Report to the Audit and Accounts Committee CAMBRIDGESHIRE COUNTY COUNCIL

Value for Money Conclusion: year ended 31 March 2018



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This report summarises the results of our value for money work for the year ended 31 March 2018.

This report contains matters which may properly be considered by the Council as a whole. We expect that the Audit and Accounts Committee will bring such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Lisa Blake 16 November 2021



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Accounts Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit and Accounts Committee in reviewing the results of the audit of use of resources of the Council for the year ended 31 March 2018.



Overview

Our audit work is complete and we anticipate issuing our opinion on the use of resources for the year ended 31 March 2018 by 30 November 2021.

There were changes to the planned audit approach for use of resources following receipt of an objection from a local elector which, in our view, had potential notable implications for our assessment of the Council's arrangements. This resulted in additional procedures being performed, primarily in relation to procurement practices at the Council.

No restrictions were placed on our work.

Audit report

We are proposing to issue a qualified 'except for' use of resources conclusion because of significant weaknesses identified in the procurement arrangements in place at the Council for the year ended 31 March 2018.

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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- · Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report (issued in March 2018) we assessed the following matters as being the most significant risks regarding use of resources. We have subsequently updated our risk assessment to take into account information brought to our attention during the course of the audit and, as a result, included a further significant risk relating to potential weaknesses in procurement procedures.

Au	dit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion	
1.	Sustainable deployment of resources: Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver the quantum of savings needed in the medium term.	Sustainable resource deployment	Significant	No	
2.	Revenue generation: The Council's Business Plan includes a number of revenue generating activities. Appropriate governance and corporate arrangements will be key to ensuring these are successfully delivered.	Informed decision making	Significant	No	
3.	Procurement: Following receipt of an objection from a local elector and subsequent discussions with management, potential weaknesses in the Council's procurement arrangements were identified.	Partnership working Informed decision making	Significant	Yes, qualified 'except for' conclusion	

For clarity and context, we have reproduced the results reported in our in 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018 (which relate to the first two risks above) on pages 6 and 10 of this report. Findings of the work we have performed to update our understanding in relation to these risks are documented on pages 8 and 11 of this report.

Our findings in relation to risk 3 above are documented from page 12.

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Risk description and results reported in July 2018

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Risk description as reported in the 2017/18 audit plan

The Council's latest Business Plan 2018-2023 includes a balanced budget for 2018/19 but identifies that the Council needs to make savings of £82.7m over the next 5 years. Whilst the Council has a track record of achieving significant levels of savings, transformation is needed in order to continue to deliver this quantum of savings.

Successful transformation underpins the Council's medium term financial strategy and will require robust financial management arrangements to be in place. We have therefore raised sustainable resource deployment as a significant risk.

Work performed

We carried out the following planned audit procedures:

- We reviewed the This Land Group business case and progress to date with schemes that were in the pipeline or had been approved. We also reviewed the governance and corporate arrangements in place to monitor the company.
- We discussed with management the planned proposals for the £100m spend on commercial assets and conducted a review of relevant detailed business cases.

Results

Reproduced below are the results reported in 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018

The Council exceeded its budget in 2017/18 by £4 million, which was the forecast position from month 5 (£510k deficit in 2016/17). The overspend primarily arose within the People and Communities Directorate because of increasing demand for these services. Savings of £27.1million were delivered compared to the original target of £33.4 million (81%) due in part to delays in recruitment. The Council needed to draw on reserves to manage the overspend and had to top up the General Fund Balance at the start of the new financial year to the required minimum level of 3%, as these had reduced to 2.4% of budgeted gross non-school expenditure.

The medium term financial sustainability of the Council is a significant challenge with transformation and new ways of working needed in order to deliver the quantum of savings required. We reviewed the reasonableness of the assumptions applied by the Council in developing its Business Plan and had no matters to report. The budget re-alignment process looked at demand and trends in activity to ensure that resources are deployed to appropriate areas. 2018/19 already had a forecast overspend outturn position of £1.8m as at May 2018, with a number of other pressures and risks transparently reported and highlighted to Members that needed to be managed. Mitigation actions had commenced and there was a range of additional options available to deploy if it became necessary, a number of other mitigations were being identified in order to manage the in-year position.

Risk description and results reported in July 2018 (cont'd)

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The Business Plan continues to evolve and be updated as proposals such as the new structure for Children Services and the commercial strategy are approved and implemented. It is widely recognised that such change will take time to implement, embed and deliver and therefore the Council has prudently created an additional reserve to provide some financial resilience whilst it embarks on a period of significant change, and also to mitigate the risk attached to the more volatile budgets. Transformation monies have been drawn down in the year and the Council has seen a return on its investment from savings, due process has been followed and now there is a consistent and transparent arrangement for utilisation of the funds. Management have demonstrated a clear understanding of the challenge the Council faces and the importance of having evidence based solutions and robust arrangements to support the delivery of the financial challenge.

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When forming our value for money conclusion, we are required to take into account events up to the point at which our opinion is issued and consider whether the knowledge gained since 31 March 2018 is indicative of weaknesses in the arrangements that were in place during 2017/18. We have therefore undertaken a review of the Council's financial performance and position since we reported the results on the preceding pages to you in July 2018.

The Council reported revenue overspends in both 2018/19 and 2019/20. These were not significant, representing less than 1% of the net revenue budget for the corresponding year.

The capital programme experienced significant slippage during 2018/19 and 2019/20. The Council ended 2019/20 with an underspend of £83.8m against a programme budget of £269.9m (23.9%) having forecast slippage of £21.3m at the end of October 2019. The following two areas account for 80% of the underspend:

- Commercial and Investments underspend of £21.2m relating to a delayed investment in a multiclass credit pooled fund
- Housing schemes underspend of £46.7m due to adjustments in relation to the amount and timing of the final construction loan due to be issued in 2019-20

The table below summarises the position for 2018/19 and 2019/20 (with 2017/18 included for reference):

	2017/18	2018/19	2019/20
	£000	£000	£000
Original revenue budget per Business Plan	355,863	359,865	384,276
Final revenue budget per outturn report	354,835	352,812	384,102
Revenue outturn per outturn report	358,795	355,876	384,322
Overspend/ (underspend)	3,960	3,064	220
Overspend/ (underspend) %	1.12%	0.87%	0.06%
Capital programme budget per Business Plan	265,896	255,503	269,902
Final capital programme budget per outturn report	271,063	297,289	351,378
Capital programme outturn per outturn report	185,815	264,048	267,568
Overspend/ (underspend)	-85,248	33,241	-83,810
Overspend/(underspend) %	-31.45%	11.18%	-23.85%

The table below shows the movement in the Council's usable reserves for the period 2017/18 to 2019/20 based on the financial statements published on the Council's website (at the time of writing, the 2019/20 financial statements were unaudited):

	2017/18	2018/19	2019/20
	£000	£000	£000
General Fund	13,396	12,854	17,661
Earmarked Reserves	66,791	64,064	76,478
TOTAL USABLE REVENUE RESERVES	80,187	76,918	94,139
Capital Receipts Reserve	0	20,415	11,362
Capital Grants Unapplied Reserve	50,061	27,228	35,622
TOTAL USABLE CAPITAL RESERVES	50,061	47,643	46,984

The Council's usable revenue reserves have increased by £14m since 31 March 2018, represented by an increase of £4.3m in the general fund and £9.7m in earmarked reserves.

Update to results as at July 2021 (cont'd)

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Consideration of 2021/22 budget position and medium term forecast

In light of the pandemic and the impact it has had on local government, we have also considered the Council's latest 2021/22 budget position and medium term financial forecasts as at December 2020.

The Council has undertaken scenario planning to model the potential impact of Covid-19 on the 2021/22 budget and future years. The original scenarios forecast a gap of between £30m and £80m for 2021/22. The Council's plans were then refined based on more accurate information (as it became available) to give a revised gap of £21m.

The Council approved a balanced budget for 2021/22 at its meeting on 9 February 2021.

Consideration of 2020/21 outturn position

We have considered the Integrated Finance Monitoring Report for the period ending 31 March 2021, presented to the Audit and Accounts Committee on 13 July 2021. The report highlights a revenue budget underspend of £6.3m (1.5%) and a capital programme underspend of £50.5m (24.6%). The report acknowledges the significant slippage on the capital programme as an area where action is required and describes some of the measures being taken in this area.

Conclusion

Taking into account our findings as reported in our 2017/18 Audit Completion Report and our consideration of events after 31 March 2018 and up to July 2021, we are satisfied that proper arrangements were made during 2017/18 to secure sustainable deployment of resources.

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Risk description and results reported in July 2018

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Risk description as reported in the 2017/18 audit plan

The Council's Business Plan includes a number of revenue generating activities. These include creating This Land Group (formerly the Cambridgeshire Housing and Investment Company) and the proposed use of £100m of capital receipts to purchase commercial assets. The Council is seeking innovative ways of generating funds to support service delivery and mitigate the reduction in government funding.

The Council will need to ensure it has put in place the appropriate governance arrangements and corporate arrangements to comprehensively and effectively plan and successfully deliver the income generating activities. We have therefore raised a significant risk in relation to informed decision-making.

Work performed

We carried out the following planned audit procedures:

- We reviewed the This Land Group business case and progress to date with schemes that are in the pipeline or have been approved. We also reviewed the governance and corporate arrangements in place to monitor the company.
- We discussed with management the planned proposals for the £100m spend on commercial assets and conducted a review of relevant detailed business cases.

Results

Results as reported in the 2017/18 Audit Completion Report presented to the Audit and Accounts Committee on 30 July 2018

Income generation is one of the core strands of the Council's Business Plan in order to mitigate against decreasing government funding. It has been acknowledged that lessons have been learnt from the This Land Ltd experiences to date and that the pace of development and progress is behind what was originally anticipated has resulted in budget pressures which will need to be mitigated through other mechanisms.

The Council has recognised the importance and need for capacity and appropriate skills in order to manage such a significant programme but needs to ensure it is mindful of its overall risk appetite in such a competitive market.

The Commercial Strategy is due to be presented to Members late summer to set out the Council's direction in this area. The strategy has four key strands; a cultural mind-set shift to a commercial focus, robust contract management and procurement, consideration of traded services and investment and acquisition. Capacity has been increased with appointment to the newly created role of Director of Business Improvement and Development whose remit is to provide focussed leadership the successful implementation of the Commercial Strategy. Successful delivery of the programme will be critical to the financial sustainability of the Council in the medium and longer term.

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When forming our value for money conclusion, we are required to take into account events up to the point at which our opinion is issued and consider whether there are any matters which are indicative of weaknesses in the arrangements in place in 2017/18. We have therefore undertaken a review of business planning activities since the our report in July 2018.

The 2019-2021 Commercial Strategy was presented to the Commercial and Investment Committee for comment in March 2019, with the final version of the Strategy endorsed by the Committee the following month. An action plan to support the commercial strategy was presented to the Commercial and Investment Committee in June 2019. The Commercial and Investment Committee received quarterly updates on performance against the KPIs set out in the action plan.

In October 2019, members approved transformation funding to support the development of a commercial team within the Business Improvement and Development Directorate.

We have considered the Council's overall financial performance since September 2018 in our update against sustainable deployment of resources (see page 7).

Since we last reported to the Committee in July 2018. This Land Ltd has continued to experience significant delays in developing the sites acquired from the Council. As reported in both the Council's 2019/20 Statement of Accounts and This Land Ltd's financial statements for the year ended 31 December 2019, a revised business plan was prepared in early 2020 and approved by the Council's Commercial and Investment Committee in April 2020. The business plan highlights the requirement for additional loans funding of up to £85m to support delivery of the company's revised strategy. Management has informed us that, to date, £14m of the £85m has been advanced to the company.

We have considered the Council's overall financial performance since September 2018 in our update against sustainable deployment of resources (see page 8).

Conclusion

We note the continued challenges the Council has faced in implementing its Business Plan, in particular due to delays associated with the effective operation of This Land Limited. However, taking into account both our original findings as reported in our 2017/18 Audit Completion Report and our review of events after 31 March 2018 and up to July 2021, we are satisfied that proper arrangements were made during 2017/18 to secure appropriate governance and monitoring arrangements in respect of This Land Limited regarding the Council's Business Planning.

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Risk

In our report to the Audit and Accounts Committee in July 2018 we noted that we had received an objection from a local elector and were in the process of considering its potential impact on our conclusion.

Work performed

Following consideration of the matters raised in the objection and our wider understanding of matters relating to procurement at the Council, we have undertaken further work focussing on the arrangements in place at the Council. Our procedures covered four areas:

- Testing of a sample of procurement documentation relating to material contracts (materiality being measured with reference total value over the life of the contract) to confirm whether the Council's Contract Procedure Rules had been followed
- A review of a sample of procurement related audits performed by internal audit in 2016/17 and 2017/18 and consideration of the findings and recommendations arising from these audits
- Consideration of the findings and recommendations made by internal audit as part of their review of use of consultants, including specific findings relating to the procurement of services from V4 Limited (as reported to the Audit and Accounts Committee in November 2018)
- A review of the findings of the PKF Littlejohn report considered by the special meeting of the Audit and Accounts Committee on 31 July 2018.

Results

Our review confirmed that the Council's Contract Procedure Rules, which prescribe how officers should procure goods and services, were comprehensive and covered all aspects of the procurement process.

However, both our testing of a sample of contract procurement documentation and the work of internal audit and PKF Littlejohn identified instances where the Contract Procedure Rules were not followed. The following departures from the Contract Procedure Rules were common to each area of our review, which identified instances of failure to:

- record awarded contracts on the Council's contract register
- comply with EU procurement law for contracts with values that were, or likely to be based on costs incurred on similar work to date, over the applicable threshold
- seek, obtain and document exemptions where Contract Procedure Rules could not be adhered to
- seek approval from the Monitoring Officer where contracts exceeded the four year limit specified in the Contract Procedure Rules
- retain and maintain an appropriate level of documentation to evidence observance of due process and compliance with applicable policies, procedures and legislation.

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The matters identified by our review have been captured by the Council's own internal monitoring procedures (either during 2017/18 or after 31 March 2018) and are summarised in the 'Key Issues' section of this report (see page 17).

As part of our approach we sought legal advice on whether there had been failure to comply with EU procurement law in respect of any of the contracts we reviewed. The legal advice received confirms that there has been a failure to comply with EU procurement law in respect of two of the contracts we reviewed which left the Council open to legal challenge.

The expenditure identified by our work as being incurred by the Council pursuant to contracts made in breach of procurement law are:

- expenditure incurred in respect of a winter gritting contract awarded to Econ starting in November 2015 (£807,990 per annum for seven years).
- expenditure incurred procuring consultancy services from V4 Services Limited in July 2016 (£92,857).

We have considered whether these items of expenditure, incurred under contracts awarded in breach of public procurement law, lead to the relevant items of account being contrary to law for the purposes of section 28 of the Local Audit and Accountability Act 2014, whereby an auditor may seek a declaration from the High Court to have an item of account declared so.

While there is an argument that the items of expenditure, having been made pursuant to an unlawful contract award, would necessarily give rise to items contrary to law, we acknowledge that there are arguments that such expenditure, does not in itself give rise to an item of account contrary to law, given that the items of expenditure are one step removed from the contract award, and given the existence under procurement law of a specific route of challenge and remedy where a contract is awarded unlawfully. Such challenge has not happened here.

Taking into account the costs that would be incurred in seeking a determinative declaration from the High Court that the expenditure was contrary to law, initial legal opinion on the strength of opposing arguments in this respect, the fact that no challenge to the Econ contract has been made by any party since its award and that the contract has only 1 year to run (at a cost of £809,770), leads us to conclude that taking such action would be a disproportionate audit response. We are satisfied that reporting in the terms that we have here is sufficient to raise the key issues and associated weaknesses to the Council for them to address and, consequently, will not be taking any action under section 28 of the Local Audit and Accountability Act 2014.

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Winter gritting contract

As part of the 2015/16 business planning exercise, the Council identified winter maintenance, including the provision of winter gritting, as an area which should be subject to service review with the aim of identifying the savings required at the time.

This process resulted in enquiries being made of four potential suppliers. We understand that these suppliers were approached directly by the Council with no formal tender process followed, in breach of the Council's Contract Procedure Rules.

Two suppliers were unable to provide quotes. The remaining two suppliers quoted the following amounts per annum (excluding VAT) for a contract with a duration of seven years:

- Econ £809,770 per annum
- Supplier 2 £909,177 per annum

The figures quoted by both suppliers indicate that, at the point at which the service was being procured, the total value of the seven year contract would be between $\pounds 5.668$ million and $\pounds 6.364$ million.

A option appraisal paper was prepared by officers for Spokes (members nominated by their political party to be the spokesperson for a specific policy and service committee, in this case the Highways and Community Infrastructure Committee). This included details of the savings required by the business plan, the approach taken to obtaining quotes and the prices and services included in the offers received from the two suppliers and the nature of the service to be provided. The paper recommended that the contract be awarded to Econ. Spokes considered the option appraisal paper at a meeting on 14 May 2015. No concerns were raised regarding the recommendation in the option appraisal paper. On 21 May 2015, officers wrote to Econ to notify the company that it would be offered the contract. The contract was signed on 20 July 2015 and the service commenced on1 November 2015.

As noted above, this tender process did not follow the Council's own Contract Procedure Rules:

- The option appraisal indicated that the expected cost of the seven year life of the arrangement would be approximately £5.7m. At the time, this exceeded the EU thresholds above which EU procurement law applied and the contract should therefore have been advertised in the Open Journal of the European Union and been put to some form of competition (whether an open procurement or other wise). The Council's Contract Procedure Rules reflected this statutory requirement but this process was not followed
- Only two suppliers were able to quote for the service. The Council's Contract Procedure Rules require any EU tenders to receive at least five responses or an exemption should be obtained. An exemption was not obtained.
- The length of the contract exceeds four years and the Contract Procedure Rules required any arrangement which exceeds four years to be agreed by the Monitoring Officer - there is no evidence available to demonstrate that this was the case.

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- Spokes meetings are not formal decision making bodies within the Council and do not have authority to approve the procurement. Also, the meeting at which the option appraisal paper was presented was not minuted.
- As Contract Procedure rules were not followed, an exemption should have been obtained by officers. The Council has been unable to provide evidence that an exemption was obtained.

Failure to comply with EU procurement law in force at the time the contract was awarded, as described in the first bullet point above, results expenditure associated with the contract awarded to Econ arising from breaches of public procurement law.

Consultancy services

The awarding of consultancy services contracts to V4 Services Ltd was reviewed by Internal Audit during the 2018/19 financial year as part of a wider review of the use of consultants by the Council. The findings of this review were reported to the Audit and Accounts Committee on 22 November 2018 in the following documents under agenda item 7:

- Appendix 1 Use of Consultants Internal Audit -Final Report
- Appendix 2 Use of Consultants Internal Audit V4 Briefing Note

Appendix 2 includes a comprehensive description of expenditure incurred with V4 Services Limited between 14 December 2015 and 31 March 2018 and the processes followed to procure services from the company.

As part of our work we have considered the findings reported by Internal Audit in the V4 Services Limited briefing note and have not identified any matters which are contrary to the content of that document. We have not sought to reproduce the content of Internal Audit's briefing note in this report.

We have further considered whether or not any expenditure incurred in respect of the contract with V4 Services Limited was made unlawfully and have sought legal advice accordingly.

Our legal advisors highlighted that the payments made to V4 Services Limited between 1 July 2016 and 31 July 2016 (totaling £92,857) were effectively a modification to the contract with the company which terminated on 30 June 2016, in breach of public procurement law. The Council should have estimated the value of the modification, combined this with the value of the previous contract and run a new procurement process. Failure to do so was unlawful under public procurement law.

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Following receipt of an objection from a local The guidance on the specified criterion published by the National Audit Office in National Audit of

Conclusion

the National Audit Office in November 2017 ('Auditor Guidance Note 03 - Auditors Work on VFM Arrangements') describes proper arrangements in relation to working with partners and third parties. This includes the following:

• Procuring supplies and services effectively to support the delivery of strategic priorities.

Our review identified a number of weaknesses in the control environment governing the procurement of goods and services at the Council.

The nature of these weaknesses increases the risk that the Council was unable to procure supplies and services to support strategic priorities that were economic, efficient and effective.

We are therefore unable to conclude that proper arrangements were in place to support working with partners and other third parties in 2017/18.

The guidance on the specified criterion published by the National Audit Office in November 2017 also describes proper arrangements in relation to informed decision making. This includes the following:

- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, including where relevant, business cases supporting significant investment decisions.
- Managing risks effectively and maintaining a sound system of internal control.

We have identified instances where the Council did not follow public procurement law or its own Contract Procedure Rules, including failures to obtain and document exemptions to those rules and failing to obtain formal approval of key decisions from members.

We consider that these findings are indicative of significant weaknesses in the arrangements for partnership working and securing informed decision making.

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Accounts Committee. The Council has prepared a separate report (presented to the same Audit and Accounts Committee meeting as this report) outlining its response to the recommendations we have raised.

As the purpose of the audit is for us to reach a conclusion on the Council's use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Contract register	Awarded contracts were not always entered onto the Council's contract register. Where details of contracts were recorded on the contract register,	Failure to maintain a complete and accurate contract register increases the risk of ineffective monitoring and management of contract spend.	 Remind all officers with responsibility for procurement and contract management that all contracts must be included on the contract register.
	inconsistencies were identified between that information and the Council's procurement platform.	Failure to publish and complete and accurate contract register may also result in the Council breaching its duties under the Local Government (Transparency Requirements) (England) Regulations 2015.	2. Undertake spot checks of newly awarded contracts to confirm contract details are being added to the contract register on a timely basis and that the information is accurate and complete.
		We understand that since these matters were raised by Internal Audit, the Council has implemented a new ERP system which supports the publication of the contract register. This has replaced the shared contract register which was maintained by LGSS at the time.	 Monitor findings of Internal Audit's procurement reviews to determine whether the contract register is being maintained.

Contents Introduction		Matters identified (comprising findings from BDO review, internal			
Executive summary	Area	audit and PKF Littlejohn)	BDO Conclusion	BD	O Recommendation
Use of resources	Compliance	EU procurement law in place at the	Failure to adhere to statutory procurement	4.	Provide mandatory training to all officers
Control environment	with EU procurement	time the contracts in question were let were not adhered to. EU	rules increases the risk that unsuccessful bidders will take legal action against the		with responsibility for procurement on the requirements of the Public Contracting
Key Issues	rules	procurement law should have been	Council, resulting in unnecessary cost and		Regulations 2015 and the amendments that
Key Issues 2		applied as the contracts either exceeded or were likely to exceed	reputational damage, as well as possible interruptions to the goods and services		came into force following the end of the Transition Period, and any subsequent public
Key Issues 3		the applicable threshold requiring	procured (and the Council's own provision).		procurement legislation.
Key Issues 4		application of EU procurement law.	Since the UK's departure from the EU and the	5.	Monitor the implementation of action plans
Key Issues 5			end of the transition period, EU procurement legislation no longer directly applies to UK		agreed in response to the findings of Internal Audit's procurement reviews to determine
Independence and fees			entities (including local authorities). However,		whether Find a Tender is being used for all
Appendices contents			the UK's own applicable regulations (which, for the majority of procurement exercises undertaken by the Council is likely to be the Public Contracts Regulations 2015 which implemented EU law), have been retained with some minor amendments. Therefore the Council remains subject to a broadly similar public procurement regime (with some minor differences, for example that, while the Council is no longer required to advertise contracts exceeding the applicable thresholds in the Open Journal of the European Union, advertisement is required in the UK's Find a		tenders relating to contracts which exceed the relevant threshold (usually above £189,330 at the date of this report).

Tender e-notification service).

s					
		Matters identified (comprising			
on	Area	findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	RD	O Recommendation
e summary	Alea				O Recommendation
esources	Committee	Contracts exceeding a certain threshold		6.	Regularly publicise the online waiver form ensure all officers are aware of its existence
nvironment	approval and exemptions/	approval sought from the appropriate committee (as per the requirements of	exemptions where Contract Procedure Rules could not be adhered to increases the risk		and understand the importance of complet
	waivers		that inappropriate departures from the		the form where the Council's Contract Procedure Rules cannot be adhered to.
2		the Council's Contract Procedure Rules).	Contract Procedure Rules are not identified and addressed at an early stage in the		
3		The absence of documented and properly authorised exemptions (required where the requirements of the Council's Contract Procedure Rules cannot be met) was a common theme identified by procurement related reviews undertaken by Internal Audit during 2017 and 2018 and our own work.	procurement process, leading to breaches	7.	· · · · · · · · · · · · · · · · · · ·
r Issues 4			which may expose the Council to legal		contracts to confirm waivers are being soug and approved in all required circumstances.
5			action and reputational damage. In response to recommendations made by Internal Audit, management implemented an on-line form, available on the Council's intranet, which helps maintain an audit trail to support the waiver (previously known as exemptions) process.	8.	Monitor the implementation of action plar
ence and fees					agreed in response to the findings of Interr Audit's procurement reviews to determine whether any issues regarding waiver completion and authorisation are being identified.
appendices contents	ident review during				
			The committee paper template was updated in response to Internal Audit's findings to ensure that it included a section highlighting whether the matter being presented had any procurement implications and, if so, that they have been signed off by the Head of Procurement. This also identifies any		

matters.

potential key decisions and ensures that the Head of Procurement is aware of such

Contents Introduction	Area	Matters identified (comprising findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
IntroductionExecutive summaryUse of resourcesControl environmentKey IssuesKey Issues 2Key Issues 3Key Issues 4Key Issues 5Independence and feesAppendices contents	Area Approval of Monitoring Officer		BDO ConclusionFailure to seek approval of the monitoring officer where contracts exceeded the four year limit specified in the Contract Procedure Rules increases the risk that value for money will not be achieved due to the absence of regular market testing.In response to Internal Audit findings, the importance of obtaining monitoring officer approval for contracts exceeding four years was communicated more widely via the Council's intranet. The Summary Procurement Proposal and procurement activity logs required to be completed for new procurements were also updated to require confirmation that monitoring officer approval had been sought. It is unclear whether, as part of this process, all	 BDO Recommendation Record in writing any monitoring officer approval given for contracts exceeding four years in duration. Such approval should be held centrally by either the monitoring officer or the procurement team. Monitor the implementation of action plans agreed in response to the findings of Internal Audit's procurement reviews to determine whether monitoring officer approval is being sought in all necessary circumstances.
			whether, as part of this process, all approvals are documented in writing and retained centrally.	

Contents		Matters identified (comprising		
Introduction	Area	findings from BDO review, internal audit and PKF Littlejohn)	BDO Conclusion	BDO Recommendation
Executive summary				bbo Recommendation
Use of resources	Retention of records	A common theme underlying the matters raised in this report is the absence of written documentation to evidence and support the processes undertaken to award contracts to third party suppliers.	Failure to maintain supporting documentation which is readily retrievable increases the risk that the Council will be unable to demonstrate compliance with both its own internal procedures and/or relevant procurement legislation.	11. Update the Contract Procedure Rules to
Control environment	records			ensure that the requirement to maintain formal documentation supporting the
Key Issues				procurement process is embedded. This could
Key Issues 2				usefully be supported by the establishment of a records management and retention policy.
Key Issues 3			We understand that it is the responsibility of	12. Set up a central location for the storage of
Key Issues 4			contract managers to retain much of the	documentation related to the procurement
Key Issues 5			supporting documentation. For information not already stored on the Council's procurement system (such as invitations to tender and bid evaluations), there is no central repository, accessible by both the procurement team and contract managers, for the storage of procurement related documentation.	process which is not already held on the Council's procurement system.
Independence and fees				councit's procurement system.
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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence. Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018. Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.



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We report where we consider that the Council had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Accounts Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



DRAFT AUDIT REPORT - USE OF RESOURCES

PLEASE NOTE THAT THE WORDING OF OUR AUDIT REPORT IS SUBJECT TO TECHNICAL CLEARANCE BY OUR TECHNICAL STANDARDS GROUP

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

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Qualified conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, with the exception of the matters reported in the Basis for qualified conclusion on use of resources section of our report, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in April 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We have undertaken a review of the arrangements governing the procurement of goods and services at the Council. Our review confirmed that the Council's Contract Procedure Rules, which prescribe how officers should procure goods and services, were comprehensive and covered all aspects of the procurement process. However, departures from the Contract Procedure Rules were identified in the following areas:

· Failure to record awarded contracts on the Council's contract register

- Failure to apply EU procurement law to contracts with values that were, or likely to be based on costs incurred on similar work to date, over the applicable threshold
- Failure to seek, obtain and document exemptions where Contract Procedure Rules could not be adhered to
- Failure to seek approval of the monitoring officer where contracts exceeded the four year limit specified in the Contract Procedure Rules
- Failure to maintain adequate documentation to support the process underlying procurement decisions
- Insufficient reporting to those charged with governance regarding waiver arrangements and other intended departures from Contract Procedure Rules.

This is evidence of weaknesses in proper arrangements regarding partnership working and informed decision making.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Cambridgeshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lisa Blake

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

Xx November 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FOR MORE INFORMATION:

Lisa Blake

t: 01473 320 716 e: Lisa.Blake@bdo.co.uk The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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