unanimously resolved**

To raise the level, which the external auditors classify as the threshold for 'clearly trivial' items of income and expenditure, to £500,000 in line with similar authorities.

**111. CONFIRMATION OF AUDITOR APPOINTMENT**

A report was received and noted setting out the details of the Audit Commission's confirmation of the auditor appointment for the Council. This was changing from PricewaterhouseCoopers LLP to BDO LLP from 2015/16 for a period of two years.

**112. ASSURANCE FRAMEWORK UPDATE**

This report provided the Committee with the source of assurance related to key controls for the Council using the 'Three Lines of Defence Model'. The Assurance Framework had been updated to reflect work undertaken in recent months and changes made to the Corporate Risk Register and assurances due from the 2014/15 internal Audit Plan.

Issues raised by Members included:

- In relation to AF 1b) 'Business Plan 14/15 Delivery' and under the first level of assurance with reference to 'peer reviews and complaints / consultation processes' which suggested that peer reviews were undertaken every year which was queried. **Action: There was a request to clarify how often peer reviews were sought. The lead officer indicated he would find out and write to the Committee outside of the meeting.**
- AF3 Workforce Recruitment and Retention - one member, while noting the levels of assurance, made the point that it was one sided and did not involve asking customers how staff were performing.

**J Idle**

**It was resolved:**

**to note the current version of the Assurance Framework and to agree that the next Assurance Framework Update Report should be received at the June meeting.**

**RS add to work plan**

**113. INTERNAL AUDIT PROGRESS REPORT**

The report set out the main areas of audit coverage for the period to 31<sup>st</sup> December 2014 and the key controls issues arising.

Table 1 of the report set out proposed changes to the Audit Plan. These were to add Assurance on major projects and to delete the New

Governance Model. The Chairman asked how much Internal Audit time was now uncommitted. It was indicated that this would be checked but there would not be much, due to the assurance being undertaken on major projects. The Chairman to be notified outside of the meeting.

**Action: Temporary LGSS Head of Audit.**

**J Idle**

Table 2 provided details of completed assignments / reviews.

a) Financial Governance in Schools / Schools Financial Value Standard – Moderate Assurance received

- For individual schools sampled it was indicated that 2 had only been given limited assurance. The Chairman asked that follow up was undertaken and a report be provided at the end of the calendar year as part of this report's update activity. **Action: Temporary LGSS Head of Audit to add to Internal Audit Plan.**

**J Idle**

- Concern was expressed by the Committee in discussion in relation to the size of the sample undertaken (only 10 schools) which the Chairman requested should be recorded.
- There was also discussion on whether there was any possible action to ensure non-maintained schools complied with Schools Financial Value Standard requirements. There was a request for Keith Grimwade, Service Director: Learning to be asked provide details to the this Committee as part of a future Internal Audit Update Report on any action the Authority could take to seek compliance from non-maintained schools / any powers the local authority was able to use to request such compliance. **Action: Temporary LGSS Head of Audit to discuss with Education Officer identified.**

**J Idle / K Grimwade**

b) City Deal - Substantial Assurance received.

c) Public Health Grant – limited assurance over the controls in place relating to the £1.8m of this ring fenced Grant allocated across directorates.

Relating to the sum of £170k which had not been possible to be signed off, Liz Robin Director of Public Health explained that professional assurance had been given in relation to expenditure against all the projects, but as 2013/14 was the first year, lessons would be learnt. The intention was that there would be more information on activity and public health outcomes achieved in 2014/15. The areas that could not be signed off were:

- a) public health training across directorates, where it was now recognised that this had been overambitious with training undertaken only to the value of £25k rather than £150k.
- b) the call-centre smoking cessation project had not been possible to undertake It was clarified that the underspend would be re-invested into public health preventative activities in the current year.

Internal Audit were requested to carry out a repeat audit of the Public Health Grant at the end of the financial year to check on the accountability

of the spend. **Action: to add it to the Internal audit work programme.**

**J Idle**

d) Delivery of Business Plan savings – Substantial Assurance provided.

- Table 3 listed audit assignments which were either at planning stage, were work in progress or at a draft report stage.
- Section 4 provided details of the Fraud and Corruption update. It included details of the successful bid by LGSS Internal Audit for funding of £329,000 from The Department of Communities and Local Government. This was to enhance its capacity and capability to offer Counter Fraud and Investigative Services to Councils throughout East Anglia and the East Midlands, through investing in appropriate computer software and hardware. As part of internal governance arrangements, the Committee would receive regular updates on progress as part of this regular update report.
- Section 5 highlighted that there had been a continued improved position with the 'Implementation of Management Actions'. The overall implementation rate had risen from 86% to 87%. For the next report, where actions were more than three months over the target date for implementation, explanation should be provided full. The Committee could request that the responsible officer be invited to attend the Committee and explain in person. **Action: Temporary LGSS Head of Audit.**

**J Idle**

It was resolved to:

- a) note the progress being made against the approved Internal Audit Plan.
- b) approve the in-year changes to the Internal Audit Plan
- c) Note the material findings and themes identified by Internal Audit reviews completed in the period.

#### **114. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 30<sup>TH</sup> NOVEMBER 2014**

The Committee received the above report which had been received and agreed by General Purposes Committee at their meeting on 6<sup>th</sup> January 2015. The Committee was reminded that its role was to receive the report for information so that it could consider whether effective processes were in place for financial management.

The following issues were identified requiring further information / action

##### **Page 4 Para 3.2.1 ETE Park and Ride Sites**

Request for update on whether income and usage of park and ride sites was recovering since introduction of new ticket machines. It was indicated that an update on the position would be included in the next report.

**Ian  
Smith /  
Phil  
Emmett**

## **Page 8 Para 4.2 Looked after Children Table**

The Chairman queried why a total estimate figure was not shown in the two budgeted average cost of care columns. Action: **Officers to look at whether it was possible to include in future reports.**

**I Smith**

## **Performance Indicators**

The Committee recommended that the report should include information on what action was being taken on performance targets not being met, including if a monitoring report was also going to the relevant service committee.

**Action: Democratic Services, in consultation with the Chairman, to prepare a formal reference to General Purposes Committee**

**RVS**

Page 12 Performance Targets – Indicator titled ‘Reduced Proportion of Delayed Transfers of Care from Hospital etc’ which was red in terms of the Red, Amber, Green (RAG) rating showing a downwards direction of travel.

Liz Robin clarified that:

- the Health Committee was the appropriate Committee for scrutiny of the performance of the NHS, the Executive Director: Children, Families and Adults (CFA) was responsible for Social Care discharges,
- the Service Director for Older People’s Services and Mental Health was working closely with the Hospital to ensure places where ready when required The most recent figures for delayed discharges showed there were still a number in the system. However they indicated that those for adult social care had considerably reduced and that the majority of delays were the responsibility of the Health Service., The Health Committee had asked the Clinical Commissioning Group to provide a report to their May meeting.

## **Page 21 para 8.2 - net borrowing graph**

The Chairman suggested that for this graph it would make sense at the end of the year to have a 12 month roll on, rather than start at 0.

**Page 27 Children’s Social Care Directorate reading “forecast overspend is due to the continuing need to use agency staff, which is placing pressure on staffing budgets and making vacancy and agency savings targets difficult to deliver and the number and cost of legal proceedings exceeding budget”.**

A question was raised on what was being done to address this and reduce the reliance on agency staff? Action: **officers to investigate further.**

**Ian  
Smith**

**Page 27 Looked after Children (LAC) overspend – The overspend**



figure was forecast as £1,150k. On page 8 the 'Looked After Children net variance in budget' column had a figure of £1,214k. Explanation required.  
**Officers to investigate**

**Ian  
Smith**

#### **Page 29 County Offices**

Explanation was requested on the reason for the substantial under-achievement of the projected savings target which had been £736k in the 2013/14 Business Plan. What lessons had been learnt for the future? **Officers to action**

**Ian  
Smith**

**Page 28 Physical disabilities - in the text reading "The predicted underspend will continue to need close monitoring due to possible winter pressures and the return to normal staffing levels" the Chairman asked whether this highlighted that there were insufficient staff resources and asked what the Service was doing to address it. Action: As Cllr Crawford was a Spokes on the Adults Committee, the Chairman requested that she should raise it at Adults Spokes with the Executive Director and report back on the answer to the Committee in due course.** Cllr Crawford confirmed Adults Spokes was meeting the next day.

**Cllr  
Craw-  
ford**

Page 28 - **Attention was drawn to the fact that there seemed to be almost identical repeated second paragraphs under both the entry for Central Financing and Financing Dedicated Schools Grant. Officers were asked to check if this was correct.**

**Ian  
Smith**

#### **Page 38 Reserves and Provisions**

The presenting officer to confirm that the general reserve figure for Children, Families and Adults (CFA) of 0 showing as its balance at 31<sup>st</sup> March 2015 was correct and the reasons for it and also to confirm whether CFA would have no brought forward reserves in 2015/2016.

**Ian  
Smith to  
clarify.**

The report was noted.

#### **115. DRAFT AGENDA PLAN**

The Draft Agenda Plan was noted which would be updated for those additional reports requested during the current meeting. In addition, the Democratic Services officer highlighted the new dates beyond March that would be sent out to Members of the Committee shortly. They were given as:

**RV to  
update  
Forward  
Agenda  
Plan and  
send out  
invites  
on dates**

9<sup>th</sup> June  
14<sup>th</sup> July  
22<sup>nd</sup> September  
24<sup>th</sup> November  
26<sup>th</sup> January 2016  
15<sup>th</sup> March 2016

#### **116. DATE OF NEXT MEETING 2.00 p.m. 17<sup>th</sup> MARCH 2015**

Chairman  
17<sup>th</sup> March  
2015