

AUDIT AND ACCOUNTS COMMITTEE



Date: Tuesday, 21 March 2017

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

14:00hr

Shire Hall

Castle Hill

Cambridge

CB3 0AP

Kreis Viersen Room

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-dec-of-interests>
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14.	Date of Next Meeting 2.00 p.m. 30th May 2016	

The Audit and Accounts Committee comprises the following members:

Councillor Michael Shellens (Chairman)

Councillor Barry Chapman Councillor Sandra Crawford Councillor Roger Henson Councillor Peter Hudson Councillor Mac McGuire and Councillor Peter Topping

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

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AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 24th January 2017

Time: 2.00 – 4.20 p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: I Bates (substituting for Councillor McGuire), B Chapman, S Crawford, R Henson, P Hudson M Shellens, (Chairman) and P Topping

Also present by invitation: Councillor R Hickford

Apologies: Councillors: M McGuire

Action

272. DECLARATIONS OF INTEREST - None

273. MINUTES OF THE MEETING HELD ON 29TH NOVEMBER 2016

The minutes of the meeting held on 29th November 2016 were confirmed as a correct record and were signed by the Chairman.

274. AUDIT AND ACCOUNTS MINUTES ACTION LOG

The Audit and Accounts Minutes Action Log update was noted.

CHANGES TO THE ORDER OF THE AGENDA

The reports below were taken at the meeting as reflected in the minutes below which was in a different order to how some of them were listed on the agenda.

275. INTERNAL AUDIT PROGRESS REPORT

This report provided an update on the main areas of audit coverage and the key control issues arising for the period 1st November 2016 to 31st December 2016.

Paragraph 1.1 listed the audit assignments which had reached completion since the previous Committee report. (set out as Appendix 2 to these Minutes) Section 4 set out more detail on the summaries of completed audits with moderate or less assurance, with an oral explanation provided of the key recommendations and the actions now being taken. With regard to the 'financial risks in schools audits', an oral update to the report text indicated that completed action plans to address the issues from the audit had been received from four out of the five outstanding schools. The one that remained was the subject of follow up action. **Action. At the time of the report publication the letter of significant concern was being drafted to go to the school that had received no assurance. The target date was the end of January. The Chairman requested confirmation of it being sent**

M Kelly

out.

Reviews had been undertaken of the financial processes and transactions at both Cambridgeshire County Council's residential units for Looked After Children. For the Victoria Road Unit moderate assurance had been provided, while only limited assurance had been given regarding the Hawthorns Residential Unit, which had since completely closed down. In response to the findings from this audit, it had been agreed that a draft financial procedure for residential units would be created and shared with Internal Audit for comments, with a final policy to be agreed by the end of January 2017. **Action: confirmation of this action being completed to be provided to the next meeting.**

M Kelly

Table 2 set out the audit assignments which had reached draft / interim report stage. Further information on work planned and in progress was set out in the Audit Plan attached as Appendix A.

Section 2 updated details of:

- the current Human Resources caseload of work being progressed by HR primarily relating to disciplinary matters was set out in table 4. There had been a reduction in attendance management in social care teams from 143 reported to the November meeting to 89 at the beginning of January,
- Current internal audit investigations relating to fraud and corruption.

Outstanding management actions were summarised in Table 5, including a comparison with the percentage implementation reported at the previous Committee. An oral update indicated that an additional five had been closed since the publication of the report. One correction was required; the percentage shown for "actions due over 3 months ago but not implemented", should have shown a figure of 3% as opposed to 4%. A summary of the outstanding recommendations, and the progress with implementing them was provided in Appendix B of the report.

Section 5 'Other Audit Activity' provided an update on:

- The Public Sector Internal Audit Standards External Review regarding compliance by Internal Audit in December 2016. This identified no areas of non-compliance that would affect the overall scope or operation of Internal Audit activity and was an extremely positive result. Some areas of improvement had been identified, including a revision of the current terms of reference template used by Internal Audit. The draft action plan would address the areas requiring improvement before a follow up assessment was conducted in 2016-17. **Action: The Chairman requested milestone dates be provided.**

M Kelly

- The Troubled Families Grant Process Review had now been completed, with Internal Audit working closely with the service to monitor progress on the claims made against the grant. **Action: the Chairman requested progress updates be provided in future reports.**
- Changes made to the Internal Audit Plan following its re-assessment to ensure resources were prioritised to the areas of highest risk facing the Council.

M Kelly

Section 6 provided an update on the implementation of actions from the Audit on missed, short and late calls in Domiciliary Care. **Action: regarding the recommendations around changing the format of the Soft Concerns Record which had not been implemented due to the lead officer having left the authority, the Chairman requested updates on progress be provided in future reports.**

M Kelly

Having considered the contents,

It was resolved:

To note the report.

276. CAMBRIDGE LIBRARY ENTERPRISE CENTRE (CLEC) UPDATE

Under his discretionary powers the Chairman agreed to take this as a late report as it had been requested for the meeting and had been published less than five working days before the meeting.

The Committee received and noted the further progress report implementing the key recommendations / agreed actions to improvements the authority's project management processes, procedures and guidance.

The original report had been presented to the September 2015 Committee and by July 2016, 22 actions had been successfully implemented, with 11 actions outstanding. Of these, 10 were to be addressed through an update to the Council's project management policies and procedures within the remit of the Transformation Team, while the other action involved introducing a Confidentiality Agreement Policy. For the latter, a draft policy had been agreed with the Director of Law and Governance who had stated that the Policy did not require further approval by General Purposes Committee and could be implemented immediately. **Arrangements were being made to make it available on the intranet. The item could be marked as closed, once it was available on the intranet.**

Q Baker
/ M Kelly

The update indicated that all outstanding actions were now in a position to be closed with the details of the proposed implementation against each one provided in the body of the report and highlighted orally in the presentation including:

- the review of Project Management and the Gateway Review process - had developed a specification for a new project management system for the Council which should be available by Mid-March.
- Options appraisals - details were provided of the newly created Commercial Board with responsibility for the Council's Contracts Register, reviewing procurement opportunities and considering requests for exemptions from Contracts Procedure Rules.
- Business cases – These were now required for projects to gain approval as part of the Council's Business Planning process.
- Public Consultation - the new project management software would ensure that projects identified the key customers required to be consulted at each stage.
- In future all projects were required to identify a single accountable decision maker. The Chairman expressed surprise that this was not already the case.
- An induction programme was currently being developed for members of the Transformation Team to be followed by a general programme of project management training for the whole Council.

It was suggested that the Committee should invite the new Head of Transformation to the Committee meeting in May to provide a further progress update on the Transformation Programme and implementation of the new project management software and processes. There was some discussion regarding whether it would be fair for the first Committee of a new Council, which could have a potentially very different membership, to receive the proposed update report. However, as the following meeting would mainly be reviewing the draft accounts it was agreed to leave the proposed update for the May meeting.

having commented on the report,

It was resolved:

- a) to note the progress made against the Cambridge Library Enterprise Centre Review Action Plan;
- b) to agree to invite the Head of Transformation to the May meeting of the Audit and Accounts Committee, to provide a further update on the implementation of revised project management processes and the Council's Transformation Programme.

**M Kelly /
R
Sander-
son**

277. ELY ARCHIVES

The Chairman agreed to take this as a late report under his Chairman discretionary powers as it not been possible to finalise and sign it off at the time of the original despatch. The reason for urgency was the need to consider it in advance of the next report on the Ely Archives project

being presented to the Assets and Investment Committee on 27th January. Further to the latter Committee requesting an Internal Audit review, its Chairman Councillor Hickford was invited to attend the current meeting and contribute to the discussion on the findings of the Review.

It was explained as background that on 21st October 2016 the Assets and Investment Committee had received a report on the project to develop an archives centre on the site of the former Strikes Bowling Alley in Ely, identifying that the latest estimated cost of the project had increased by £860k. This led to the referral to this Committee with a request for a review to scrutinise officer processes and to identify whether any internal lessons could be learned.

The Internal Audit Review undertaken:

1. Documented the original scheme, brief and budget;
2. Documented the timeline including key decisions/revisions regarding scope, cost and budget;
3. Identified the causes of cost variation;
4. Evaluated the project's governance arrangements.

The conclusions were that:

- The previous Committees had not been provided with a level of detail to enable them to fully understand the risks associated with the estimated project costs. Consequently, the significant increases in the estimates during the design and procurement stage of the project were not anticipated by Members and this had placed unexpected pressure on the capital budget.
- The latest report to Committee with the cost estimate did not include sufficient narrative around the unresolved risks that could again result in a higher estimate and final cost for the project.
- Contract Procedure Rules were followed, other than with regard to the exemption regarding the appointment of the design contractor which should have been approved for a higher amount (This was expanded on in section 5.3 of the report).
- Project governance arrangements did not breach Council policy, although there were areas for improvement.

The report set out the key lessons that had been learnt with the recommendations as listed in Appendix 1 to these minutes. An action plan for implementation of the recommendations was set out at Section 7 of the report.

Having received the report the Committee raised issues / made comments including:

- Councillor Hickford highlighted that the request for a review was to focus on the need to seek measures to prevent over and

underestimating large capital projects, which in this case amounted to millions of pounds. He placed on record his thanks for the work undertaken by the Internal Audit officers for an excellent and very timely report and recommendations, especially as his Committee had stopped work on the project for two months to seek other options to ensure the Council was obtaining value for money.

- Asking what had been the cost of works undertaken so far. In response it was clarified the only current cost had been the price paid for the land.
- Page 13 - with reference to the recommendation on improving officer compliance with existing policies and procedures, questioning whether the current procedures were sufficient and sustainable and could stand up to robust examination. Internal Audit responded that they were satisfied that the Corporate Transformation Team were committed to developing project management training and that the recommendations took account of best practice from other authorities. The recommendations were seen as being a significant step forward, but even with them, the Deputy Chief Executive could not promise there would never be future errors as officers were human and made mistakes, however robust the procedures put in place.
- Some concern was expressed regarding that while the action plan was being progressed, there could be similar issues occurring with other, current projects. In response it was explained that 90% of projects were either within Education or Highways where there was considerable project management expertise due to the number of projects undertaken. This resulted in tried and tested processes being in place. The current highlighted project fell within the other 10% relating to ad-hoc projects, that by their nature were one off and were areas where there was insufficient in house expertise with regard to the non-regular issues that could arise. In these cases interim project managers had to be used. Even going to the market did not always guarantee sufficient expertise was obtained or was available. This was being addressed by using a managed services provider but would be at a higher cost. Optimising project management skills to address the current shortfall was seen as a priority. The Chairman of the Economy and Environment Committee made the point that as there was considerable project management expertise in Education / Transport areas of the Council, more use should be made of seconding their expertise for other projects.
- What was highlighted from the current review was that the project reporting lacked realistic risk assessments. In discussion there was agreement to the need for officers to highlight to Members that projects required a margin for error to be built in and Members needed to accept this. In terms of constructive officer - member relations this was seen as an important issue to be

included as part of the training induction programme for both new Member and existing Members, post the May elections.

- With reference to page 15 of the recommendations and proposed actions appendix, there was a query on why in the actions column recommendation 6 had the comment “to be confirmed”. In response it was explained that the actions document was at an early draft stage due to the very tight time constraints of finalising the report to achieve presentation to the current meeting and in some cases, such as the example given, it had not yet been agreed internally who was the best placed action owner.
- One Member suggested that some of the prices quoted seemed very soft with the original price having a 10% contingency allowance. He suggested that the whole business case appeared to be based on estimates rather than clear figures. In response it was explained that early project milestones do not provide detailed costings, and that the accuracy of the costings was refined during later milestones.
- Linked to the above was the fact that in this case, opposing priorities were given by separate committees at different times, seeking different outcomes. The Service Committee had instructed officers to find an archives site in Ely and this had led to a prestigious design being pursued. When it was later reported back to General Purposes Committee with the higher costs than the original budget allocation, officers were asked to contain it within the original lower budget provision. At this point officers should have explained that this was not realistically possible.
- In respect of whether there was an overview being taken of capital projects, this was the role of the Capital Programme Board who reported to Assets and Investment Committee and had taken over from General Purposes Committee specific responsibility for monitoring capital projects.

The Chairman in summing up the debate sought the Committee members' views on whether the recommendations / processes outlined in the current review would be sufficient to avoid some of the problems highlighted, while accepting that there was always the possibility of human error.

There was a discussion of the need for Internal Audit, possibly as part of next year's programme of works, to review other capital projects to establish whether this had been a one off case.

It was proposed that as the March Committee was the last Committee before the elections, there should be an update report on progress against the recommendations and for Internal Audit to programme some random tests from the list of other Capital projects for a later date. The Head of Internal Audit clarified that a report back at March would not be a complete picture as many of the recommendations were for implementation by April.

This was accepted and it was resolved;

To receive back to the March meeting a stepping stone progress report.

278. VALUATION OF HIGHWAYS ASSETS

In accordance with the Chartered Institute of Public Finance and Accountancy (*CIPFA*)'s Code of Practice on the Highways Network Asset (the Highways Code) the County Council is currently required to report the value of the highway assets for which it is responsible. Originally a new 'Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' was to require the Council to report Depreciated Replacement Cost (DRC) figures for highway assets for its 2016/17 accounts. However, recently CIPFA announced the postponement of the implementation of the DRC requirement, with a view to implementation in 2017/18.

The current County Council reported historical value of the infrastructure asset (which includes Highways Network Assets) is just over £700 million (reported as part of the Council's 2015/16 Statement of Accounts). Under the new reporting requirements, the Depreciated Replacement Cost for Highway Network Assets will be reported which in 2015/16 had been valued at over £10.5 billion. As good advance notice had been received of these accounting changes, the Highways Asset Management Team and Finance Team had been working closely together and had developed a project plan which it was considered would enable the Council to be in a good position to comply with the Highways Code requirements.

In terms of the risks associated with the new financial reporting requirements these were highlighted as being:

- small proportional errors on the significantly higher valuation figure might result in high absolute variations in the valuation. This could then lead to potential qualification of the Council's accounts. However, the procedures being put in place, including the revised project plan, were expected to mitigate the likelihood of errors occurring, with a common methodology being used, which was also the subject of regular discussion forums with other authorities.
- For 2017/18, the date for closure of the accounts for all authorities was being brought forward to 31st May 2018 which was also the likely first implementation of the DRC reporting requirements. The new updated project plan, would reflect this new faster closedown timescale.
- CIPFA provides toolkits and documents to enable Highways officers to produce DRC figures in accordance with the Highways Code. Previously these toolkits had not always been provided in a timely manner. The production of the 2017/18 figures in

accordance with the revised deadline for the accounts would be dependent upon the timely provision of these tools.

The third risk above was the one of particular concern to Members, especially if it endangered the timely production of the Accounts, in what was already a very compressed timetable. It was explained that the requirement for timeliness had already been raised with CIPFA and Highways officers would emphasise it further via the Eastern Highways Alliance and other representative groups. In terms of officer resources, the majority of the work was undertaken within the Highways Service, for which there was currently sufficient resources to carry out the work required

It was resolved:

To note the progress of the project to ensure that auditable figures for the valuation of highways assets are provided, in accordance with CIPFA requirements.

279. REGISTRATION OF LAND PURCHASED FOR HIGHWAYS PURPOSES

This report was in response to a previous request from the Committee to receive an update on the 18 month project to electronically register all 6,000 parcels of land (total area about 1,800 hectares) purchased for highways schemes with the Land Registry. The land represented assets of considerable value as resources for future transport schemes. It was explained that they were being registered to secure the value of the assets financially and legally in terms of the rights they represent and to prevent adverse possession. A Member asked if this had occurred in the past. In reply it was indicated that some land had been previously been 'land grabbed' in the Wisbech area which had led to the current review.

In response to a question it was indicated that there was no estimate of the total value of the land, due to the large number and wide geographical spread of what were often small plots. However, as an example of the potential, it was highlighted that a small plot of urban land in Newnham, Cambridge realised a price of £40,000 in 2013. The expectation was that the total value of the land to be registered would be more than £1m.

The report explained that the project has been delayed resulting in a revised completion date of Autumn 2018, with the detailed reasons set out in the report. As a result, the £25,000 (based on the Land Registry's quotation received on 30th September 2015) operational savings funding set aside for the project, would need to be rolled forward to be spent in the financial years' 2017-18 and 2018-19.

Questions were raised as to the minimum level of land that was required for highways activity, whether the authority could shed small parcels to reduce administration costs and the potential to sell off any surplus pieces for housing / social care activity. Further to this point, it was

requested that this should be investigated and included in a stepping stone report on progress to come back to Committee in six months' time.

It was resolved:

- a) To note the revised timescale for the project and the proposal to roll forward the requisite funding into 2018-19.
- b) To receive a progress report to the July Committee meeting including details of investigations made into the potential for any land to be classed as surplus with potential sale value.

**C
Rhodes**

280. REPORT ON THE LEARNING POINTS FROM THE PRODUCTION OF THE 2015-16 STATEMENT OF ACCOUNTS

The Council's draft Statement of Accounts for 2015-16 were published on 30th June. However the final audited opinion was only able to be issued on 17th October 2016, therefore missing the statutory deadline of the end of September. Since the conclusion of the 2015-16 accounts, County Council officers had met with the External Auditors BDO to review the accounts production and audit process. As previously requested, the Committee received a report summarising the learning points from the production of the 2015-16 Statement of Accounts, outlining proposed changes to systems and processes for the preparation of the 2016-17 Statement of Accounts and also those for the 2017-18 accounts. The key would be to undertake a lot more work as part of the Interim Audit to reduce what needed to be undertaken during the summer. The main recommendations were listed under the following headings and included:

Timetable and scheduling

- a) To address the needs to meet the CCC democratic timetable, the 2016-17 Statement of Accounts aimed to be ready for sign off at the end of August 2017.
- b) BDO had agreed to produce a Gantt chart for 2016-17. This would list the tasks involved in the process, outline the level of resources required, include contingency, and would reflect the risk profile of the work. CCC would ensure that its internal closedown timetable was in line with this Gantt chart. The intention was that this would be passed over to Finance officers by the ends of the week. **Action the Chairman requested to see the Gantt chart.**
- c) Regular monthly liaison meetings have been arranged between CCC officers and BDO to monitor progress.
- d) An escalation protocol was to be agreed between CCC and BDO to ensure that should any issues arise during 2016-17, they would

I Jenkins

be raised at an appropriate level and on an appropriate timescale to allow mitigating actions to be undertaken.

Records Required Listing

The supporting documents provided to BDO by CCC for 2015-16 were sometimes not what the auditors had intended, and on several occasions further information had to be provided after the initial request.

- a) For 2016-17 BDO will add as much detail as possible to their records required list to allow the appropriate documents to be supplied at the start of the audit.
- b) A draft records required listing was supplied by BDO on 3rd January 2017 to be reviewed by CCC officers with the final version to be agreed at the February liaison meeting.
- c) BDO to also supply guidance to CCC on the types of acceptable audit evidence, to be incorporated into the records required listing.
- d) Any documents required from schools to be advised by BDO in sufficient time to enable them to be provided prior to the school holidays.

Journal listing

One of the items requested by BDO during 2015-16 was a complete listing of all transactions from the general ledger for the financial year. Due to specifications and the amount of data involved, this could not be produced directly by CCC officers. Officers have been liaising with Fujitsu to agree the parameters for this report to allow it to be produced earlier than in 2015-16.

Interim Audit

- a) For 2016-17 BDO will be onsite for 5 weeks commencing in February. The aim is that, where possible, data up to the end of period 9 will be audited; reducing the amount of testing required to be undertaken during the main audit.
- b) Other audit testing will be completed during the interim audit. Barry Pryke indicated that the BDO work programme aimed to ensure filed work was completed by the end August which would give time for follow up and ensure sign off of the accounts would be completed this year by the end of September.

Activity Log and IT Access for BDO

It has been agreed with BDO that the activity log needed to be a live

document showing the current position at any one time. As it had proven difficult to arrange remote access for BDO to the CCC network, a share-point site has been set up by BDO on their site able to be accessed by both CCC and BDO officers. In response to a question regarding whether the system would work, it was a tried and tested system.

It was resolved:

- a) To note the report.
- b) To receive a specific report at the March meeting on the implications of the changes to the statutory deadlines for the production of the 2017-18 accounts.

**I Jenkins
/ J Lee**

281. CORPORATE RISK REGISTER (CRR) UPDATE

The Committee received the latest version of the Corporate Risk Register.

Following the review of the CRR by SMT on 15th September, it was reported that SMT was confident that the CRR was a comprehensive expression of the main risks faced by the Council and that mitigation was either in place, or in the process of being developed, to ensure that each risk was appropriately managed. Appendix 1 showed the profile of Corporate Risk against the Council's risk scoring matrix.

Attention was drawn to the following two risks which had changed since the last report to the Committee:

Risk 9: Failure to Secure Funding for infrastructure

SMT considered that the residual risk score could be reduced from a red to an amber risk which ETE Directors had approved. Although the requirements for infrastructure remained very high and funding was not likely to meet all needs, officers considered that the Devolution Deal and the funding opportunities it provided, along with the Local Enterprise Partnership growth deal, combined with the mitigating actions, justified this risk change. There was discussion of this later in the debate with the Chairman of the Economy and Environment Committee highlighting the additional £170m to be provided for housing and £20m additional money to be provided year on year as part of the Devolution Deal.

Risk 22: The Cambridgeshire Future Transport programme fails to meet its objectives within the available budget

This risk has been refreshed and renamed as 'The Total Transport project fails to identify and implement affordable solutions that allow service levels to be maintained' and had been approved by ETE Directors.

Section 2.4 of the report provided a response to the general points raised from the Audit and Accounts Committee on 20th September 2016

where the Chairman had highlighted the following three issues of concern with the response set out in italics:

1. The risk that the lack of Council funds would lead to gaps in service provision and the inability to achieve the Council's aims. *Response from SMT: The Business Plan sets out the Council's aims and objectives for the next 5 year period. Risk 1b, 'failure to deliver the current Business Plan 2016-2021', contains a number of controls and actions to ensure that the risk of not achieving the Council's aims is mitigated or avoided.*
2. The risk that the failure to recruit to low paid jobs could lead to serious issues, such as a lack of supply of care providers. *Response from SMT; The Children, Families and Adults Directorate has a number of controls and actions focused on working with the care provider market to mitigate this risk, including working with the sector on recruitment, training and career development.*
3. The need to look at not only the services the Council was providing, but also identifying those services that it ought to, but was not, or was no longer able to provide. *Response from SMT: The business planning process looks at all services the Council provides, and, as noted in the controls for Risk 1a, includes full consultation with the public and the use of data, research and business intelligence to inform the planning process. All changes to services resulting from the planning process are supported by community impact assessments which are published alongside the Business Plan. The Council is now taking a transformational approach to its business planning, and in some cases is developing new services to meet need (for example the development of a district-based delivery model in children's services, or the new Adult Early Help service in adult social care). The Innovation Fund has also been launched, to help people to stay safe, independent and well in their community, through this fund local organisations can bring forward proposals to respond to local need.*

The Chairman in reply suggested that the response to point 2 above was potentially self-delusional, as with a result of BREXIT, there was going to be a large decrease in the labour supply for adult social care workers from the EU. This would require social services to attract workers from other jobs, which he did not see happening.

The Vice Chairman Councillor Topping suggested Appendix 1 should have been in colour and made reference to examples of different formats that he had obtained from other authorities that he had previously made available to Dan Thorp and made the comment that the presentation without the numbers of the risk (*which had previously been provided*) did not make it easy to understand. **Action: Tom Barden undertook to seek out the examples previously sent and discuss**

**T.
Barden**

further with the relevant officers to look at ways of improving the presentation.

The Chairman indicated that he had previously asked for feedback from the exercise carried out by officers to look at other Corporate risk registers on whether SMT considered any changes were necessary to take account of potential risk gaps. He had at a previous meeting made suggestions for further additions (e.g. *Terrorism attacks*) and had not, as yet, received a response. **Action: The Chairman still wished to receive official confirmation regarding the exercise and whether from the analysis, officers believed any additional risks should be added.**

Tom
Barden /
Sue
Norman

In further discussion on the issue of the number of Corporate Risks, there was a difference of opinion between the Chairman, who believed there should be more added, and the Vice Chairman, who indicated that most organisations in his experience only held about 10 corporate, high level risks. In his view the County Council Corporate Risk Register contained too many risks and challenged whether the level of detail was accessible to senior management and asked that his views should be passed on.

Later on during discussion the Head of Internal Audit provided details of a benchmarking exercise that they had carried out with 11 authorities which showed that Cambridgeshire, with 15 Corporate risks, was the third highest, with the mid-point tending to confirm the figure of 10 or 11. **Action: the Head of Internal Audit undertook to furnish Tom Barden with the details.**

Duncan
Wilkin-
son

Other issues raised on the Corporate Risk Register itself included:

- 1) Risk 1b Failure to deliver the current 5 year Business Plan 2016-2021 - Trigger 3 reading 'Organisations not sufficiently aligned to face challenges' – the Chairman asked whether those in the Council were. In response it was indicated that this was being reviewed. The Chairman expressed concern that for such an important risk there seemed to be few actions and requested that this be looked at further. Councillor Chapman suggested there should be some reference to the right skills / resources being available.
- 2) Risk 3 'The Council does not have appropriate staff with the right skills and experience to deliver the Council's priorities at a time of significant demand pressures' The Chairman linked this to the earlier point regarding what the position would be when the UK left the European Union where he had seen figures saying there would be a loss of 2.4 million migrant workers and a gain 1.2 million older people with huge potential implications for adult social care, which he considered was a real and significant risk.
- 3) Risk 4 'The Council does not achieve best value from its procurement and contracts' - This linked to the item earlier on 'Ely Archives' and might require updating to take account of the

recommendations made by Internal Audit. Action: The Chairman suggested that there was a dearth of actions in respect of trigger 5 that should be looked at further.	<hr/> T Barden
4) Risk 9 'Failure to secure sufficient funding for infrastructure' – a) The Chairman asked that he be provided with a definition of what was considered to be "sufficient funding" b) Councillor Chapman commented that there was no reference to actions for addressing areas of the County with the highest level of growth and expressed concerns regarding CIL funding needed for County Council projects being reflected. The Chairman made reference to silo mentalities and the use of inter- authority assets and assets which had been decommissioned e.g. Hawthorns Home closure - being used for other purposes and being a potential control / mitigation.	T Barden / T Oviatt- Ham
5) Risk 15 'Failure of the Council's arrangements for safeguarding vulnerable children and adults'	
a) The Chairman made reference to his concerns that DBS checks on taxi drivers being used by Councils was still not robust enough especially when a replacement driver was provided at short notice.	
b) Councillor Crawford suggested that the probability score should be higher to reflect the current issues regarding delayed transfers of care from hospital, not enough care home places were available and that the delays in assessments were adding to the problem. Action: Officers to revisit the scoring to see if a change was required and circulate to the whole Committee.	T Barden
6) Risk 20 'Non Compliance with legislative and regulatory requirements' – The Chairman suggested that loss of staff and the use of agency staff should be a consideration. With respect to the key controls section and the Anti-Fraud and Corruption Strategy, Internal Audit had informed him that a timetable to implement recommendations of an Anti-Bribery Policy by March 2016 had not been implemented. He also highlighted that there were no actions against this risk.	T Barden / M Kelly
7) Risk 22 The Total Transport project fails to identify and implement affordable solutions that allow service levels to be maintained – The Chairman in noting that three actions had been completed required a progress update regarding the fourth action with reference to a new flexible minibus service being scheduled to introduced in January 2017. There was a suggestion from the Chairman that the probability rating of 2 should be increased to 5. In response the Chairman of the Economy and Environment Committee Councillor Bates stated that this might apply to some parts of the County but not all, highlighting that Cambridge and market towns had better transport provision than rural areas, suggesting that the score might possibly require to be more than 2 but not as much as five. The officer was asked to look at the probability rating again.	T Barden / T Oviatt- Ham

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| 8) CR26 'Increasing manifestation of Busway Defects' in respect of the independent experts report which had been presented to General Purposes Committee the Chairman suggested that they needed to be updated on what was actually happening not just the production of a report. | |
| 9) Risk 27 'The Pension Fund has the potential to be materially underfunded' – Reference should be made to the triennial review which the Chairman suggested had resulted in the probability risk reducing from 3 to 2. Action 1 had a target date of December 2016 and needed updating. | T Barden |
| 10) Risk 29 'Failure to address inequalities in the County Continues' – the action regarding the implementation of health inequalities aspects of Joint Health and Wellbeing Strategy had a target date of December 2016 and needed updating. | T Barden |
| 11) Corporate Risk 30 – 'Failure to deliver Waste savings / opportunities and achieve a balanced budget' action 6 had a target date of January 20`117 while actions 7 and 8 still had revised target dates of December 2016 and therefore the latter two at least required updating. | T Barden
/ T
Oviatt-
Ham |
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It was resolved:

To note the latest Risk Management Report and to receive updates on those issues raised.

282. INTEGRATED RESOURCES AND PERFORMANCE REPORT TO END OF NOVEMBER 2016

This report which had been agreed by General Purposes (GPC) Committee on 10th January was presented so the Committee could assess progress in delivering the Council's Business Plan.

Comments / issues raised by Members included:

- With reference to para 3.2.2 Learning Disability Services - the Chairman highlighted that since the last report to the Committee in November, the forecast overspend had increased from £1.31m to £1.4m.
- The Chairman expressed his concern regarding the forecast overspend for Looked after Children (LAC) , now forecast to be £3.5m, which was an increase of £0.5m on the previous month. Sarah Heywood indicated that she had sent the Chairman the latest LAC update document and would be happy to circulate it wider. As this budget had, for many years a history of overspending, rather than being provided with the details of the care for the children, what the Chairman wished to know was what measures were being taken to improve future forecasting. **Action: The Interim Director to be asked to provide an**

S
Heywood
to take
up with

explanation of the reasons for the overoptimistic forecasts for the LAC numbers and what measures were being looked at to set a more realistic budget at the beginning of the new financial year.

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Page 7 (101 of the sequential agenda) Performance Targets

- Performance Indicator: **‘Additional Jobs created’ the target appeared to have been surpassed and yet the direction of travel was down. This required explanation.**

**S Hey-
wood**

Page 8 (102) Performance Targets – Performance Indicator ‘Reduced proportion of Delayed Transfers of care from hospital per 100.000 population’ – it was highlighted that this had a monthly total of 577 considerably more than the target of 429 per month.

Page 9 (103) Performance Indicator - The number of LAC per 10,000 children – as referred to earlier, this was showing an increase over target with the figure being 47 against a target of 40.

Page 9 Performance Indicator – ‘the percentage of all transformed action types to be completed on-line’. **There was a request for an explanation of why the actual percentage of 55.83% was so much lower than the 75% target and whether it was affected by bus pass take up.**

**S Hey-
wood /
S Grace**

Page 16 (110) Level of debt outstanding table - for both categories 4-6 months and over 6 months, the current actual figure was considerably above the year-end target. **The Chairman asked for more detail on whether the expectation was that the target would be achieved at year end.**

**S Hey-
wood**

It was resolved:

To note the report and the recommendation agreed at the General Purposes Committee on 10th January.

283. AUDIT AND ACCOUNTS FORWARD AGENDA PLAN

Noted with the following additions agreed at the meeting:

- To receive a specific report at the March meeting on the implications of the changes to the statutory deadlines for the production of the 2017-18 accounts.
- Report back to March meeting on progress against the Ely Archives recommendations
- Head of Transformation to provide a further update on the implementation of revised project management processes and the Council’s ‘Transformation Programme’ to the May meeting Committee.

284. DATE OF NEXT MEETING – 21st MARCH 2017

Chairman
21ST March 2017

RECOMMENDATIONS FROM INTERNAL AUDIT FOLLOWING REVIEW OF ELY ARCHIVES PROJECT

PROCUREMENT OF THE STRIKES BOWLING ALLEY:

Control environment:

- Before the Council embarks on an options appraisal for a project to acquire property, Spokes should be consulted on the brief.
- For projects which constitute a Key Decision under the Council's Constitution, a Business Case should be completed and approved by management, which should then be provided to Members in full at the point when the budget or purchase is approved. If, due to time constraints, sufficient detail is not available for this to be completed in full at the point of budget/purchase approval, detailed information regarding the risks of the purchase should be provided, and the completed Business Case should be brought back to Members at a later date to approve the scope.
- A clear change control process for changes in project scope should be in place for all major projects, including Member approval. Approval of a purchase (or subsequent Business Case) by Members should represent a design and cost freeze on the project.

Compliance:

Officers have a duty to provide sufficient, accurate information to Members to enable informed and effective decision-making:

- When figures from a significant project are reported to Members to inform their decision-making process, the level of risk around the figures should be clearly communicated, and in some circumstances it may be more appropriate to give an estimated cost range rather than a specific amount.
- Officers need to be candid about the level of assurance they can provide over figures and the reason(s) for any caveat to projected costs. Definite assurances over final project costs cannot be provided at Milestone One phase.

PROCUREMENT OF DESIGN CONTRACTOR:

Control Environment:

- A report should be taken to the project's single decision maker to sign off decisions over the proposed procurement approach to be taken by major Council projects.

- Contract Procedure Rules should be updated to specifically state that as part of the exemption request process, where competition exists, price comparison exercises should be undertaken against prices from suppliers other than the supplier who has proposed the price under review. In addition, although clearly implied, consideration should be given to specifically stating that prospective contractors should not be involved in writing applications for exemptions from Contract Procedure Rules.

Compliance:

- Procurement exemptions should be requested for the full value of the work to be awarded to the supplier if the exemption is granted, even if part of this is paid indirectly by the Council.

PROCUREMENT OF BUILDING CONTRACTOR:

Control Environment:

A report should be taken to the project's single decision maker to sign off decisions over the proposed procurement approach to be taken by major Council projects.

Compliance:

Projects of this size should be subjected to as much genuine competition as possible, to increase the likelihood of the best price being tendered.

COMMITTEE REPORTING AND COST

Control environment:

- Risk allowances (a contingency) for construction projects should accurately reflect the known risks and exclusions at the time, including where possible a costed risk register, and should be clearly communicated to Members. The contingency balance should be routinely updated and challenged throughout the development phases of the project.
- Figures for construction projects should include allowances for tender price inflation, or Members should be specifically made aware of the fact that this has been excluded from reported figures.

PROJECT MANAGEMENT

Control environment:

- Roles and responsibilities of officers and teams involved in major projects should be clearly defined, to a level of detail beyond the allocation of titles such as Project Manager. A template set of standard project roles and responsibilities should be produced and made available to officers on the Council's intranet, and project management guidance should be updated to reflect the importance of clearly allocated roles.
- Projects should have a detailed Project Plan in place which sets out the actions, timescales and action owners for internal activities.

- When actions are identified to mitigate risks in a project risk register, these actions should have clearly defined due dates and action owners, and should feed in to the Project Plan. The Council's Risks and Issues Register template should be amended to include a separate column to specify the timescale for actions. The Council's Guide to Approving and Managing Projects should be updated to include a reminder to incorporate monitoring as part of the Project Plan.

Compliance:

- Recommendations identified as a result of a 'lessons learned' exercise, should be included within an action plan which is implemented and monitored by the service.

CURRENT POSITION

Officers should identify a revised estimated total cost which takes account of the exclusions identified above and whether any of these are planned to be met from revenue budgets. This revised estimate should be presented to the Assets and Investment Committee along with details of the current risk provision and the remaining areas of uncertainty over the cost of the current proposals.

FINALISED ASSIGNMENTS

Since the previous Progress Report to Audit & Accounts Committee in November 2016, the following audit assignments have reached completion as set out below:

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Cross-cutting (CCC-wide)	Financial Regulations	N/A	Good	Minor
2.	Cross-cutting (CCC-wide)	Code of Conduct and Behaviour Policies	N/A	Good	Minor
3.	Children, Families & Adults	Victoria Road Residential Unit	Moderate	Moderate	Minor
4.	Children, Families & Adults	Hawthorns Residential Unit	Limited	Limited	Minor
5.	Cross-cutting (CCC-wide)	Enforcement Policy	N/A	Good	Minor
6.	Children, Families & Adults	Troubled Families Grant Process Review	Consultancy review completed and actions agreed with management.		
7.	Economy, Transport & Environment	Ely Archives Project Review	Review completed for Audit and Accounts Committee.		
8.	Economy, Transport & Environment	Cycle City Grant	Grant certification provided.		
9.	Cross-Cutting	Procurement, Contracts and Purchasing	Embedded work to support the review of procurement, contracts and purchasing.		
10.	Cross-Cutting	Partnerships Framework	Advice and support to the development of a new Partnerships Framework.		
11.	Somersham School	Schools Financial Risks	Moderate assurance (up from Limited assurance at the previous review)		
12.	St Helen's School	Schools Financial Risks	Good assurance		
13.	Stukeley Meadows School	Schools Financial Risks	Limited assurance (no change from the previous review)		
14.	St Johns School	Schools Financial Risks	No assurance		
15.	St Phillips School	Schools Financial Risks	Limited assurance		

16.	Haslingfield School	Schools Financial Risks	Limited assurance
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AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTION LOG FOR MARCH 2017 COMMITTEE MEETING

<u>NO</u>	<u>TITLE OF REPORT / MINUTE AND ACTION REQUESTED</u>	<u>LEAD</u>	<u>PROGRESS / RESPONSE</u>
ACTIONS ARISING FROM THE MINUTES OF THE 15th MARCH MEETING 2016 COMMITTEE MEETING			
1.	MINUTE 200 - CAMBRIDGE LIBRARY ENTERPRISE CENTRE REVIEW – UPDATE ON ACTION PLAN PROGRESS TO DATE		
	a) Confidentiality Agreement - It had been agreed that Quentin Baker Director of Law, Procurement and Governance was the appropriate officer to prepare the relevant report.	Internal Audit	As reported to the January Committee meeting, Quentin Baker had indicated that the action would be completed by publishing the Confidentiality Agreements policy on the Council website which happened in February and can be viewed at the following link: http://sharepoint.lgss.local/Pages/Confidentiality-Agreements.aspx Action completed.
ACTIONS ARISING FROM THE MINUTES OF THE 7th JUNE MEETING 2016 COMMITTEE MEETING			
2.	MINUTE 214 - ISA 260 UPDATE REPORT - REGISTRATION OF LAND PURCHASED FOR HIGHWAYS PURPOSES		
	There was a request for a six month progress update on the 18 month project to register all 6,000 parcels of land purchased for highways schemes with the Land Registry.	Mike Atkins / Camille Haggett (Rhodes)	A report was presented to the 24 th January 2017 meeting. As a result of the revised timescale for the project, there was a request a receive a further progress report to the July Committee meeting to include details of investigations made into the potential

			for any land to be classed as surplus with a subsequent potential sale value. Action ongoing
ACTIONS ARISING FROM THE MINUTES OF THE JULY 2016 COMMITTEE MEETING			
3.	MINUTE 226. MINUTES		
	<p>Minute 213 ‘Systems in place to ensure that Section 106 Funds do not go unspent’ recommendation that where Section 106 monies could not be applied against relevant expenditure by the deadline in the agreement, the County Council should ensure the developer was informed in due course. The Committee at its September meeting (Minute 251-8) agreed the following approach to be followed on identified unspent Section 106 monies:</p> <ul style="list-style-type: none"> Funds being applied against applicable expenditures, undergoing discussions with a respective developer as to alternative possible uses for the funds, and if agreement was not possible, the funds being repaid. that where there were any exceptions / negotiations requiring monies to be returned, the Committee should be provided with details, either via an email or a report. As an update, the November Committee meeting agreed that the updates should be provided on a six monthly basis. 	S Heywood	<p>An email was sent to the Chairman on 3rd March highlighting that all the previously identified expired S106 receipts had been applied against eligible expenditure except £59K from Sidgwick Avenue. Discussions on this were still on-going with the University as to how to use this. No further S106 receipts had expired without having been being used.</p> <p>Action completed for the six month period. The next update to be provided to the September meeting</p>
ACTIONS ARISING FROM THE MINUTES OF THE 20th SEPTEMBER 2016 COMMITTEE MEETING			
4.	MINUTE 249. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST JULY		
	Page 318 - It was noted that the Transformation Fund which was for one off funding initiatives to make better savings was forecast to		It was agreed at the November meeting that the update report back should come forward to the July 2017

	double in size as showing between the balance at July 2016 and March 2017. There was a request that in due course a report should be received to illustrate the effectiveness / benefits of the spend undertaken.	S Heywood	meeting. The report title had been added to the current Forward Work Programme Action ongoing
5.	MINUTE 251 – AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES		
	11. Statement of Accounts		
	<ul style="list-style-type: none"> C) Page 10 Reserves Background – request for a note No to be provided for the Chairman on Comparative Figures of other counties. 	I Jenkins	<p>The officers had undertaken research from various published data but would clarify with the Chairman if it was the type of information he was seeking.</p> <p>Information sent to the Chairman on an e-mail on 6th March. Action completed</p>
ACTIONS ARISING FROM THE MINUTES OF THE 29th NOVEMBER 2016 COMMITTEE MEETING			
6.	MINUTE 261 – CAMBRIDGESHIRE COUNCIL WORKFORCE STRATEGY UPDATE		
	There was a request that once implemented, there should be a regular quarterly report on the Action Plan progress.	Martin Cox / Lynsey Fulcher	<p>The first quarterly update report had been scheduled for the 30th May Committee. The timetable had been dependent on the final Strategy being agreed at Full Council. Currently the timetable has slipped and a revised timetable is being sought from HR.</p> <p>Action ongoing</p>
7.	MINUTE 264. INTEGRATED RESOURCES AND PERFORMANCE REPORT TO END OF AUGUST 2016 Children Families and Adults – Basic Need Secondary – reading “A revised budget for the project will be known in	S Heywood	A response was sent to the Chairman on 5 th January 2017 explaining that the insurance claim discussions were still ongoing, with agreement on the range of the settlement, and these were figures provided in the e-mail. However the final figure would be dependent on

	<p>September, which will include funding from the loss adjuster” the Chairman requested an update.</p> <p>It was explained that the detailed amount of the insurance claim for St Bede’s had not yet been settled but the officer would investigate further and once finalised would provide details of the settlement outside of the meeting</p>		<p>the level of fees the insurance company would fund. Once known the final figure settlement would be provided to the Chairman outside of the meeting.</p> <p>An update provided on 7th March indicated that the final figure was not likely to be known until “well into the next financial year”</p> <p>Action ongoing.</p>
8.	<p>MINUTE 267 - TRADING UNITS UPDATE - MAIN BARRIER FOR THE MUSIC SERVICE BEING CURRENT RECRUITMENT PRACTICES</p>		
	<p>Matthew Gunn to discuss possible solutions with Chris Malyon and HR (Martin Cox) with support from the Head of Internal Audit if required and that progress should continue to be monitored.</p>	<p>M Gunn / C Malyon / M Cox / D Wilkinson</p>	<p>An update on 22nd February from Matthew Gunn indicated the following progress:</p> <p>Finance and Reserves – Chris Malyon has pointed me towards current guidance and I am working with colleagues in the traded services to put together a proposed approach to reserves for our commercial structures that can be considered by the finance team as a method of planning. Hoping to have the proposal ready by end of March.</p> <p>HR – Stephen Cox has put me onto Claire Read and she and I are exploring ways to simplify some of the sticking points in current processes. Some may be dependent on some systems development that is already planned, there are options for putting a proposal to Keith Grimwade and Wendy about the recruitment method, which again I hope to have ready for discussion by the end of March.</p> <p>Action ongoing.</p>

9.	MINUTE 268- SAFE RECRUITMENT UPDATE		
	<p>a) That in the event of a further Internal Audit Review finding a serious failure of safeguarding recruitment practice, that the local headteacher from the school(s) concerned should be required to attend the next available Audit and Accounts Committee and the Head of governors requested to do likewise.</p> <p>b) The above resolution should be made known to all the County's headteachers and schools heads of school governors.</p>	<p>D Wilkin-son / K Grimwade</p> <p>K Grimwade</p>	<p>a) This will be as and when necessary.</p> <p>b) An email dated 7th March confirmed school governors had been informed as part of the termly briefings. The breakfast meetings with headteachers was being undertaken in the week beginning 13th March and this would be followed up in writing in the same week following the breakfast meetings. Action due to be completed by the time the Committee meets.</p>
ACTIONS FROM THE 24TH JANUARY 2017 MEETING			
10.	MINUTE 275 INTERNAL AUDIT PROGRESS REPORT		
	<p>a) Safeguarding and safe recruitment - letter of significant concern was being drafted to go to the school that had received no assurance with a target date at the end of January.</p>	M Kelly	Confirmation was received by Democratic Services in February that the letter of concern was sent to the school and that they had subsequently responded to the Director of Learning with a revised action plan detailing how they would address the concerns raised by the audit.
	<p>b) Draft financial procedure for residential units for looked after children to be created and shared with Internal Audit for comments, with a final policy to be agreed by the end of January 2017 and reported to the next Committee.</p>	M Kelly	Confirmation of whether this has been implemented was to be provided as part of the normal section in the internal Audit progress report on actions completed/not completed included later on in this agenda.

	<p>c) The Public Sector Internal Audit Standards External Review regarding compliance by Internal Audit. This identified no areas of non-compliance that would affect the overall scope or operation of Internal Audit activity and was an extremely positive result. Some areas of improvement had been identified, including a revision of the current terms of reference template used by Internal Audit. The draft action plan would address the areas requiring improvement before a follow up assessment was conducted in 2016-17. Action: The Chairman requested milestone dates be provided.</p> <p>d) The Troubled Families Grant Process Review had now been completed, with Internal Audit working closely with the service to monitor progress on the claims made against the grant. Action: the Chairman requested progress updates be provided in future reports.</p> <p>e) Audit on missed, short and late calls in Domiciliary Care. - regarding the recommendations around changing the format of the Soft Concerns Record which had not been implemented the Chairman requested updates on progress to be provided in future reports.</p>	<p>M Kelly</p> <p>M Kelly</p> <p>M Kelly</p>	<p>Providing milestones for the PSIAS action plan was to be reported on as part of the Internal Audit Progress Report included later on this agenda.</p> <p>Ditto above.</p> <p>Ditto above</p>
11.	MINUTE 276 CAMBRIDGE LIBRARY ENTERPRISE CENTRE UPDATE		
	<p>a) Arrangements were being made to make it available on the intranet. The item could be marked as closed, once it was available on the intranet.</p>	<p>Q Baker / M Kelly</p>	<p>See item 1. Action completed.</p>

	b) to agree to invite the Head of Transformation to the May meeting of the Audit and Accounts Committee, to provide a further update on the implementation of revised project management processes and the Council's Transformation Programme.	M Kelly / R Sanderson	This had been added to the Committee Work Programme/ Internal Audit would be briefing the Head of Transformation on the Committee's requirements in due course. Action ongoing.
12.	MINUTE 277 ELY ARCHIVE		
	To receive a report back to the March meeting a stepping stone progress report	D M Kelly	Included on agenda. Action completed.
13.	MINUTE 279 REGISTRATION OF LAND PURCHASED FOR HIGHWAYS PURPOSES		
	a) To receive a progress report to the July Committee meeting including details of investigations made into the potential for any land to be classed as surplus with potential sale value.	C Rhodes	This has been programmed. See Item 2. Action ongoing.
	MINUTE 280 REPORT ON THE LEARNING POINTS FROM THE PRODUCTION OF THE 2015-16 STATEMENT OF ACCOUNTS		
	a) The Chairman requested to see the Gantt chart.	I Jenkins	The Gantt chart has been provided to the Chairman as requested. Action completed.
	b) To receive a specific report at the March meeting on the implications of the changes to the statutory deadlines for the production of the 2017-18 accounts.	I Jenkins / J Lee	Report included later on the agenda. Action completed.

14.	MINUTE 281 CORPORATE RISK REGISTER (CRR) UPDATE		
	a) Improvements required for Appendix 1 as without the numbers of the risk (<i>which had previously been provided</i>) it was not easy to understand. Action: Tom Barden undertook to discuss further with the relevant officers to look at ways of improving the presentation.	T. Barden	6 presentations showing how the risk map could be changed were sent to all Committee Members on 8 th March 2016 asking for feedback and comments. A possible option is included in the Risk Management report on the current agenda as part of the discussion of the proposed review of the Corporate Risk Register (CRR).
	b) Outstanding request from reviewing other Corporate risk registers on whether SMT considered any changes were necessary to take account of potential risk gaps.	Tom Barden / Sue Norman	A report highlighting the changes to the CRR is included on the current agenda which covers the issues referred to. A review of the whole risk register, in light of the benchmarking work and good practice, will be undertaken in April and May 2017.
	c) . the Head of Internal Audit undertook to furnish Tom Barden with the details of a benchmarking exercise carried out on 11 authorities to assess the number of corporate risks they carried.	Duncan Wilkinson	Details were provided on 6 th March. A report on the current agenda highlights the changes made to the CRR. The benchmarking report shows that Cambridgeshire has an above median number of risks, and that many authorities have fewer.
	d) Risk 1b Failure to deliver the current 5 year Business Plan 2016-2021 - Trigger 3 reading ‘Organisations not sufficiently aligned to face challenges’ The Chairman expressed concern that for such an important risk there seemed to be few actions and requested that this be looked at further. e) Risk 3 ‘The Council does not have appropriate staff with the right skills and experience to deliver the Council’s priorities at a time of significant demand pressures’ The Chairman linked this to the earlier point regarding what the	T Barden	Actions to manage the risk of failing to deliver the Business Plan are reported in the Integrated Finance and Performance Report, which also contains links to detailed actions in the Finance and Performance Reports to Service Committees. Response from Caroline Adu-Bonsra - HR Business Partner, LGSS - Currently it is not clear what the detailed impact of Brexit will be and it is unlikely that employment law issues will be considered until at the

	<p>robust enough especially when a replacement was sought at short notice.</p> <p>b) Councillor Crawford suggested that the probability score should be higher to reflect the current issues regarding delayed transfers of care from hospital, not enough care home places were available and that the delays in assessments were adding to the problem. Action: Officers to revisit the scoring to see if a change was required and circulate to the whole Committee.</p>	<p>carry out spot checks at all schools and also follow up any concerns raised by any stakeholders:</p> <p>Appendix C – Code of Practice and Procedures</p> <p><u>DBS checks</u> All drivers, passenger assistants or other staff who will have direct contact with any child, young person or vulnerable adult whilst delivering Council contracts must have first completed a DBS check through the Council. The ID badge or equivalent document that is issued to prove this must be displayed on the individual or carried by the member of staff whenever carrying out a Council contract. If any member of staff becomes aware of an intended or possible prosecution, or any other fact that means the outcome of a new DBS, if undertaken, might be different from their original check with the Council, they must immediately inform their employer.</p> <p>Response to b)</p> <p>This corporate risk is on to the CFA Risk Register, where the residual risk is scored as 5 in terms of likelihood. This is already as high as the scoring systems allows.</p> <p>A range of work is underway to mitigate the impact of this risk and reduce the probability if possible. This includes the employment of a Home Care Development Manager, the establishment of 'Neighbourhood Cares' pilot areas to support the development of locally based personal care services, the establishment of a specialist occupational therapy team, investment in assistive technology, the</p>
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	<p>i) Risk 20 'Non Compliance with legislative and regulatory requirements' – With respect to the key controls section and the Anti-Fraud and Corruption Strategy, Internal Audit had informed him that a timetable to implement recommendations of an Anti-Bribery Policy by March 2016 had not been implemented. He also highlighted that there were no actions against this risk.</p>	<p>T Barden / M Kelly</p>	<p>commissioning of a transition service offering an interim home care solution, and the recent establishment of a new Early Help service.</p> <p>This has been added as a trigger. A report is included on the current agenda which relates to this titled "Anti-Fraud And Anti Money Laundering Policy Report" for feedback and comments.</p>
	<p>j) Risk CR 22 The Total Transport project fails to identify and implement affordable solutions that allow service levels to be maintained – The officer was asked to look at the probability rating again.</p> <p>k) CR26 'Increasing manifestation of Busway Defects' in respect of the independent experts report which had been presented to General Purposes Committee. The Chairman suggested that they needed to be updated on what was actually happening not just the production of a report.</p>	<p>T Barden / T Oviatt-Ham</p> <p>T Barden</p>	<p>Officers have responded to state that consider that the score of 2 is appropriate based on what has been learned from the Ely Area Pilot where significant savings in Home to School Transport costs have been achieved.</p> <p>General Purposes Committee considered a report on 29/11/16 which included the report from The Council's expert advisers, which is available to members and the public at the following link: Guided busway defects</p> <p>The minutes agreed are set out as appendix 1 to this log. Officers are now taking forward those recommendations. As this work is covered by litigation privilege, a more detailed response cannot be given in a public document. Group Leaders are being kept informed.</p>

15.	MINUTE 282. INTEGRATED RESOURCES AND PERFORMANCE REPORT TO END OF NOVEMBER 2016		
	<p>a) Forecast overspend for Looked after Children (LAC) Budget was £3.5m, which was an increase of £0.5m on the previous month. As this budget had, for many years a history of overspending, the Chairman wished to know what measures were being taken to improve future forecasting. Action: The Interim Director was asked to provide an explanation of the reasons for the overoptimistic forecasts for the LAC numbers and what measures were being looked at to set a more realistic budget at the beginning of the new financial year.</p>	<p>S Heywood to take up with Wendi Ogle-Welbourn</p>	<p>An email response was sent to the Chairman on 3rd March from Wendi Ogle-Welbourn indicating that:</p> <p>The strategy in 2016/2017 for Children Looked After was to reduce the number of children coming in to care and provide alternative services to support them to live at home. There has been a number of initiatives to support children to remain at home safely, however in line with all other local authorities in the country children in care numbers have increased significantly, including a big increase in unaccompanied asylum seeking children and older young people who have complex emotional needs (linked to exploitation often). This has put added pressure on our in house fostering services and we have not had enough places for children coming into care, we have had to use independent fostering placements which are double the cost. So these two things have created the current budget pressure.</p> <p>For 17/18 and beyond the children in care strategy will comprise of not only numbers of children in care we expect, but also the composition of placements. We can expect the numbers in care to be at about 600 this is in line with our region, this does not include unaccompanied asylum seeking children and this will sit at around 90 as we are expected to take 0.07% of our child population.</p> <p>I am meeting with the Executive Director of Resources on the 14th March to discuss the strategy for 17/18, this will have a sound evidence base that will be costed –</p>

			Officers propose to produce a summary of the monthly position throughout the current financial year to show how the position has moved (up and down) through the period. This will not be a 'quick-fix' area and some of the actions will take 6-12 months to show positive impacts in terms of overall debt figures. General Purposes Committee have requested an update report for their September meeting.
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Appendix 1 Extract Minutes General Purposes Committee 29th November Cambridgeshire Guided Bus defects

It was resolved to:

- a) Note the advice of the Council's expert technical advisers regarding the causes of, and options, for rectification of the defects as set out in the report and Appendices A, and B.
- b) Note the advice of Mr Stephen Furst QC regarding the Council's legal remedies and assessment of the strength of case, as set out in confidential Appendix C.
- c) Resolve to carry out works on the basis of Option 1 from this report to rectify all of the superstructure, foundation and drainage defects in accordance with the assessment of the Project Manager and the advice of the Council's expert technical advisers, subject to securing funds from Bam Nuttall in accordance with the defect provisions in the construction contract or alternative legal argument.
- d) Instruct Officers to initiate negotiations and any necessary legal proceedings to recover the assessed cost of defect correction in accordance with the contract, consequential losses arising from those defects, and any costs incurred to date and incurred in future in investigating and taking advice on the defects and to report to General Purposes Committee as those negotiations continue. Final decisions on the outcome of those negotiations are to be reported to General Purposes Committee and decided by Full Council.

- e) Note that in the event that a settlement was not reached and it was necessary to pursue the matter through the courts the estimated costs of legal action would exceed the amount remaining in the specific reserve and agree that any additional costs should be met from the general reserve, this to be approved by the General Purposes Committee.

APPENDIX 2 EXTRACT FROM MINUTES OF GENERAL PURPOSES COMMITTEE

MINUTE 296. LEVEL OF OUTSTANDING DEBT

The Committee received an update on the current level of debt and actions being taken to manage it presently, to review the targets set and proposed actions to control it further. Attention was drawn to the background which included the fact that the Council had not been achieving its Integrated Resources and Performance Report debt targets set for some time and the total operational debt outstanding. Members focussed on Adult Social Care debt and noted benchmarking figures against neighbouring authorities. During a detailed discussion, the following points were raised by some Members:

- welcomed proposed suggestions particularly in relation to working with Addenbrooke's and Hinchingsbrooke Hospitals.
- the need to prevent people from getting in to debt. One Member queried whether any Transformation Fund bids were focussing on this area particularly regarding making sure that people were charged the right amount in a timely fashion. The Director of Customer Service and Transformation reported that digital systems were being made as effective as possible to enable people to make electronic payments. Staff were working closely with colleagues in Adult Welfare Benefits and Financial Assessments in order to provide users with the right advice and support. The Head of Finance Operations added that his staff worked closely with social care colleagues to help people know exactly what they needed to pay at the start.
- expressed concern about the use of external debt collection agents. Whilst some people saw being in debt to the Council as a low priority, there were others who were vulnerable and in poverty. It was therefore important that they were not bullied or harassed. It was suggested that the work of these agents should be monitored. The Head of Finance Operations reported that he was very mindful of that and as such quarterly reviews were carried out. Cases were vetted and clients visited by Council staff before external agents were sent. External agents were instructed to contact the Council if they identified potential issues.
- highlighted the need to bear in mind the reputational risk to the Council particularly in relation to using an external debt collection agent to collect debt of less than £250. The Chairman raised the need to circulate the filter process to Members. Another Member also required a briefing on the external debt collection agencies being used. **Action Required.**

- queried why there were no benchmarking figures for Leicestershire County Council. It was noted that the information had not been provided. The LGSS Finance Director reported that together with the Head of Finance Operations he would be visiting some neighbouring authorities to discuss how they managed outstanding debt.
- queried the proposal to rebase the target to current level otherwise the position of continually reporting under performance would persist. The Chairman was of the view that the target should be based on the best performing authority. Unfortunately it was not possible to set this target without the necessary information. With the agreement of the Committee, he proposed deleting recommendation (viii) and replacing it with the following “the Chairman work in conjunction with the Chief Finance Officer in order to define debt targets and to issue further briefings on questions raised at General Purposes Committee, with the agreement of final targets to be delegated to the Chief Finance Officer, in consultation with the Chairman.”
- highlighted the need, given its controversial and sensitive nature, of reviewing debt collection after six months. It was suggested that the review should include some anonymised case studies. The Chairman proposed that the review process should take place after one year. The LGSS Finance Director informed the Committee that it was proposed to join the East Midlands Social Care Finance Group Benchmarking Club. He reported that a year would enable him to provide the Committee with information for a review. The Committee supported a proposal to receive a review in September 2017. **Action required.**

It was resolved unanimously to agree:

- (i) that the Debt Service continues to engage with Cambridgeshire County Council (CCC) to convert services to pay on application using online processes wherever possible with particular focus on eradicating all low value invoices being issued for less than £250.
- (ii) that the Debt and Financial Assessment Services continue to engage with Adult Social Care (ASC) on process changes designed to improve the speed information was provided/shared, the collection and sharing of data on care packages and increase direct debit penetration with the aim of securing one for all new cases with immediate effect.
- (iii) that the Collections Strategy had been reviewed and updated to reduce the timescales before intervention took place and implement a clear direction for how low value invoices would be managed to enable resources to be deployed in the most effective way.
- (iv) that the Debt Service continues to assess the effectiveness of the current debt collection agencies, whether they should continue to be used (or replaced) and how best this type of service could be used to support collecting debt.

- (v) that once access to DWP CIS was available, introduce telephone financial assessments to speed up the invoicing process and reduce the potential for bad debt to occur.
- (vi) that once access to DWP CIS was available, in collaboration with ASC introduce a provisional charge matrix to replace the current full cost approach where a financial assessment cannot be completed to minimise the likelihood of debt accruing that was not actually due.
- (vii) to continue with the implementation of the ICON system and seek with CCC to exploit its full potential in due course.
- (viii) the Chairman work in conjunction with the Chief Finance Officer in order to define debt targets and to issue further briefings on questions raised at General Purposes Committee, with the agreement of final targets to be delegated to the Chief Finance Officer, in consultation with the Chairman.
- (ix) that General Purposes Committee review the arrangements in September 2017.

EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31ST MARCH 2017

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **BDO**

Electoral Division(s): **All**

Purpose: To communicate to Those Charged with Governance our 2016/17 Audit Plan which identifies the audit risks relevant to the financial statements and use of resources of Cambridgeshire County Council for the year ending 31 March 2017, and our audit response to those risks.

Key Issues: For the financial statements audit, we are required to consider significant audit risks that require special audit attention.

For the use of resources audit, the National Audit Office (NAO) has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the Council in forming our risk assessment and audit strategy.

Recommendation: To note the 2016/17 Audit Plan.

<i>Officer contact:</i>	
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CAMBRIDGESHIRE COUNTY COUNCIL

AUDIT PLAN

Audit for the year ending 31 March 2017

Date of issue: 3 March 2017

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INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of Cambridgeshire County Council (the Council) for the year ending 31 March 2017. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit and Accounts Committee. In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM

Core team	Name	Contact details	Key responsibilities
<div>Lisa Clampin Engagement Lead</div>	Lisa Clampin Engagement Lead	Tel: 01473 320 716 lisa.clampin@bdo.co.uk	Oversee the audit and sign the audit report
<div>Barry Pryke Engagement Manager</div>	Barry Pryke Engagement Manager	Tel: 01473 320 793 barry.pryke@bdo.co.uk	Management of the audit
<div>Tim Byford Assistant Manager</div>	Tim Byford Assistant Manager	Tel: 01473 320 724 tim.byford@bdo.co.uk	Day to day management and supervision of the audit
<div>Ross Beard Senior Auditor</div>	Ross Beard Senior Auditor	Tel: 01473 320 785 ross.beard@bdo.co.uk	Day to day supervision of the on-site audit

Lisa Clampin is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, she will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

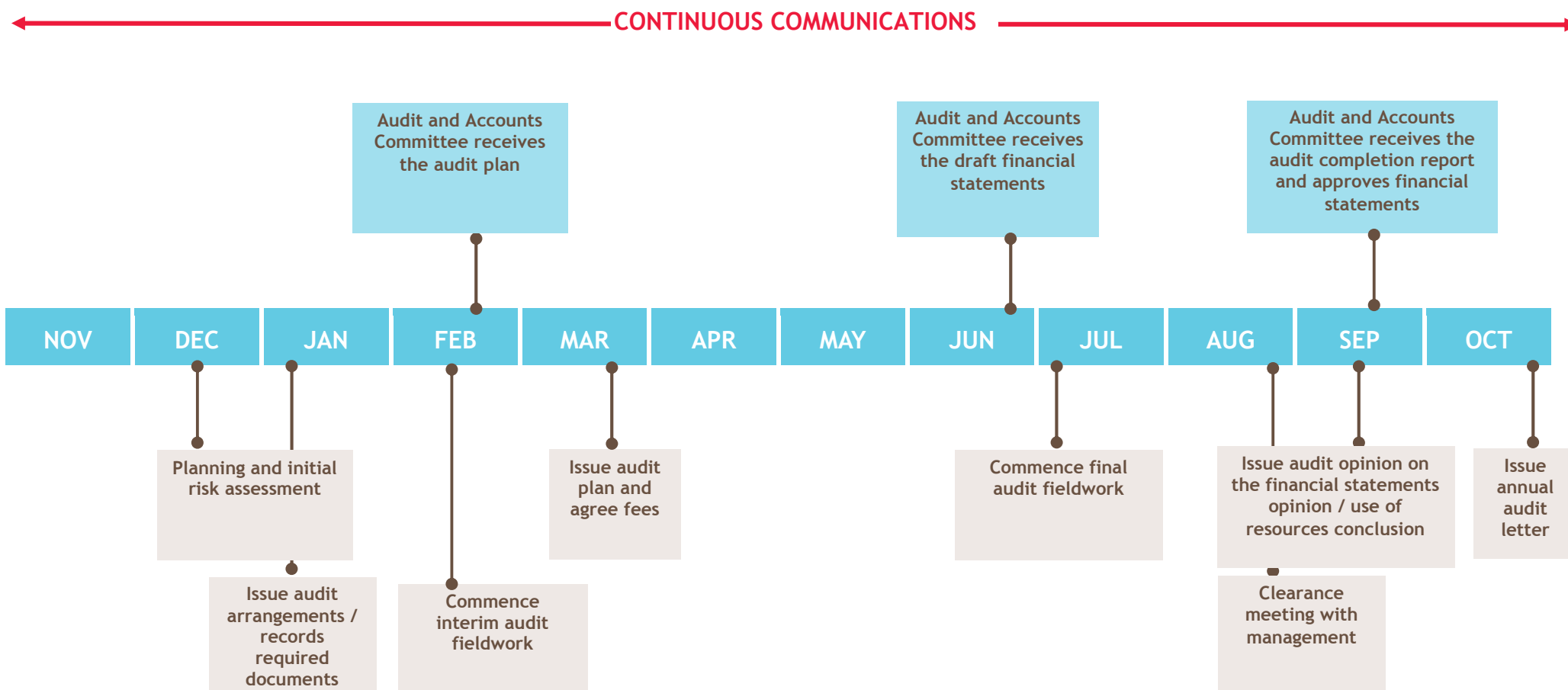
- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Lisa is also responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice (the Code), International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

Our audit objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
1 The financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question.	2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.	3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.	5 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

ADDITIONAL POWERS AND DUTIES

- | | |
|---|---|
| <p>6 Where necessary:</p> <ul style="list-style-type: none"> consider the issue of a report in the public interest make a written recommendation to the authority. | <p>7 Where necessary:</p> <ul style="list-style-type: none"> consider electors' questions about the accounts and consider objections apply to the court for a declaration that an item of account is contrary to law consider whether to issue an advisory notice or make an application for judicial review. |
|---|---|

MATERIALITY

COUNCIL MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Cambridgeshire County Council	£16,300,000	£326,000

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the Council has been based initially on 1.75% of prior year gross expenditure. This will be revisited when the draft financial statements are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties

- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Review accounting estimates for evidence of management bias and evaluate whether this represents a risk of material misstatement. • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing standards there is a presumption that income recognition presents a fraud risk.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges income recorded in the CIES.</p>	<p>We will test an increased sample of grants subject to performance and / or conditions to confirm that the conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We will test an increased sample of fees and charges income to ensure income has been recorded in the correct period.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment valuations	Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.	We will review the instructions provided to the external valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.	We will review independent data that shows indices and price movements for classes of assets against the percentage movements recognised by the Council.
	Management engages external valuers to undertake a rolling revaluation programme which ensures that all assets are revalued at least once every five years. Assets are valued as at 1 April of the financial year in question.	We will confirm that the basis of valuation for assets valued in year is appropriate based on their usage.	
	The Council has engaged a new external valuer for 2016/17. There is a risk over the valuation of land and buildings where valuations are based on assumptions which are different from those applied in the prior year.		

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Changes in presentation of the financial statements	<p>CIPFA's Code of Practice on Local Authority Accounting requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note. <p>These changes will require a restatement of the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We will review the draft financial statements and check these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We will review the Council's methodology for allocating income and expenditure transactions to new CIES headings to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will review the Council's restatement of the prior year CIES and confirm that restated items reconcile to the audited 2015/16 financial statements.</p>	Not applicable.
Treatment of revenue expenditure funded from capital under statute (REFCUS)	<p>In the prior year, our audit identified that the value of REFCUS transactions were being netted off against net cost of services income and expenditure in the CIES.</p> <p>The introduction of the new layout of the CIES and the resulting changes in the presentation of income and expenditure increase the risk that REFCUS transactions may be incorrectly accounted for in the current year.</p>	We will test a sample of REFCUS transactions and confirm that they have been correctly recognised and presented in the CIES.	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the Cambridgeshire Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will agree the disclosures to the information provided by the pension fund actuary.</p> <p>As the auditors of the Cambridgeshire Pension Fund, we will review the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used by the pension fund actuary.</p>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>The updated Medium Term Financial Strategy, to 2021/22, forecasts that the Council will need to make £101m of savings over the next five years, driven by inflationary, demographic and service pressures alongside reductions in central government funding.</p> <p>In response to this, the Council has embarked upon a Transformation Programme to change the way that it delivers its services. This is still in its early stages but its success will underpin the Council's ability to maintain financial sustainability in the medium term.</p>	<p>We will review the reasonableness of the assumptions used in the Medium Term Financial Strategy and consider the reasonableness of the assumptions applied in the forecasts in respect of cost pressures and government grant reductions.</p> <p>We will review the progress being made in respect of the Transformation Programme, including how the programme is being managed in the context of the new arrangements associated with devolution.</p>	Not applicable

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Accounts Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2017.

We have not identified any potential threats to our independence as auditors.

On the following page, we have recorded details of non audit services we plan to deliver.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation after 5 and 10 years respectively. The table below sets out the length of involvement of key members of the audit team and the planned year of rotation.

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

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Lisa Clampin - Engagement lead	2	2020/21
Barry Pryke - Engagement manager	2	2026/27

INDEPENDENCE - ENGAGEMENT QUALITY CONTROL REVIEWER

NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
2	2020/21

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2017 are:

	2016/17 Planned £	2015/16 Actual £
Code audit fee	94,061	94,061
Fees for non audit services - audit related (see below)	3,650	7,925
Fees for non audit services - other	Nil	Nil
TOTAL FEES	97,711	101,986

NON AUDIT SERVICES FEES ANALYSIS

Non audit services:

	£	£
Skills Funding Agency subcontracting grant certification	3,650	3,794
Local Transport Major Projects grant certification	Nil	4,131
Total	3,650	7,925

Code audit fee invoices have been raised as set out below:

- First instalment £52,030.50 in July 2016
- Second instalment £42,030.50 in January 2017

The fee invoice for the Local Transport Major Projects grant certification was raised in January 2017.

The fee invoice for the Skills Funding Agency subcontracting grant certification was raised in February 2017.

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY


Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit and Accounts Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit and Accounts Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.



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. No responsibility to any third party is accepted.

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LGSS STATEMENT OF ACCOUNTS 2015-16

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **LGSS Finance**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **This report presents the LGSS Statement of Accounts for 2015-16 following their audit.**

Recommendation: **The Committee is asked to note the attached 2015-16 LGSS Annual Report and Statement of Accounts.**

<i>Officer contact:</i>
Name: Iain Jenkins
Post: Group Accountant
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Tel: 01604 364664

1. BACKGROUND

- 1.1 The Audit Commission Act 1998 (section 2 and Schedule 2) required joint committees to prepare accounts and undergo an audit separate from their constituent bodies. From 1 April 2015, implementation of the Local Audit and Accountability Act 2014 has meant that joint committees are no longer required to have their accounts separately prepared and audited. Consequently, for the 2015-16 financial year and onwards, production of formal accounts by LGSS is no longer statutorily required. LGSS has however decided to continue the production of the LGSS Statement of Accounts, however these accounts will no longer be required to apply the Accounts and Audit Regulations 2015, including the requirement to undertake a public inspection.
- 1.2 The LGSS Annual Report is presented as an appendix and comprises the LGSS Statement of Accounts for 2015-16, along with the LGSS Annual Governance Statement.
- 1.3 The accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-16, which are based on International Financial Reporting Standards (IFRS). This is line with the preparation of the annual accounts for both Northamptonshire and Cambridgeshire County Councils.
- 1.4 The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how LGSS has used the public funds for which it is responsible.
- 1.5 The draft Annual Report was presented to the Audit and Accounts Committee at its meeting on 12th July 2016. Subsequently the accounts have been subject to external audit with KPMG appointed to undertake this work. This report is to update the Audit and Accounts Committee with the final Annual Report document following the audit.
- 1.6 The relevant sections of the founding authority constitutions delegate responsibility to the LGSS Joint Committee for the approval of the Annual Report. Consequently the LGSS Annual Report was presented to the Joint Committee at its meeting on 19th January 2017.

2. STATEMENT OF ACCOUNTS

2.1 Overview

- 2.1.1 LGSS produces its own annual Statement of Accounts alongside the accounts that are produced by each authority in their own right. The LGSS accounts encompass LGSS income and expenditure from within each of the host authorities, and also consolidates the LGSS Law accounts. Whilst the single entity accounts of each council include the proportion of LGSS attributable to each authority, the LGSS Statement of Accounts show the combined position across all of the LGSS operational budgets (in other words excluding the managed budgets that LGSS manages on behalf of the host authorities).

- 2.1.2 The LGSS accounts presented as an appendix to this report cover the financial year ended 31st March 2016, and therefore do not include Milton Keynes Council which became an LGSS partner authority on 1st April 2016.

2.2 Audit of the LGSS and LGSS Law Statement of Accounts

- 2.2.1 The audit fieldwork on the 2015-16 accounts has been undertaken by KPMG. This work started later than originally timetabled as the audit of the County Council accounts had to take precedence due to their statutory deadline of 30th September. As the LGSS accounts do not have this statutory deadline the decision was taken to delay the commencement of the LGSS audit until the audits of the NCC and CCC accounts had been completed.

- 2.2.2 The audit of the LGSS accounts has now been completed. The final Annual Report incorporates a number of changes from the draft set of accounts that were presented to the Audit and Accounts Committee in July 2016. These changes are set out in section 2.3.

- 2.2.3 KPMG have also undertaken a separate audit of the accounts produced by LGSS Law. This audit has been completed and LGSS Law's accounts were signed-off by its Board in December 2016. The final LGSS accounts for 2015-16 consolidate the figures of LGSS Law into group accounts.

2.3 Changes between the draft and final LGSS accounts.

- 2.3.1 The draft 2015-16 LGSS Statement of Accounts were presented to the Audit and Accounts Committee on 12th July 2016. There are a number of changes between the draft and final versions and these are set out below.

- 2.3.2 **Branding.** The branding/design of the document has been updated to incorporate the revised LGSS logo and colour scheme.

- 2.3.3 **Managing Director Introduction.** A foreword has been added, including an introduction by the LGSS Managing Director, John Kane.

- 2.3.4 **Comprehensive Income and Expenditure Statement.** The format/layout of this statement has been amended in order to comply with the requirements of the CIPFA Code of Practice. In the draft accounts the figures within this statement had been split across LGSS directorate headings (Finance, IT, Law Property & Governance and so on). This was intended to aid the reader, as it would allow comparison to the management accounts which are presented on that basis. However this has had to be amended as under the Code all of LGSS's activity is classified as trading. Therefore it has been shown as Financing and Investment Income/Expenditure on the face of the statement in order to comply with the requirements of the Code. The split across directorate headings is now shown on a separate table within the accounts.

- 2.3.5 **Transactions with Related Parties.** This disclosure has been expanded. The budget allocated to LGSS by each of the councils is now shown. The value of intergroup transactions between LGSS and LGSS Law is also disclosed.

- 2.3.6 **External Audit Costs.** The cost of the additional audit work relating to the 2014-15 accounts and the public objection is now disclosed.
- 2.3.7 **Pension Schemes accounted for as a Defined Benefit Scheme.** This disclosure was not included in the draft accounts and has now been added. Since the production of the draft accounts the accounting treatment of the pension arrangements for LGSS Law has been confirmed. This has been accounted for as a defined benefit scheme, and consequently the Code requires that a number of disclosures are made which set out the net pension liability, movement in plan assets and defined benefit obligation. The assumptions used to calculate the LGSS Law pensions figures have also been disclosed.
- 2.3.8 **LGSS Law.** The final LGSS accounts incorporate any changes that have been made to LGSS Law's figures as a result of their audit. This has resulted in changes to the debtors, creditors, cash, and non current liability figures within the group accounts; and takes account of the confirmation of the pensions treatment for LGSS Law as set out above.
- 2.3.9 **Other adjustments.** There have been some small adjustments made to the debtors and creditors figures on the LGSS balance sheet to take account of the equalisation process. A £100k start-up loan to LGSS Law has been removed from the accounts as this loan was made by NCC rather than LGSS.
- 2.3.10 All other amendments to the 2015-16 LGSS accounts are individually immaterial.

2.4 Public Objection to the 2014-15 LGSS Accounts

- 2.4.1 A member of the public submitted a formal objection to the 2014-15 LGSS Statement of Accounts. The objection concerned a variety of matters including the method of preparation of the accounts, the judgements that had been made, and the accounting treatments in respect of income, expenditure, VAT and cash. The 2014-15 LGSS Statement of Accounts could not be formally signed off until the investigation and conclusion of this objection by the external auditors. The formal sign off of the 2015-16 LGSS Statement of Accounts consequently could not be undertaken until the conclusion of the objection on the 2014-15 LGSS accounts.
- 2.4.2 Once an objection has been raised there is a formal process which must be followed. This is undertaken by the external auditors (KPMG) and overseen by Public Sector Audit Appointments (PSAA), which is responsible for the functions previously undertaken by the Audit Commission.
- 2.4.3 The objection was concluded by KPMG issuing a final response to the matters raised by the objector in February 2017. LGSS received confirmation from KPMG that this response was issued to the objector on 27th February 2017.

- 2.4.4 No changes have been required to the 2014-15 LGSS Statement of Accounts following the objection and subsequent investigation into the accounts by the auditors. The final 2014-15 LGSS accounts will be the same as those presented to the Audit and Accounts Committee on 22nd September 2015 and these will now be signed off

3. FURTHER STAGES IN THE FORMAL PROCESS

- 3.1.1 The 2014-15 LGSS Statement of Accounts could not be formally completed until the conclusion of the public objection. The 2015-16 LGSS Statement of Accounts could also not be formally completed until the completion of the prior year accounts.
- 3.1.2 At its meeting on 19th January 2017 the LGSS Joint Committee resolved to delegate authority to approve the 2014-15 and 2015-16 LGSS Statement of Accounts to the Chair of the Joint Committee and the LGSS Director of Finance, subject to no material changes being required to the accounts upon the conclusion of the objection.
- 3.1.3 As the objection has now been concluded, and no material changes have been required, arrangements will be made for the Chair of the Joint Committee and the LGSS Director of Finance to approve the 2014-15 and 2015-16 LGSS Statement of Accounts. KPMG will then issue their audit opinion on both documents.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

There are no significant implications within this category.

5.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

5.3 Equality and Diversity Implications

There are no significant implications within this category.

5.4 Engagement and Consultation Implications

There are no significant implications within this category.

5.5 Localism and Local Member Involvement

There are no significant implications within this category.

5.6 Public Health Implications

There are no significant implications within this category.

No background documents



LGSS Annual Report 2015-16

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Foreword by John Kane – LGSS Managing Director



It is a pleasure to welcome you to our 2015/16 Annual Report and Statement of Accounts. It has been a busy year which has seen many exciting developments across our business, the most important of which came at the end of this financial year when we welcomed on board Milton Keynes Council as a full partner.

Earlier in the year the commencement of our partnership with Northamptonshire Healthcare NHS Foundation Trust facilitated opportunities to enable potential major synergies across Health and Care services for LGSS customers in our region. This supports our renewed 3 year contract with Olympus Care Services, further strengthening our delivery in the health and care sector. We also signed a contract with the Nene Clinical Commissioning Group.

I take great pride in how we have continued to support our customers to transform their business by providing the tools to ensure they can work in a more flexible and agile way, whether this is through workforce development programmes or the provision of new technologies. Work has continued at pace to support the Smarter Business Working programme in Cambridgeshire County Council and the Next Generation Working programme in Northamptonshire County Council – both vital programmes to ensure they can adapt to the ever changing demand placed on their services. We have also successfully implemented a mobile working programme in Norwich City Council.

I would also like to take this opportunity to congratulate one of our partners, Cambridgeshire County Council who were nominated at the 2016 LGC awards in the 'Entrepreneurial Council' category.

In April 2015, LGSS Law became LGSS Law Ltd under an 'Alternative Business Structure' licensed by the Solicitors Regulation Authority (SRA). As part of LGSS, Cambridgeshire and Northamptonshire County Councils, and now Milton Keynes Council are one of the few local authorities in the country to be granted this status. This has given us the opportunity to create value for money across all of our customers. They have already added to their portfolio through the establishment of a shared legal service with Central Bedfordshire Council.

enhanced our customer satisfaction framework. This provides a robust framework which allows us to use the feedback we capture to inform our service improvement plans, in partnership with our customers.

I am proud of the contribution LGSS has made when working with others both at home and abroad. On a national level over the past couple of years, we have shared best practice with the Northern Ireland Civil Service (NICS), the Welsh Government and the UK Cabinet Office amongst others, whilst we also supported the consultation and launch of South East Business Services (SEBS) – a shared services partnership between East Sussex and Surrey County Councils. This is all in addition to circa 110 engagement discussions with like minded public sector customers interested in the LGSS model and associated growth.

In addition there has been interest in LGSS from overseas. During 2015 we hosted a visit from the Bay of Plenty in New Zealand, who were keen to learn about our Shared Services model as they look to establish their own shared services model.

My staff and I are continuing to adapt and change our service delivery in order to meet changing customer requirements. We continue to make significant investments in business systems, in particular our Agresso Enterprise Resource Planning (ERP) solution, LANDesk, Collaborative Planning and K2, the property services system. Our partnership with Unit 4 to develop Agresso as a Next Generation ERP system will enable us to deliver a system for HR and Finance which is agile to meet the varying needs of all our customers whilst also creating efficiencies.

I look forward to reporting on the progress of these investments and further innovative solutions LGSS delivers.

John Kane
Managing Director

LGSS Pensions were chosen as the preferred provider to deliver pension administration services to Cambridgeshire & Peterborough Fire Authority.



LGSS commenced a new IT Managed Service partnering arrangement with Northamptonshire Health NHS Foundation Trust which will save £4.2 million over a 5 year period. The new partnership saw 68 members of staff transfer into LGSS IT.

Our Enterprise Resource Planning (ERP) Gold Build programme and design was approved and build of the system commenced. Due to go live in March 2017, it is anticipated that this will realise cumulative savings of £9.86 million over 7 years, split across our three shareholding organisations.



We launched our customer service desk solution, Let's Go Direct, to 3 customers – First for Wellbeing, Olympus Care Services and LGSS Law Ltd – as well as introducing further services to Cambridgeshire and Northamptonshire County Councils.



IT Services supported customers to create a flexible working environment by rolling out more than 4,000 laptops and convertible devices across the business as well as commencing a smartphone rollout.



In January 2016 LGSS Law Ltd was selected as the chosen partner to provide shared legal services to Central Bedfordshire Council and resulted in 39 members of staff transferring into LGSS Law Ltd.

During 2015/16 LGSS Revenues and Benefits generated more than £340,000 in traded services through delivering initiatives on behalf of other organisations, including Single Persons Discount and Student Reviews.



2015/16 AT A GLANCE

In April 2015, LGSS Law Ltd commenced trading as one of the first Local Authority Law firms in the UK, and currently has 84 staff based at three locations including their new headquarters in Huntingdon.



Milton Keynes Council joined LGSS on 1st April 2016 to become our 3rd Shareholder. The partnership will collectively save more than £4.47m over the next 4 years through combining greater economies of scale, from sharing, co-designing and procuring new systems.

LGSS recorded a surplus of £20k for the financial year 2015/16, which will be reinvested to improve the services that LGSS delivers to its customers.



During 2015/16 LGSS operated gross budgets of £69.9 million in addition to managing budgets of £22.9 million on behalf of our customers.

About LGSS

LGSS is a public sector shared service, operated by Cambridgeshire County Council, Milton Keynes Council and Northamptonshire County Council and provides a range of business support services, both professional and transactional, to a variety of customers within the public sector including local councils, schools and academies, the health sector and Emergency services.

Founded in October 2010, LGSS is the result of the merger of the corporate business support services at Cambridgeshire and Northamptonshire County Councils, enabling the creation of a single, shared service providing all professional, transactional and operational services to both organisations.

Our vision is to become 'The most highly regarded public sector shared service and business transformation 'partner of choice' for the public sector'. To support meeting this vision we have two key strategic themes which underpin our business plan over the next 5 years, which are:

- To become the 'partner of choice' for public sector shared services; and
- To grow our business with like-minded customers within the East of England region.

These strategic themes are essential to the long-term success of LGSS, in delivering our business plan and achieving our vision.

Our business ethos

We pride ourselves on our business ethos, which is '**For the public sector**'. We operate with an open partnership via a not for profit, joint risk and reward business model, which enables all savings to be shared between LGSS and its customers. This ensures that all efficiency savings remain within the public sector and enables LGSS to operate as a genuine trusted partner as opposed to private sector based alternatives.

Our core region

LGSS growth is focused on the 'LGSS region', as shown in the map below, and within the wider public sector which means we stay very close to our customers and keep staff local. This enables better joined up and inter working relationships to be developed with each customer, regardless of their location and the sector they operate within.



Contains Ordnance Survey data © Crown copyright and database rights 2013.

Customer Satisfaction Framework

Central to our customer relationship management is our Customer Satisfaction and Engagement Framework.

The key components of this are shown below. The framework ensures we receive feedback ranging from chief executive 'strategic' feedback to 'in the moment' service feedback whilst also overlaying key performance indicator data to ensure we maintain a rounded view of how we are performing with delivering services to our customers and enables us to proactively address service improvements to meet changing customer requirements.



An overview of each component of the framework is detailed below.

Annual User Satisfaction Survey

An online annual 'all user' satisfaction survey is undertaken in September each year to provide customers the ability to rate the operational 'day-to-day' performance of LGSS services from the previous year.

Executive Interview

In October a face to face interview delivered by the Head of Service Assurance, Customers and Strategy to the Chief Executive (or nominated other) of each customer organisation to explore items such as the strategic relationship, customer priorities, the LGSS brand value and the governance arrangements including specific key LGSS roles.

User Satisfaction feedback

At the end of each service provision customers are invited to rate their experience of the transactional or professional service they used to enable us to measure the 'in the moment' satisfaction of a specific customer transaction.



Comments, Compliments and Complaints

Comments, compliments and complaints arrive via a single point of contact and are then provided to the relevant Heads of Service/Individual within 24 hours.

Key Performance Indicators

Each LGSS Service has performance measured by a set of Key Performance Indicators (KPIs) which look at specific targets and a 'RAG' status.

Customer Issue Log

Customers can report contractual/performance issues to us at any time and we register and monitor all issues through to resolution and ensure customers are responded to in a timely fashion.

Our Customers

We provide services to a wide range of customers across local government, health and social care, education, housing and emergency service sectors, including:



**Schools and
Academies**



Northamptonshire Healthcare 
NHS Foundation Trust

Page 80 of 308 **Nene Clinical Commissioning Group**



What our customers say

Here is a sample of some of the comments our customers have to say about LGSS.

"We were the first city council to join forces with LGSS in 2012. Since that time we've worked together to continue to deliver services locally while at the same time saving money and keeping the majority of jobs within Norwich. This clearly demonstrates that public-public partnerships can be effective when it comes to delivering valuable services to our residents."

Clr Alan Waters, Leader of Norwich City Council

"I have always received an excellent service when in touch with members of IT Services, I find them knowledgeable and keen to help resolve any issues I have in a speedy manner."

User, Northampton Borough Council

"The staff here are all excellent and very knowledgeable in their field of work (Insurance Services)."

User, Cambridgeshire County Council

"Joint working has enabled a committed and professional relationship to be developed over a period of years which has been further enhanced by LGSS listening to our feedback."

Carolyn Kus, Managing Director, Olympus Care Services

"Joining LGSS is an excellent fit with some of MKC's ambitious plans for modern service delivery. There's some great experience and talented people across our organisations and we're looking forward to learning from each other."

Carole Mills, Chief Executive, Milton Keynes Council

"We are looking forward to working more closely with LGSS as we support our IT staff transferring to them. We believe this arrangement will be beneficial to all parties as our skilled and committed staff join with those at LGSS. This will give us access to a broader range of specialist skills and knowledge and enable us to continue to improve the quality of care we provide to the people of Northamptonshire."

Angela Hillery, Chief Executive, Northamptonshire Healthcare NHS Foundation Trust

"Have been using the services of Finance for 17 years now and always pleased with outcome. Very helpful, knowledgeable and accommodating."

User, Delapre Primary School, Northampton

"Members of the LGSS Procurement team have been highly professional, proactive and really have given first rate support to us in helping drive this project forward to a very successful outcome. The quality of their input to the project has been outstanding. Their performance in supporting us has left many here with a very favourable and positive impression of LGSS."

John Bridgwater, Strategic Procurement Adviser, Cambridge City Council

Future Developments

Business transformation and innovation are crucial elements of our strategic business plan. Where there is commonality between our customers we investigate and assess current processes in order to identify best practice and integrate, streamline, standardise and deploy the transformation across our customer base. This enables us to offer superior service levels combined with economies of scale in terms of technology, resources and efficiencies.

We are constantly seeking ways to improve the services we deliver, and have a wide range of programmes in place which will bring improvements in service delivery whilst also meeting the needs of our customers. Some of the key developments we are working on are detailed below.

Next Generation Working/Smarter Business Programmes

The delivery of Smarter Business and Next Generation working principles across our two founding County Councils and wider partners is crucial to ensure we provide the IT infrastructure, skills and training to fully embrace flexible working.



The vision for our Next Generation Working programme is to create:

- A more flexible approach to how, when and where work gets done, with whom we work and the tasks we work on.
- A more flexible, mobile and productive workforce who are 'IT confident'.

- Office environments and IT resources suitable for more flexible and mobile ways of working.
- A 'digital first' approach, which makes information more easily accessible on line and reduces the need for paper documents, duplicate data entry and bureaucracy.

Enterprise Resource Planning (ERP) solution



One of our key systems developments is the design, build and implementation of our Next Generation Enterprise Resource Planning (ERP) solution. The LGSS ERP 'Gold Build' is a shared service ERP system we are developing in partnership with Unit4 Business World software and has been designed around the principles of simplification, standardisation, automation and self service.

It will become a key offering of LGSS, which will bring potential customers both quantitative and qualitative benefits including:

- Single instance on shared infrastructure in the LGSS data centres / private cloud
- Shared service licence model with significant economies of scale and flexibility
- Full functionality across finance, purchasing, fixed assets, HR, payroll and management information
- Each organisation has their own separate 'client', a copy of the gold build, to ensure full data separation and security
- LGSS Business Systems provide functional management & support and a joint development roadmap, maintaining the Gold Build design principles with a single Design Authority
- Integration and interfaces with partner line of business systems through 'BizTalk' middleware technology

Health and Care IT and Systems

A key area of development for LGSS is enhancing integration within the health and care sector by joining up health and care systems across different customers. Our partnership with Northamptonshire Healthcare NHS Foundation Trust has enabled us to develop our IT expertise within the health sector.

We are developing an IT and Systems Strategy for health partners which will enable us to create a Health and Care Systems Centre of Excellence.

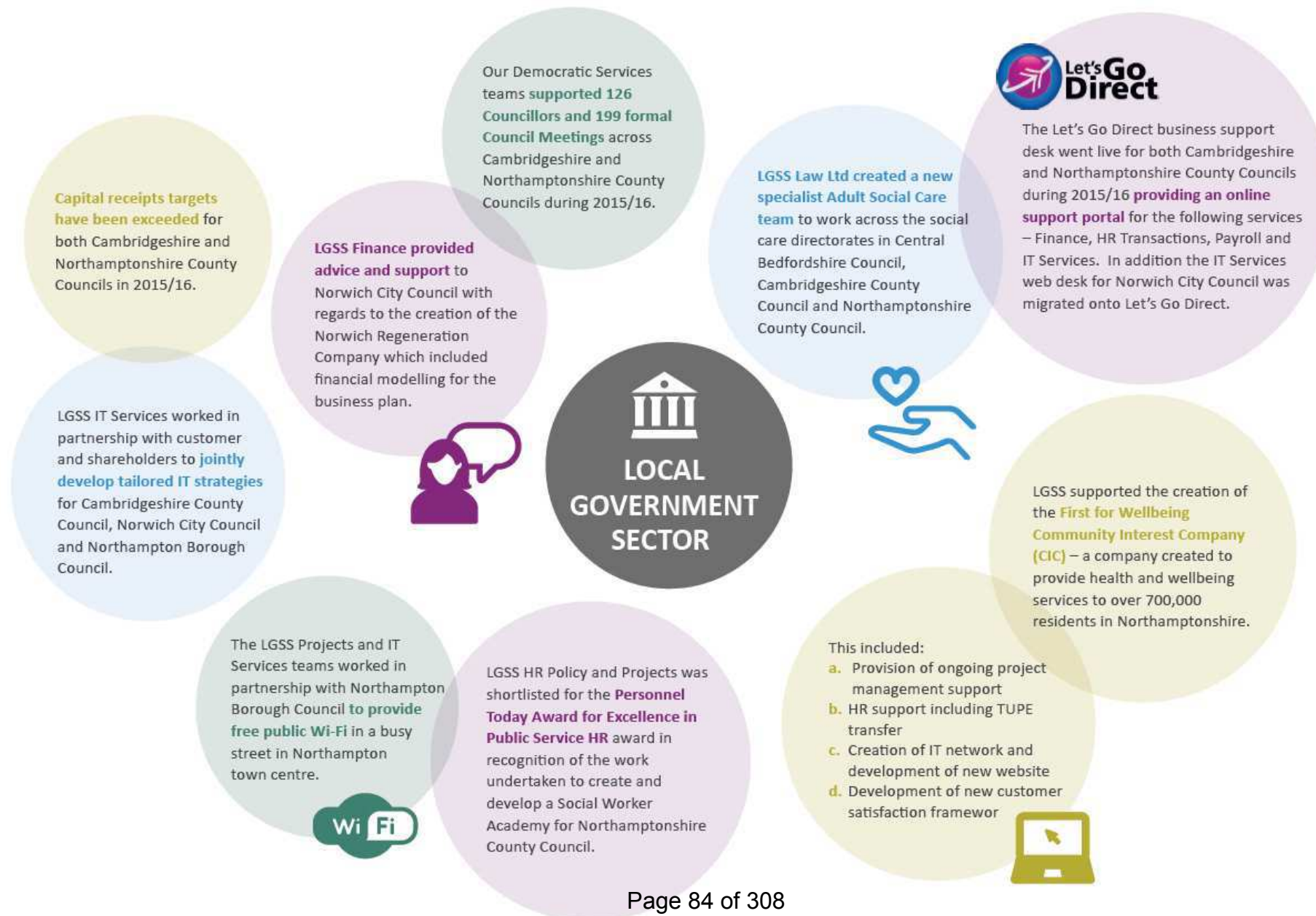
Pensions Upgrade

Our Pensions Service are currently implementing the payroll module of the Altair pensions administration system. This will enable LGSS to offer a fully integrated payroll/administration solution to all customers and will create efficiencies such as reduced inter-system reconciliations.

It is anticipated that a merged payroll/admin database will be in place by March 2017. In addition there are plans to bring the hosting of the Altair platform in-house.

Legal Case Management system for LGSS Law Ltd

We have selected our new case management system for LGSS Law Ltd, ICON, which will go live in early 2017.







LGSS Statement of Accounts 2015-16

Introduction

This Annual Report presents the financial statements for LGSS for the period 1 April 2015 to 31 March 2016 and gives a comprehensive summary of the overall financial position of LGSS, including LGSS Law Ltd. For the period covered by this annual report, LGSS had two shareholding partners (Cambridgeshire and Northamptonshire County Council), with Milton Keynes Council becoming a full legal partner on the 1 April 2016.

2015-16 Financial Outturn - LGSS

The financial outturn for LGSS was a £204k surplus for the financial year. This figure includes £184k reserves utilised during the year to give a net surplus of £20k, which has been added to the LGSS general reserve

As in previous years, challenging savings targets were incorporated into the budgets and whilst as a whole LGSS came in within budget, some service areas struggled to achieve the challenging targets, such as the trading account (£925k over budget).

LGSS Operational Service Area	Expenditure	Income	Full Year	Full Year
	Budget £000	Budget £000	Budget £000	Variance £000
Trading Account	2,507	(24,564)	(22,057)	925
Service Assurance	784	(16)	768	(73)
Finance	20,185	(9,244)	10,941	(600)
People, Transformation and Transactions	23,447	(2,961)	20,486	(565)
Information Technology	15,302	(2,433)	12,869	(107)
Law, Procurement and Governance	7,684	(5,658)	2,026	216
Total LGSS	69,909	(44,876)	25,033	(204)

This was more than offset by the over performance within the other service areas, such as finance (£600k under budget) and People, Transformation and Transactions (£565k under budget) through vacancy management and achieving one-off efficiencies during the year.

Overall, the final position allowed an additional £20k to be added to the LGSS reserves, further strengthening the financial position of LGSS for the years ahead.

2015-16 Financial Outturn - LGSS

Reserves Position

Unlike a local authority, LGSS does not seek to hold reserves as a contingency for unforeseen circumstances. Instead, reserves are held to invest in long term service improvement to continually improve the services that LGSS delivers, facilitating better outcomes for its customers.

In 2015-16, reserves of £184k were utilised to support the delivery of future efficiencies. Of the favourable outturn variance of £204k, £53k will be used to top-up the redundancy reserve, with the balance being used to invest in IT infrastructure, (£56k), and infrastructure for development of the Learning Pool – the online training system for all LGSS customers, (£95k).

	2011-12 Outturn £000	2012-13 Outturn £000	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn £000
Brought Forward (1 April)	0	1,489	3,289	2,893	2,005
Reinvestment	0	(604)	(2,402)	(2,091)	(2,005)
Repayment to Norwich City Council	0	0	(184)	0	0
Distribution of prior year dividend	0	0	(700)	(700)	0
Actual Surplus	1,489	2,404	2,009	652	204
Balance at 31 March	1,489	3,289	2,012	754	204
Planned Reinvestment	0	0	881	1,251	1,821
LGSS Reserves at 31 March	1,489	3,289	2,893	2,005	2,025

Use of Reserves in Year

Theme	2015-16 LGSS Reserves £000	Reserves Drawn Down £000	Re-allocation of Reserves £000	Allocation of 2015-16 Surplus £000	2016-17 Carry Forward £000
Reinvestment in Services	1,198	184	(68)	151	1,097
Smoothing	753	0	0	0	753
Redundancy	54	0	68	53	175
Total LGSS Reserves	2,005	184	0	204	2,025

In 2015-16, there was no requirement to draw down the Smoothing reserve, and therefore the balance has been carried forward to 2016-17

In 2015-16, Directors have been able to manage or absorb redundancy costs with their own service budgets, therefore there were no calls on the redundancy reserve in year. The redundancy reserve has been topped up to £175k for 2016-17 to support further service transformation in 2016-17 and going forward.

2015-16 Financial Outturn– LGSS Law



2015 was an important year for LGSS Law as the company was launched and commenced trading on 1st April. In common with many start up years it proved to be an eventful one and ultimately very successful. The first 12 months have been a period of significant transition and challenge in establishing a brand new law firm and putting in place all the necessary systems and governance to ensure that the services on offer are at least as robust and cost effective as any other provider in this sector.

Notwithstanding the fact of this being a very busy 12 months LGSS Law has delivered a number of positive results for its owners in the form of an increase in the number and quality of external clients and succeeding in being selected as merger partner of choice for the provision of Central Bedfordshire's legal advice and support. The merger with Central Bedfordshire Council Legal will boost turnover by £2.3 million in 16-17 and provide additional capacity and geographical reach to further develop the business. LGSS Law also delivered a net benefit of around £1 million to its founding owners through cost reductions and profit generated.

In addition, the service continued to improve and received some very positive customer feedback in the annual survey.

Financial Performance

During the its first year of operation, LGSS Law delivered a small net comprehensive income (excluding pensions adjustments) on turnover of more than £5.5m

The cost of delivering the LGSS Law service falls substantially upon its trained legal staff, with a mixture of PAYE, Agency and Direct Contract staff used to deliver the income and in total 66 fee earners were involved during the year.

The Balance Sheet shows that the company has a only few fixed assets – mainly IT equipment- and £1,464,000 in its bank account. Much of the bank account will be used to pay VAT and PAYE liabilities of £530,000 and Trade Creditors of £149,000 leaving £785,000 for other uses. This shows that the company is in a healthy short term financial position.

LGSS Law - Underlying Profit & Loss Statement (Excl. Pension Adjustments)	
	£000
Income	5,627
Cost of Services	4,131
Gross Profit	1,496
Overheads	1,491
Total Comprehensive Income	5

Independent auditor's report to the members of LGSS

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Independent auditor's report to the members of LGSS

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Statement Of Responsibilities And Certificate Of Accounts

LGSS's Responsibilities

LGSS is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this entity, that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Annual Report (Statement of Accounts and Annual Governance Statement).

I confirm that the Annual Report (Statement of Accounts and Annual Governance Statement) were approved by the LGSS Joint Committee at its meeting on the 19th January 2017.

Councillor Robin Brown
Chairman of the LGSS Joint Committee
Date:

The Director Of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the business's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

The Director of Finance has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Accounts

I certify that this Annual Report (Statement of Accounts and Annual Governance Statement) presents a true and fair view of the financial position of LGSS at 31 March 2016 and its income and expenditure for the year ended 31 March 2016, and authorise the accounts for issue.

Matt Bowmer
LGSS Director of Finance
Date:

The Core Financial Statements

The Core Financial Statements are set out over the following five pages, and are prepared under the appropriate accounting standards relating to each entity. The statements contain the appropriate level of detail to ensure they provide a meaningful comprehensive summary of the financial position of LGSS.

Comprehensive Income and Expenditure Statement

2014-15 Gross Expenditure £000	2014-15 Gross Income £000	2014-15 Net Expenditure £000		2015-16 Gross Expenditure £000	2015-16 Gross Income £000	2015-16 Net Expenditure £000
65,822	(65,531)	291	Financing and Investment Income & Expenditure - LGSS	69,389	(69,409)	(20)
65,822	(65,531)	291	(Surplus) / Deficit on Provision of Services - LGSS	69,389	(69,409)	(20)
0	0	0	Financing and Investment Income & Expenditure - LGSS Law	5,289	(5,294)	(5)
65,822	(65,531)	291	(Surplus) / Deficit on Provision of Services - LGSS Group	74,678	(74,703)	(25)
			291 Total Comp Income and Expenditure			(25)

This statement shows the cost of providing LGSS services, prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2015-16, which are based on International Financial Reporting Standards (IFRS). This is in line with the preparation of the annual accounts for both Northamptonshire and Cambridgeshire County Councils.

The 2015-16 income and expenditure statement shows a surplus of £25k, for the LGSS group, with £20k relating to the trading activity of LGSS and a surplus relating to the trading activity of LGSS Law of £5k, a limited company that started trading on 1 April 2015. The £25k has been added to the reserves of the LGSS group, with £20k added to the LGSS Reserve, and the £5k being added to the LGSS Law retained profit reserve.

The 2015-16 financial position represents an improvement on the financial position in 2014-15, where a £291k deficit was posted.

Comprehensive Income and Expenditure Statement Continued

In order to meet the requirements of the Code of Practice the Comprehensive Income and Expenditure Statement only allows one line per entity because both LGSS and LGSS Law exist as trading entities.

In order to facilitate greater understanding of these financial statements, the same figures have been shown against the same headings that are included with the internal reporting that is presented to Joint Committee periodically.

Income and Expenditure as per Outturn Report 2015-16

14-15 Variance £000		Gross Expenditure Budget £000	External Income Budget £000	Internal Income Budget £000	Net Budget £000	Outturn £000	15-16 Variance £000
536	Trading Account	2,507	(24,560)	(4)	(22,057)	(21,132)	925
99	Service Assurance	784	0	(16)	768	695	(73)
(321)	Finance	20,101	(7,458)	(1,786)	10,857	10,357	(500)
110	People, Transformation and Transactions	23,447	(1,777)	(1,184)	20,486	19,921	(565)
(82)	Information Technology	15,202	(302)	(2,131)	12,769	12,746	(23)
(51)	Law, Property and Governance	7,684	(1,036)	(4,622)	2,026	2,242	216
291	Total LGSS	69,725	(35,133)	(9,743)	24,849	24,829	(20)
0	LGSS Law	5,289	(5,289)	0	0	(5)	(5)
0	Total LGSS Group	75,014	(40,422)	(9,743)	24,849	24,824	(25)

A further breakdown of the figures from the income and expenditure statement is shown in Note 8, which splits the figures between the cost of services provided to NCC and CCC, and trading with external partners through Partnership and Delegation agreements.

Balance Sheet

This statement presents the value of the assets and liabilities recognised by LGSS as at 31 March 2016.

The Balance Sheet therefore represents debtors, creditors and cash as a result of the activities carried out by LGSS. There are net assets of £2,030k attributable to the LGSS Group as at 31 March 2016.

The value of non-current assets of £1k relates to a small level of capital expenditure, for the start-up expenditure incurred when LGSS Law began trading. Assets used by LGSS to deliver services are owned by the respective host authorities.

Included within the LGSS Law Balance sheet is a loan facility between LGSS Law and Northamptonshire County Council, of which £950k was outstanding at the Balance Sheet date. In addition, as a member of the local government pension scheme, LGSS Law is required to recognise the associated pension liability within its balance sheet. At the 31st March 2016, this liability was valued at £466k.

31-Mar-15 LGSS £000	31-Mar-16 LGSS £000	31-Mar-16 LGSS Group £000
0 Non Current Assets	0	1
4,194 Short Term Debtors (Note 4)	7,077	9,566
1,630 Cash and Cash Equivalents	0	1,465
5,824 Current Assets	7,077	11,031
(3,533) Short Term Creditors (Note 5)	(4,168)	(6,702)
(286) Provisions (Note 6)	(221)	(221)
0 Cash and Cash Equivalents	(661)	(661)
(3,819) Current Liabilities	(5,051)	(7,585)
0 Long Term Creditors	0	(950)
0 Pension fund Liability (Note 15)	0	(466)
0 Non Current Liabilities	0	(1,416)
2,005 Net Assets	2,025	2,030
2,005 Usable Reserves (Note 7)	2,025	2,030
0 Unusable Reserves	0	0
2,005 Total Reserves	2,025	2,030

Movement in Reserves Statement

	LGSS Reserve £000	Earmarked Reserves £000	LGSS Reserves Total £000	LGSS Law Retained Profit £000
Balance at 31-Mar-14	2,193	103	2,296	0
Movement in 2014-15:				
Surplus/(Deficit) on the provision of services	(291)	0	(291)	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total comprehensive income and expenditure	(291)	0	(291)	0
Transfers to/(from) earmarked reserves (note 7)	103	(103)	0	0
Increase/(decrease) in 2014-15	(188)	(103)	(291)	0
Balance at 31-Mar-15	2,005	0	2,005	0
Movement in 2015-16:				
Surplus/(Deficit) on the provision of services	20	0	20	5
Other Comprehensive Income and Expenditure	0	0	0	0
Total comprehensive income and expenditure	20	0	20	5
Transfers to/(from) earmarked reserves (note 7)	0	0	0	0
Increase/(decrease) in 2015-16	20	0	20	5
Balance at 31-Mar-16	2,025	0	2,025	5

This statement shows the movement in the year on the different reserves held by LGSS. All reserves held by LGSS at the 31 March 2016 are useable reserves.

There has been an increase of £20k in the LGSS Operational Reserve during the period. The LGSS Operational Reserve is the primary reserve, which is used to hold accumulated surplus/deficits on the provision of services, and to release funding back in to the service as reinvestment.

As LGSS Law Ltd is operating as a private limited company, a retained profit reserve has been created. This reserve can be used by LGSS Law to retain profits each year to re-invest in future years, or return to its shareholders as a dividend. On the 31 March 2016, this reserve stood at £5k.

Cash Flow Statement

2014-15 LGSS £000		2015-16 LGSS £000	2015-16 LGSS Group £000
(291)	Net surplus/(deficit) on the provision of services	20	25
	Adjust net surplus/deficit on the provision of services for non cash movements:		
5,346	(Increase) / Decrease in debtors	(2,883)	(5,372)
(15)	Increase / (Decrease) in creditors	635	4,585
(80)	Increase / (Decrease) in provisions	(65)	(65)
5,251		(2,313)	(852)
4,960	Net increase or (decrease) in cash and cash equivalents	(2,293)	(827)
(3,330)	Cash and cash equivalents at the beginning of the reporting period	1,630	1,630
1,630	Cash and cash equivalents at the end of the reporting period	(661)	804

The cash flow statement shows the changes in cash and cash equivalents of LGSS during the reporting period. The statement shows how LGSS generates and uses cash and cash equivalents for operating activities.

Cash and cash equivalents for LGSS have decreased during the period by £2,487k. Cash is held within the bank accounts of the two founding Councils.

For LGSS Law Ltd, in its first year of trading has a cash balance of £1,465k at the balance sheet date.

1 Accounting Policies

1.1 General Principles

LGSS has prepared these Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code).

The Audit Commission Act 1998, which requires the accounts of Joint Committees to be subject to audit was repealed on 1 April 2015, when the Audit Commission closed. The provisions of the Local Audit and Accountability Act 2014, which introduces new local public audit arrangements, do not apply to Joint Committees, such as LGSS. Joint Committees will therefore no longer have a statutory obligation to prepare accounts and for these accounts to be subject to audit. The Department for Communities and Local Government (DCLG) has confirmed to the Audit Commission its intention that this change will apply from 1 April 2015, for the financial year 2015/16 onwards. LGSS will continue to prepare a Statement of Accounts and submit them for an external audit. This voluntary arrangement will continue to provide the Joint Committee and Authorities with the necessary assurance that the financial performance of the Joint Committee that is reported in a format consistent with other local authorities and is free from material error or misstatement. The Statement of Accounts summarises LGSS's financial position for the year ended 31 March 2016.

In order to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the accounts present a true and fair view of the financial position and transactions of LGSS. All accounting

policies are disclosed where they are material.

1.2 Qualitative Characteristics of Financial Statements

1.2.1 Relevance

The accounts have been prepared with the objective of providing information about LGSS's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

1.2.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

1.2.3 Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

1.2.4 Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate they would not affect the interpretation of the accounts.

1.3 Underlying Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, LGSS selects whichever method is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used for debtors and creditors where invoices have yet to be issued or received.

1.3.1 Accrual of Income and Expenditure

The financial statements, other than the cash flow, are prepared on an accrual basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred, not as cash is received or paid. In particular:

- Revenue from the provision of services is recognised when LGSS can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to LGSS.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3.2 Going Concern

The accounts have been prepared on the assumption that LGSS will continue in existence for the foreseeable future.

1 Accounting Policies Cont.

1.4 Detailed Accounting Policies

1.4.1 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and investments whose maturity date is three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

1.4.2 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of LGSS's financial performance.

1.4.3 Provisions

Provisions are made where an event has taken place that gives LGSS a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that LGSS becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it

becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if LGSS settles the obligation.

1.4.4 Reserves

LGSS sets aside specific amounts as reserves for future policy and business purposes or to protect against unexpected events. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to be recorded against the Net Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

LGSS Reserves include:

- Earmarked reserves, which are set aside for specific purposes.
- General reserves, which are set aside for unexpected events.

1.4.5 Revenue Grants and Contributions:

Revenue grants and contributions are matched in the Comprehensive Income and Expenditure Statement to the service expenditure to which they relate. Revenue grants received in advance of entitlement or meeting of conditions are treated as creditors (receipt in advance) until such time as they can be justifiably recognised as income and credited to the Comprehensive

Income and Expenditure Statement. Grants to cover general expenditure are credited to the Comprehensive Income and Expenditure Statement after Net Cost of Services.

1.4.6 Employment Benefits

I. Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to LGSS.

II. Termination Benefits

Termination benefits are amounts payable as a result of a decision by LGSS to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when LGSS is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

III. Post Employment Benefits

Local Government Pension Scheme

Contributions to the Local Government Pension Scheme payable during the period are charged to the Comprehensive Income and Expenditure Statement where employees are members of the scheme. However, as LGSS staff are formally employed by either Northamptonshire County Council or Cambridgeshire County Council the net pensions liability/asset is shown within the host authority's Statement of Accounts. Therefore no pensions liability/asset is recognised within LGSS's balance sheet.

1 Accounting Policies Cont.

1.4.7 Discretionary Benefits

LGSS has no powers to make discretionary awards of retirement benefits in the event of early retirements, with such powers remaining with the respective County Councils. However, any liabilities estimated to arise as a result of an award to any member of staff will be accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.4.8 Value Added Tax (VAT)

The Comprehensive Income and Expenditure Statement excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

1.4.9 Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2. Accounting standards that have been issued but have not yet been adopted

The standards which have been introduced by the 2016-17 Code and will be effective from 1 April 2016 are not anticipated to have any impact on the LGSS financial statements. These are as follows:

- **Amendments to IAS 19 *Employee Benefits (Defined Benefit Plans: Employee Contributions)***
- **Annual Improvements to IFRSs 2010 – 2012 Cycle Amendment to IFRS 11 *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)***
- **Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)***
- **Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details)**
- **Amendment to IAS 1 *Presentation of Financial Statements (Disclosure Initiative)***
- **The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis**
- **The changes to the format of the Pension Fund Account and the Net Assets Statement.**

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, LGSS has been required to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Report (Statement of Accounts and Annual Governance Statement) are in respect of:

Presentation of the Comprehensive Income and Expenditure Statement (CIES)

The Accounts have been prepared using the CIPFA Code of Practice on Local Authority Accounting (the Code). The internal management reporting structure has been used to present the Income and Expenditure statement, as this reflects the profit centres that operate within LGSS

As LGSS is operating in a commercial environment all activity has been treated as trading activity; both with the founding authorities, Northamptonshire County Council and Cambridgeshire County Council, and with other partner bodies through Partnership and Delegation Agreements.

IAS19 / Pensions liabilities – As LGSS is not a separate legal entity staff are formally employed by either of the two founding authorities, Northamptonshire County Council or Cambridgeshire County Council, and are entitled to join the Local Government Pension Scheme (LGPS). LGPS is a defined benefit plan. As LGSS itself is not an admitted body to LGPS it is not possible for LGSS to accurately identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. As such, the scheme has been accounted for as a defined contribution scheme within the LGSS accounts. Pension contributions paid during the period have been recognised within the income statement.

Contributions paid during the year are shown in Note 14. There is no pensions liability or pensions reserve shown within the LGSS balance sheet. The net pensions asset/liability and pensions reserve is shown within each authority's Statement of Accounts, depending on where the staff are formally employed. Similarly, IAS19 disclosures are shown within the Statement of Accounts of each authority.

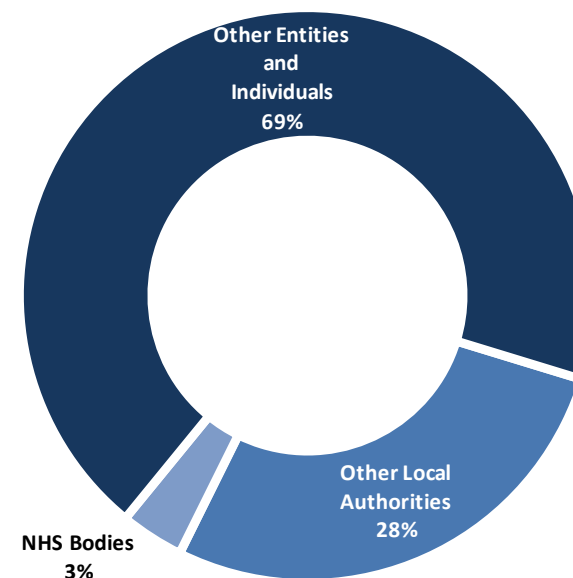
However, as LGSS Law is a separate legal entity as well as being an admitted member of the Northamptonshire and Cambridgeshire Local Government pension schemes, it is required to record its pension liability/asset on its balance sheet, as outlined in the notes to the group accounts on page 26.

Fixed Assets – Assets are resources controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. As LGSS is not a separate legal entity it does not own any fixed assets. Fixed assets are owned by the host authorities and partner authorities, who direct and control their use. LGSS does not have sole use, as the assets are also used by the host authorities and partner authorities, so the criteria for them to be accounted for as finance leases has not been met. Consequently these fixed assets are included within the statutory accounts of the relevant authority and no fixed assets are included within the LGSS accounts.

LGSS Activity – The LGSS accounts included activity related to LGSS operational budgets. Operational budgets encompass day to day LGSS activity and transactions with third parties. There are also managed budgets which LGSS administers on behalf of the partner organisations for which LGSS has or receives no benefit. Activity related to these managed budgets is included within the relevant organisation's statutory accounts and consequently is not included within the LGSS accounts.

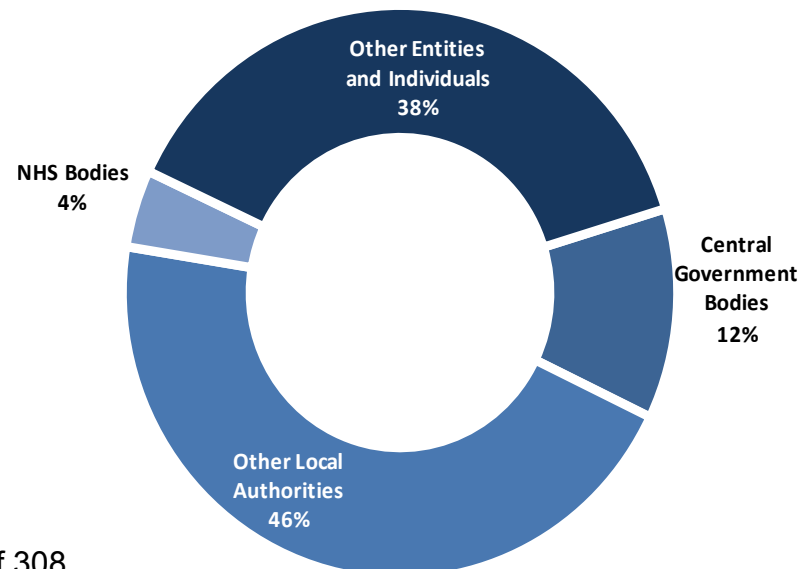
4 Debtors and Payments in Advance

2014-15 LGSS £000		2015-16 LGSS £000	2015-16 LGSS Group £000
-	Central Government Bodies	0	0
3,296	Other Local Authorities	1,953	2,535
14	NHS Bodies	253	253
885	Other Entities and Individuals	4,870	6,777
4,195	Total Short Term Debtors	7,077	9,566



5 Short Term Creditors and Receipts in Advance

2014-15 LGSS £000		2015-16 LGSS £000	2015-16 LGSS Group £000
(210)	Central Government Bodies	(544)	(545)
(2,209)	Other Local Authorities	(2,082)	(3,558)
0	NHS Bodies	(201)	(201)
(1,114)	Other Entities and Individuals	(1,757)	(2,814)
(3,533)	Total Short Term Creditors	(4,584)	(7,118)



6 Provisions

2014-15 LGSS £000	2015-16 LGSS £000
(366) Opening Provision	(286)
80 Provision Utilised in Year	65
(286) Closing Provision	(221)

LGSS has a provision for the potential redundancies that are required in order to deliver the required savings in relation to the contracts that it operates. In the 2015-16 financial year, £65k was drawn down, leaving a total provision of £221k at the balance sheet date.

At the balance sheet date, no provisions for LGSS Law Ltd were in place.

7 Transfers to/from Earmarked Reserves

	Opening Balance April 2014 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2015 £000
LGSS Operational Reserve	2,193	653	(841)	2,005
Cambridge Specific Reserves	103	0	(103)	0
Total LGSS Group Reserves	2,296	653	(944)	2,005

	Opening Balance April 2015 £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2016 £000
LGSS Operational Reserve	2,005	204	(184)	2,025
Cambridge Specific Reserves	0	0	0	0
Total LGSS Reserves	2,005	204	(184)	2,025
LGSS Law Retained Profit	0	5	0	5
Total LGSS Group Reserves	2,005	209	(184)	2,030

8 Trading Operations

Trading Operation figures are shown in the table below.

Services provided to the founding authorities, Northamptonshire County Council and Cambridgeshire County Council are shown separately to trading with other partners including Partnership and Delegation Agreements.

Expenditure	Income (Surplus)/Deficit			Expenditure	Income (Surplus)/Deficit	
2014-15	2014-15	2014-15		2015-16	2015-16	2015-16
£000	£000	£000		£000	£000	£000
47,614	(45,816)	1,798	LGSS - With NCC/CCC	48,222	(46,567)	1,655
			LGSS - With other Partners (Partnership			
18,209	(19,715)	(1,506)	& Delegation agreements)	21,166	(22,842)	(1,675)
65,823	(65,531)	292	LGSS Total	69,389	(69,409)	(20)

Expenditure recorded between NCC/CCC and LGSS increased by £5.1m during the reporting period, with income increasing by £5.2m, resulting in an improvement on the deficit recorded to £1.7m for 2015-16.

During the same timescale, however, LGSS have been able to increase the trading activity with other partners, with income received from these sources increasing by £3.1m over the last year. However, expenditure has increased by £2.9m in order to deliver these contracts, therefore there is relatively small increase to the trading surplus achieved in 2015-16.

Taking both sources as a whole, LGSS and LGSS Law delivered a surplus of £25k, which is an improvement on the small deficit achieved in 2014-15 and consistent with the LGSS trading strategy.

9 Officers Remuneration

Disclosure of remuneration for senior employees.

Senior employees are the LGSS Managing Director and LGSS Directors. Staff are employees of the host authorities, rather than LGSS itself.

The figures below include salary costs, expenses (travel and subsistence) and employer pension contributions.

Post holder information	Payroll	Notes	Total					
			Basic Salary £000	Honorary £000	Allowances & Expenses £000	Total Remuneration excluding pension contribution £000	Pension contributions £000	Total Remuneration including pension contribution £000
LGSS Managing Director	NCC	2015-16	133		4	137	16	153
		2014-15	132		3	135	16	151
LGSS Director of People, Transformation & Transactional Services	NCC	2015-16	121	19	1	141	18	159
		2014-15	122		1	123	16	139
LGSS Director of Finance and Section 151 Officer NCC	NCC	2015-16	116	3	1	120	15	135
		2014-15	115	3	1	119	15	134
LGSS Director of Law and Property and Governance	LGSS Law	2015-16	107		2	109	24	133
	CCC	2014-15	96		2	98	19	117
LGSS Director of IT	NCC	2015-16	114	13	3	130	15	145
	CCC	2014-15	112		1	113	22	135

Notes

- Salary paid is dependent on length of service and performance
- The honorarium payment to the Director of People, Transformation & Transactional Services includes an amount (£9k) relating to work undertaken in 2014-15 that was paid in the 2015-16 financial year.

9 Officers Remuneration

The numbers of employees whose remuneration, taxable expenses and severance pay (if applicable) was £50,000 or more during the year are detailed below:

2014-15		2015-16	2015-16
LGSS	Pay Band	LGSS	LGSS Group
9	£50,000 - £54,999	11	12
8	£55,000 - £59,999	6	7
3	£60,000 - £64,999	5	6
4	£65,000 - £69,999	5	5
2	£70,000 - £74,999	2	3
5	£75,000 - £79,999	2	2
3	£80,000 - £84,999	4	4
4	£85,000 - £89,999	4	4
0	£90,000 - £94,999	0	0
2	£95,000 - £99,999	1	1
0	£100,000 - £104,999	1	1
0	£105,000 - £109,999	0	1
1	£110,000 - £114,999	0	0
1	£115,000 - £119,999	1	1
1	£120,000 - £124,999	0	0
0	£125,000 - £129,999	1	1
1	£130,000 - £134,999	1	1
0	£135,000 - £139,999	1	1
44		45	50

10 Termination Benefits

Total number of exit packages by cost band	Total cost of exit packages in each band (including special payments)	Total Number of exit packages by cost band	Total cost of exit packages in each band
2014-15 LGSS	2014-15 LGSS £000	2015-16 LGSS	2015-16 LGSS £000
8	78 £0-£20,000	18	158
3	90 £20,001 - £40,000	5	138
11	168 Total cost included in bandings	23	296

11 Transactions with Related Parties

LGSS's related parties are the shareholding authorities (Northamptonshire and Cambridgeshire County Council), and also LGSS Law who are consolidated into the LGSS Group accounts.

Northamptonshire and Cambridgeshire County Councils

Both authorities allocate funding to LGSS by identifying budgets within their budgeting processes. The LGSS Budget for each authority is shown in the table below.

By identifying budget within the County Council budgets, no cash transactions take place and therefore there were no amounts outstanding on the 31st March 2016

LGSS Law

As LGSS Law is consolidated into the LGSS accounts, the intercompany transactions between the two entities are outlined below. All transactions between LGSS and LGSS Law are invoiced, with LGSS Law raising invoices on a monthly basis for legal services delivered to its customers.

2014-15 Budget Allocated £000	2015-16 Budget Allocated £000	Amount Invoiced £000	Outstanding at the 31st March 2016 £000
10,473 Cambridgeshire County Council	10,085	Support Services Charged to LGSS Law 150	150
12,860 Northamptonshire County Council	14,764	Legal Services Charged to LGSS (333)	(123)
23,333	24,849	(183)	27

12 Events after the Balance Sheet Date

On the 1 April 2016, Milton Keynes Council legally became a full partner of LGSS and a member of the joint committee. Milton Keynes Council will hold an equal number of shares as Northamptonshire and Cambridgeshire County Councils, with any dividends awarded being allocated based on the number of shares held.

Also as at the 1 April 2016, 50 LGSS Law Ltd shares were allocated to Central Bedfordshire Council, to allow them to become joint owners of LGSS Law Ltd along with Northamptonshire County Council and Cambridgeshire County Council. The additional shareholder is expected to lead to an additional £1.7m in income, with 35 lawyers and 5 support staff transferring into LGSS Law from Central Bedfordshire. The LGSS Law Ltd Articles of Association were also refreshed on the 1 April 2016, to incorporate the third shareholder and the impact on the decision making processes.

13 External Audit Costs

2014-15	2015-16
LGSS	LGSS
£000	£000
KPMG LLP - audit services carried out by the 23 appointed auditor	25
KPMG LLP - Audit Work relating to 2014/15	31
23 Total External Audit Costs	56

14 Pension Schemes accounted for as defined contribution schemes

LGSS staff are formally employed by either Northamptonshire County Council or Cambridgeshire County Council and are entitled to join the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme.

As LGSS itself is not an admitted body to LGPS it is not possible for LGSS to accurately identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. As such, the scheme has been accounted for as a defined contribution scheme within the LGSS accounts.

Pension contributions paid during the year have been recognised within the Comprehensive Income and Expenditure Statement. Contributions paid during 2015-16 in respect of LGSS staff employed by NCC were £2.8m, with an employers contribution rate of 12.8% of pensionable pay. (2014-15: £2.5m with a contribution rate of 12.8%). Contributions paid during 2015-16 in respect of LGSS staff employed by CCC were £2.5m, with an employers contribution rate of 20.7% of pensionable pay. (2014-15: £2.7m with a contribution rate of 20%)

The actuary bases the contribution rate on actuarial valuations that take place every three years. The last such valuation was at 31 March 2013.

15 Pension Schemes Accounted for As A Defined Benefit Scheme

15 Pension Schemes Accounted for As A Defined Benefit Scheme

Law Ltd staff are entitled to join the Local Government Pension Scheme (LGPS) which is a defined benefit plan. Former employees of Northamptonshire County Council are members of the Northamptonshire County Council LGPS. All other employees who join the scheme are members of the Cambridgeshire County Council LGPS. The Net Pension Liability is guaranteed by the respective Local Authorities and not LGSS or LGSS Law. Details of the funds and their treatments in these financial statements are detailed overleaf:

The values of the net pension liability for LGSS Law has improved by £600k, from a deficit of £1,066k to a deficit of £466k, mainly due to an improvement in the actuarial assumptions (detailed overleaf)

Movements in present value of defined benefit obligation

	C'Shire LGPS £000	N'Shire LGPS £000	Total LGSS Law £000
At 1 April 2015	(3,407)	(3,071)	(6,478)
Current service cost	(341)	(284)	(625)
Interest expense	(120)	(107)	(227)
Change in Financial Assumptions	526	537	1,063
Contributions by members	(97)	(64)	(161)
At 31 March 2016	(3,439)	(2,989)	(6,428)

Net pension (liability)/asset

C'Shire LGPS 2015 £000	N'Shire LGPS 2015 £000	Total LGSS Law 2015 £000		C'Shire LGPS 2016 £000	N'Shire LGPS 2016 £000	Total LGSS Law 2016 £000
(3,407)	(3,071)	(6,478)	Defined benefit obligation	(3,439)	(2,989)	(6,428)
2,887	2,525	5,412	Plan assets	3,155	2,807	5,962
(520)	(546)	(1,066)	Net pension liability	(284)	(182)	(466)

The values of the net pension liability for LGSS Law has improved by £600k, from a deficit of £1,066k to a deficit of £466k, mainly due to an improvement in the actuarial assumptions (detailed overleaf) around the future value of the pension scheme liabilities of around £1m. This improvement has also contributed to a statement.

£162k non cash income adjustment to the comprehensive income and expenditure
Further details of the pension scheme liabilities (left table) and assets (right table) are detailed below:

Movements in fair value of plan assets

	C'Shire LGPS 2016 £000	N'Shire LGPS 2016 £000	Total LGSS Law 2016 £000
At 1 April 2015	2,887	2,525	5,412
Interest income	101	88	189
Remeasurement: return on plan assets less interest income	(159)	(79)	(238)
Contributions by employer	229	209	438
Contributions by members	97	64	161
At 31 March 2016	3,155	2,807	5,962

15 Pension Schemes Accounted for as a Defined Benefit Scheme

Included within the Comprehensive income and expenditure statement is a net income of £162k.

	C'Shire LGPS 2016 £000	N'Shire LGPS 2016 £000	Total LGSS Law 2016 £000
Current service cost	(341)	(284)	(625)
Net Interest	(19)	(19)	(38)
Change in Actuarial Assumptions	367	458	825
Total Income recognised in Comprehensive Income Statement	7	155	162

To be able to calculate the estimated pension position and associated adjustment to the LGSS Law financial statements, a number of actuarial assumption have been made, with the key assumptions relating to investment performance and mortality assumptions. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The key assumptions used to calculate the LGSS Law pension values as at the 31st March 2016 are outlined in the two tables below:

Both Schemes 2015 %	Both Schemes 2016 %		C'Shire LGPS Male	C'Shire LGPS Female	N'Shire LGPS Male	N'Shire LGPS Female
3.3 Discount rate	3.6	Current Pensioner Aged 65	22.5	24.5	22.3	24.3
2.5 Other material assumptions	2.2	Future Retiree upon reaching 65	24.4	26.9	24.0	26.6

Notes to the Group Accounts

1. Group Boundary

LGSS Law Ltd was incorporated on the 3rd June 2014 and commenced trading on the 1 April 2015. The share capital of the company is split 50/50 between Northamptonshire County Council, and Cambridgeshire County Council, consistent with the ownership split for the main LGSS entity in 2015-16.

LGSS Law Limited is the only subsidiary of LGSS for accounting purposes, and has been consolidated into the LGSS Group Accounts.

2. Basis of Consolidation

The financial statements of LGSS Law Ltd have been consolidated with those of LGSS on a line by line basis; which has eliminated in full balances, transactions, income and expenses between LGSS and its subsidiary.

3. Business Activities of the Subsidiaries

LGSS Law Ltd is a provider of legal services, primarily to the public sector. In its first year, LGSS Law provided over 75,000 hours of high quality legal advice in a wide range of areas to over 100 public sector clients.

4. Accounting Policies

In preparing the group accounts, LGSS has ensured that the accounting policies of LGSS and LGSS Law are aligned (as detailed overleaf). The accounting policies for LGSS and LGSS Law are the same, with the exception of the following three policies which are applicable solely to LGSS Law:

Pension Accounting – LGSS Law is an admitted body to the Northamptonshire and Cambridgeshire Local Government Pension Schemes, and therefore as a result is required to account for any associated pension liabilities/benefits accrued as a result of membership of the pension scheme as outlined in FRS102.

However, both Northamptonshire County Council and Cambridgeshire County Council have guaranteed any pension liability, resulting in a matching asset being recognised if the pension schemes are in deficit.

Corporation Tax – As a public sector entity, LGSS is not liable to pay corporation tax on any surplus that it makes during a year. Conversely, LGSS Law is a private limited company, and therefore is subject to the normal business taxes applicable to an organisation trading in the United Kingdom.

The LGSS Law policy for accounting for Corporation Tax is below:-

Corporation Tax is accounted for in the year in which the trading surplus have taken place (after the application of capital allowances and the use of trading loss carry forwards, where appropriate).

As Corporation Tax is paid in the following financial year, the pre-audited estimated corporation tax liability is provided for by the raising of an accrual.

Property, Plant and Equipment (PPE) – LGSS utilises the assets of its customers in order to deliver services where appropriate, therefore has no ownership rights over PPE assets, which means that it has no PPE accounting policy.

The LGSS Law policy for accounting for PPE is below:-

All Non Current Assets to be depreciated over 5 years, with assets only to be revalued where it is expected the carrying value of the asset is materially different from its fair value.

5. Consolidation of the Group Accounts

Where applicable, figures relating to the LGSS Group and LGSS are provided side by side to highlight where the Group figures are different from the core LGSS entity. However, where there is no material benefit of including the information in the notes to the accounts, only the LGSS figure is shown.

LGSS Annual Governance Statement

1. Scope of Responsibility

The LGSS Joint Committee is responsible for ensuring that LGSS business is conducted in accordance with the law and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The LGSS Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is responsible for putting in place appropriate arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The LGSS Joint Committee operates to Northamptonshire County Council's Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'.

This Annual Governance Statement explains how LGSS has complied with the Code and also meets the requirements of regulation 4.2 of the Accounts and Audit Regulations 2011 as amended by the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which LGSS is directed and controlled and through which it accounts to. It enables LGSS to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate and cost effective services.

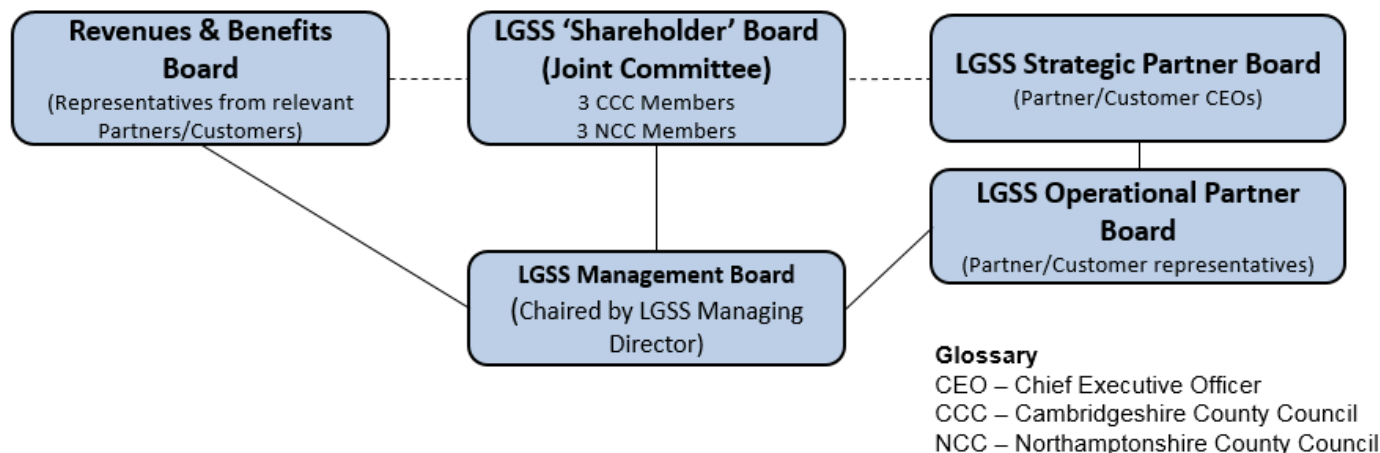
The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, core purpose and priority outcomes and can therefore only provide reasonable assurance of effectiveness.

The system of internal control is based on an on-going process designed to:

- a) Identify and prioritise the risks to the achievement of LGSS plans and priorities;
- b) Evaluate the likelihood of those risks occurring;
- c) Evaluate the impact should they occur;
- d) Manage the risks efficiently, effectively and economically.

The LGSS Strategic Business Plan delivers these points as part of the annual cycle. The governance framework has been in place in LGSS for the year ended 31st March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework



The key elements of the systems and processes that comprise the governance arrangements are described below.

3.1 Roles and Responsibilities of Members and Officers

Good governance means elected Members and Officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how LGSS achieves this:

LGSS Joint Committee comprises 6 Members appointed by each of the two shareholding councils on a four yearly basis – 3 each from Cambridgeshire and Northamptonshire County Councils. The Joint Committee has an agreed Constitution which sets out how it operates and how decisions are made.

The scheme of delegation in LGSS is based upon the delegations operating in the two client councils.

Member and Officer codes of conduct are complied in accordance with the procedures operating within the Council which either the Member is elected to or the Officer employed by.

LGSS operates to the policies and procedures in place in each of the client councils to ensure that, as far as possible, its elected Members and Officers understand their respective responsibilities. New Members and employees receive induction and continued training on key policies and procedures as these are developed within each of the shareholding councils.

All LGSS Directors and Heads of Service have responsibility for maintaining a sound system of internal control within their area of responsibility.

3. The Governance Framework cont.

Our business services: breadth and scope



3.2 Standards of Conduct and Behaviour

Good governance means promoting appropriate values for LGSS and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how LGSS achieves this:

A Standards Committee is in place in each shareholding council to review any complaints regarding any councillors, including LGSS Joint Committee Members, and to promote high standards of conduct and observance of the member codes of conduct (CCC and NCC).

Each council's employee code of conduct sets out managers' responsibilities to bring the code to the attention of their staff (through induction, training and instruction) and is their responsibility to take appropriate action if an employee fails to follow the code. The codes include a requirement for LGSS Officers of each council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.

Each shareholding council has Anti-Fraud and Corruption, Whistle-blowing and Money Laundering policies in place which apply to LGSS.

3.3 Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and manage risk. The following describes how LGSS achieves this:

The Joint Committee takes executive decisions in accordance with its terms of reference.

The two shareholding Councils have the power to review and/or scrutinise decisions made or actions taken by the Joint Committee.

LGSS is subject to internal audit review in accordance with the annual internal audit plans agreed by the audit committees of each of the client councils. LGSS Internal Audit operates in accordance with the Public Sector Internal Audit Standard. Internal Audit plans and prioritises its work chiefly using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to LGSS directors and to audit committees.

LGSS complies with Northamptonshire County Council's risk management process which is underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). LGSS maintains a Strategic Risk Register and directorate risk registers which are required to be subject to regular formal review as outlined within the Risk Management SORP.

3.4 Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how LGSS achieves this:

The councillors on the Joint Committee are supported by the councillor development activity of their parent councils. Officers on the LGSS Management Board are invited to present at the councillor training/workshop sessions about appropriate topics.

Formal performance appraisal and development programmes operate within LGSS. These programmes include identifying and meeting, as appropriate, the development needs of staff. There is an induction programme for new staff and a full comprehensive learning and development programme delivered at all levels in LGSS.

3.5 Engaging with Stakeholders

LGSS proactively engages with each of its customers and applies the same processes to its shareholding organisations:

Good governance means engaging stakeholders to ensure LGSS delivers services which meet the needs of shareholding and customer councils. LGSS operates to Service Level Agreements with all partner and customer councils and has mechanisms for close customer engagement at all times of the year.

LGSS has a robust customer satisfaction framework.

LGSS has its own website which markets LGSS as a distinct business support service for public sector organisations regionally, separate from the two shareholding councils. The website enables current and potential customers to understand the LGSS business model, what services it can provide and what skills, expertise and other resources it can offer.

Good governance means developing and clearly communicating LGSS plans and priorities to its key stakeholders. The following describes how LGSS achieves its objectives in order of priority:

Delivery of CCC/NCC transformation and supporting customers via joint, collaborative business planning activity as described in the business case and service level agreements.

Annual refresh of the LGSS Strategic Business Plan.

Management of LGSS Governance including LGSS Joint Committee, LGSS Management Board and LGSS Partner Board.

LGSS undertakes an annual planning process which takes account of the requirements of its shareholding and customer councils along with the objective of reducing unit costs through the expansion of LGSS. LGSS is an integral part of the medium term financial planning processes of both CCC and NCC to support the delivery of their business plans and delivering the reduction of costs against their priorities;

To ensure LGSS delivers its plans, the Service Assurance, Customers and Strategy function co-ordinates the LGSS performance management framework to support the service delivery of each of the LGSS directorates. This activity is summarised as follows:

Delivery of the LGSS Customer Satisfaction Framework, which encompasses:

- Compliments, comments and complaints
- Annual survey of all users of LGSS services
- Annual Executive interview with each Customer Chief Executive
- 'In the moment' surveys of customers

Creation, monitoring and management of Service Improvement Plans for each of the LGSS directorates with quarterly reporting to customer senior management teams.

Customer engagement and relationship management with existing customers: including customer contract management (partner and delegation agreement).

Business intelligence including KPI performance reporting and trend analysis

LGSS communication and customer engagement

Business development and initial engagement with potential new customers



4. Review of Effectiveness

LGSS has undertaken a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the LGSS Directors and the Head of Internal Audit and Risk Management's annual reports.

Staff in Internal Audit and Risk Management have undertaken a basic compliance review to ensure that key aspects of LGSS' Governance Framework have been applied during 2015-16. The key evidence to support the review of effectiveness is outlined below.

4.1 Planning

LGSS operates a planning framework that integrates all aspects of strategic, operational and financial planning and which has the full involvement of the LGSS Joint Committee, the shareholding councils and all senior LGSS managers. This ensures financial plans realistically support the delivery of LGSS Business Plan in the short and medium term.

LGSS has developed a five year business plan (2015/16 -2019/20), which is updated annually and details the mission, values and priorities of LGSS. The five year LGSS Business Plan was approved by the LGSS Joint Committee on 26th March 2015. Within this plan there are clear objectives in place for each Directorate which align with the business trading targets and the management of the client organisation's finances.

4.2 Performance Management

The Service Assurance, Customers and Strategy function co-ordinates all aspects of operational performance management for LGSS. This enhances the formalisation of key aspects of LGSS governance.

The LGSS performance management framework for 2015-16 included delivery of the following key aspects:

Service delivery performance was reported to each customer organisation on a monthly or quarterly basis in accordance with the relevant customer contractual agreements.

Results and findings from the LGSS Customer Satisfaction Framework performance were reported to LGSS Joint Committee, LGSS Management Board and the senior management teams of all customer organisations.

Progress against delivery of LGSS Service Improvement Plans was reported to customers on a quarterly basis.

Additionally there is a workforce performance management process operating at all levels of LGSS including the management of staff personal performance through Performance Appraisal and Development Plan (PADP) processes which include annual and six monthly review meetings along with one to one meetings between line managers and employees.

4.3 LGSS Joint Committee

LGSS Joint Committee is responsible for key decisions. The Joint Committee meets formally on at least a quarterly basis and makes decisions that are in line with the overall policies and budget of LGSS. In addition, informal workshop meetings take place in between formal Joint Committee meetings as required.

During 2015/16 formal Joint Committee meetings were held on the following dates:

- 26th May 2015
- 25th June 2015
- 21st August 2015
- 10th September 2015
- 12th November 2015
- 28th January 2016
- 25th February 2016

The increase in Joint Committee meetings was in response to decision making requirements for the Milton Keynes Council business case.

Each Council nominates three elected Members and substitutes. The Member appointed as a substitute has full voting rights. Each Member complies with the Code of Conduct of their respective Council when acting as a Member of the LGSS Joint Committee. Each Council has three votes.

The Chairperson of the Joint Committee is rotated on an annual cycle between each 'shareholding' Council. Meetings of the Joint Committee must be quorate with two Members of each Council being present. If there is a quorum of Members present but neither the Chairperson nor the Vice Chairperson is present, the Members present shall designate one Member to preside as Chairperson for that meeting. The Joint Committee may delegate a function to a Sub-Committee or an Officer.

—Formal Joint Committee meetings are public meetings with the exception that the public may be excluded from a meeting where confidential information, as defined in section 100A (3) of the Local Government Act 1972, or exempt information as defined in section 1001 of the Local Government Act 1972, would be disclosed to them.

LGSS Partner Board

LGSS Partner Board is a partner discussion forum for stakeholder engagement at a political and senior officer level.

Following the Partner Board meeting which took place on 26th May 2015 a review and refresh of the Partner Board forum was undertaken, creating two revised Partner Board forums:

- Strategic Partner Board
- Operational Partner Board

Strategic Partner Board

The purpose of Strategic Partner Board is to enable strategic LGSS and Partner representatives to network and discuss nominated topics of common interest that will add value to the LGSS partnership at a strategic level. A review of the Terms of Reference takes place on an annual basis to ensure they remain fit for purpose.

LGSS Strategic Partner Board meets twice a year in June and November. The first meeting of the Strategic Partner Board took place on 12th November 2015.

Core members of the LGSS Strategic Partner Board are:

- Chair of LGSS Joint Committee (Chair)
- Vice-Chair of Joint Committee (or nominated substitute)
- Two attendees from each Partner organisation (or nominated substitute)
- Chief Executives of the founding LGSS authorities - Cambridgeshire and Northamptonshire County Councils
- LGSS Managing Director
- LGSS Head of Service Assurance, Customers and Strategy
- Board Secretary

The agenda for Strategic Partner Board takes an 'open forum' approach by providing:

—An opportunity to network and discuss items in an informal setting – round table with nominated topics of common interest.

—The agenda will include a 'Managing Director's' topic of interest for discussion amongst the group as well as a 'Partner' nominated discussion item.

Operational Partner Board

The purpose of the LGSS Operational Partner Board is to focus on the common topics of interest across LGSS Partners and to discuss opportunities that will add value to the partnership. Operational Partner Board meets twice a year in July and December. The first meeting of the Operational Partner Board took place on 8th December 2015.

Core members of the LGSS Operational Partner Board are:

LGSS Management Board

One nominated Senior Responsible Owner (SRO) from each customer/partner organisation

Board Secretary

LGSS Revenues and Benefits Board

The LGSS Revenues and Benefits Board is an advisory/consultative group and does not hold decision making powers. The Board meets twice a year and is a forum for:

Stakeholder engagement at a political and senior office level, giving an opportunity for its members to feel that they can influence the strategic direction of the Revenues and Benefits service delivered by LGSS

Customer feedback on the Revenues and Benefits service delivered by LGSS

Discussion on how to develop the LGSS Revenues and Benefits service and wider partnership arrangements

Sharing skills and knowledge

Suggest items which might be considered by the LGSS Management Board

There is a standing agenda, with the opportunity for members of the Revenues and Benefits Board to raise agenda items in advance for discussion at the meeting. Core members of the LGSS Revenues and Benefits Board are:

- LGSS Director of People, Transformation and Transactional Services (Chair)
- LGSS Head of Revenues and Benefits
- One Councillor and Senior Officer nominated from each LGSS Revenues and Benefits customer
- One representative from LGSS Management Board

Overview and Scrutiny

LGSS is subject to scrutiny by Northamptonshire County Council's Overview & Scrutiny function. This is carried out by the Finance & Resources Scrutiny Committee, which is responsible for budget matters, corporate performance and corporate support functions.

The Committee scrutinises LGSS headline performance and the development and delivery of the LGSS Business Plan. The Committee may also choose to investigate issues associated with LGSS and make recommendations that seek to improve the quality of services that it delivers.

Executive decisions by the LGSS Joint Committee are subject to the Council's call-in process, which enables decisions taken, but not yet implemented, to be referred to Overview & Scrutiny to review whether the decision-making process operated correctly. Any such call-ins would be considered by the Council's Scrutiny Management Committee.

Due to their current committee structure, Cambridgeshire County Council does not have a separate scrutiny function. However, the General Purposes Committee undertakes regular monitoring of LGSS Managed budgets.

LGSS Management Board

The LGSS Management Board meets monthly formally with the following core attendees:

- Managing Director
- Director of Finance
- Director of IT Services
- Director of Law, Procurement and Governance
- Director of People, Transformation and Transactions
- Head of Service Assurance, Customers and Strategy
- Chief Executives of the two shareholder/partner councils.

In addition LGSS Management Board meets informally with all above attendees minus the Chief Executives of the shareholding councils.

- Each LGSS Director has provided a self assurance statement in respect of 2015-16 that:
- They fully understand their roles and responsibilities
- They are aware of the principal statutory obligations and key priorities of LGSS and of the client and customer councils which impact on their services
- They have made an assessment of the significant risks to the successful discharge of LGSS' key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks

Independent Assurance

The LGSS Head of Internal Audit annually agrees the LGSS Internal Audit Plan for the financial year with the Managing Director and the LGSS Management Board. This is in line with CCC and NCC policies and procedures.

Internal Audit has undertaken a number of reviews of activities undertaken within the LGSS environment. It should be noted that from September 2015, LGSS Internal Audit moved to giving two assurance opinions when completing audits:

- Control Environment Assurance
- Compliance Assurance

The tables below detail the five levels for each of these assurance opinions.

A review of the Head of Internal Audit and Risk Management's 2015-16 annual reports to the audit committees of the two shareholding councils indicates that the control environment and compliance assurance levels for the internal control over the systems and processes managed within the LGSS environment are largely 'substantial'.

In a small number of instances where the assurance level was deemed either as 'good' or 'moderate' actions have been agreed with management which, when implemented, should raise the assurance level for these audit areas to substantial.

Control Environment Assurance	
Level	Criteria definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Moderate	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Criteria definition
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

4.9 External Audit

Whilst LGSS is not a separate legal entity, the Audit Commission has advised that owing to the growth of LGSS, it should be subject to external audit review. Therefore as from 2013-14 KPMG LLP was appointed as LGSS' External Auditor.

4.10 Risk Management

LGSS complies with Northamptonshire County Council's risk management process which is underpinned by an approved Risk Management Policy and a Risk Management Statement of Required Practice (SORP). LGSS maintains a Strategic Risk Register and directorate risk registers which are required to be subject to regular formal review as outlined within the Risk Management SORP. There is an annual review of the risk registers and business continuity plans which are aligned to the respective shareholder processes.

There is an annual review of the LGSS Strategic Risk Register by LGSS Management Board and the LGSS Directorate risk registers are reviewed quarterly via Directorate Management Team meetings.

4.11 Developing Capacity

LGSS has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally both client councils have provided, or are in the process of providing, appropriate training to Joint Committee councillors to enable them to effectively fulfil their duties in relation to LGSS and other activities.

4.12 Engagement

LGSS has engaged with its customers throughout 2015/16 via the following channels:

Monthly/Quarterly Customer performance meetings (as per Customer Contract) and presentations to the customer senior management teams
LGSS Managing Director meetings with LGSS Joint Committee Chair/Vice-Chair

Senior Responsible Officer (SRO) quarterly one to one meetings with Customer Chief Executive or nominated senior manager

Client Services Manager (CSM) monthly one to one meetings with Customer Chief Executive or nominated senior Manager

Strategic Partner Board

Operational Partner Board

LGSS Customer Feedback channel

In addition, the LGSS website is current and appropriate to promote the LGSS offering, and LGSS uses LinkedIn and Twitter.

4.13 Significant Governance Issues

There are robust governance arrangements for LGSS based on the founding authorities' financial policies and procedures based on, and an integral part of, the NCC and CCC portfolio and procedures.

5. Conclusion and Evaluation

As Chair of the LGSS Joint Committee and LGSS Managing Director, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within LGSS to ensure effective internal control is maintained. This is subject to both internal and external audit procedures.

We are also satisfied that there are appropriate plans in place to continue to deliver improvements to meet the governance arrangements requirement to meet the financial policies and procedures and to seek continuous improvement in the system of internal control.

Councillor Robin Brown
Chairman of the LGSS Joint Committee
Date:

John Kane
LGSS Managing Director
Date:

Appendix 1: LGSS Joint Committee Terms of Reference

TERMS OF REFERENCE FOR THE LOCAL GOVERNMENT SHARED SERVICES (LGSS) JOINT COMMITTEE

The LGSS Joint Committee is established pursuant to an agreement between Cambridgeshire County Council, Northamptonshire County Council, and Milton Keynes Council. The Joint Committee's remit is to have overall responsibility for the provision, to the Councils, of shared services through the LGSS arrangements.

The constitution of the Joint Committee is set out below, and the specific delegations to the Joint Committee and to the senior officers of the LGSS management team are set out in a scheme of delegation contained in Annex 'A'.

Constitution of the Joint Committee

1. Each of the Councils shall appoint three Members (being elected members of that Council) as its nominated Members of the Joint Committee. The Members appointed shall have full voting rights.
2. Each Council may nominate one or more substitute Members to attend any meeting in place of an appointed Member from that Council, subject to notification being given to the Secretary to the Joint Committee before the start of the meeting. The Member appointed as a substitute shall have full voting rights where the member for whom they are substituting does not attend. If a Council's nominated Members attend a meeting of the Joint Committee, any named substitute may also attend as an observer but shall not be entitled to vote.
3. Each Member of the Joint Committee shall comply with the Code of Conduct of their Council when acting as a Member of the Joint Committee.
4. Each of the Councils may remove any of its nominated Members or

substitute Members of the Joint Committee and appoint a different Member or substitute to the Joint Committee by giving written notice to the Secretary to the Joint Committee.

5. Each Council shall have three votes. These shall be exercised by the nominated Members who are elected members of the Council. In the absence of a Council's nominated Member, a vote may be exercised by the named substitute who is an elected member of the Council.
6. Each Member of the Joint Committee shall serve upon the Joint Committee for as long as he or she is appointed to the Joint Committee by the relevant Council but a Member shall cease to be a member of the Joint Committee if he or she ceases to be a Member of the Council appointing him or her or if the relevant Council removes him or her as a Member of the Joint Committee.
7. Any casual vacancies howsoever arising shall be filled by the Council from which the vacancy arises by notice in writing sent to the Secretary to the Joint Committee.
8. Meetings of the Joint Committee shall be held at the venue or venues as agreed by the Councils.
9. The appointment of a Chairman and a Vice Chairman shall be rotated between the Councils annually from 1st August each year as set out in the table below. The rotation process shall be repeated for subsequent years. The Members appointed as Chairman and Vice Chairman shall remain in their respective appointed roles until the first meeting taking place after the elapse of one year from their appointment unless either such Member ceases to be a Member of the Joint Committee.

	2015-16	2016-17	2017-18	2018-19
Joint Committee Chair	CCC	NCC	MKC	CCC
Joint Committee Vice Chair	NCC	MKC	CCC	NCC

10. The Joint Committee shall meet at least once every three months (quarterly) unless otherwise determined by the Joint Committee.
11. The Secretary to the Joint Committee may call additional meetings by providing at least five clear days' notice to Members of the Joint Committee, for the purposes of resolving urgent matters arising between the meetings of the Joint Committee. The Secretary to the Joint Committee must call a meeting of the Joint Committee if at least one Member of the Joint Committee from each Council requests it or the Head of Paid Service of each Council requests it.
12. Meetings shall be notified to Members of the Joint Committee by the Secretary to the Joint Committee.
13. The Secretary to the Joint Committee shall send electronically to all members and relevant officers of each Council the agenda for each meeting of the Joint Committee no later than five clear Business Days before the date of the relevant meeting. The Secretary to the Joint Committee shall send to all Members of the Joint Committee, to the Political Group Leaders of each Council and relevant officers of each Council, printed (or electronic if individually preferred) copies of the agenda for each meeting of the Joint Committee no later than five clear working days before the date of the relevant meeting.
14. The Secretary to the Joint Committee shall arrange for written minutes to be taken of each meeting of the Joint Committee and shall present them to the Joint Committee at its next meeting for approval as a correct record. If the Joint Committee confirms that the minutes contain an accurate record of the previous meeting, those minutes shall be signed by the Chairman or Vice-Chairman.
15. Meetings of the Joint Committee will commence at a time to be agreed by the Joint Committee.
16. A meeting of the Joint Committee shall require a quorum of one Member of each Council who are entitled to attend and vote. If there is a quorum of members present but neither the Chairman nor the Vice Chairman is present, the Members present shall designate one Member to preside as Chairman for that meeting.
17. Subject to the provisions of any enactment, all questions coming or arising before the Joint Committee shall be decided by a majority of the Council Members of the Joint Committee immediately present and voting thereon. Subject to the provisions of any enactment, in the case of an equality of votes the Chairman shall have a second or casting vote but before exercising this, the Chairman shall consider whether it is appropriate to defer the matter to the next meeting of the Joint Committee.
18. Any Member of the Joint Committee may request the Joint Committee to record the votes of individual Members of the Joint Committee on a matter for decision.
19. A Member when speaking shall address the Chairman. If two or more Members wish to speak, the Chairman shall call on one to speak. While a Member is speaking other Members shall remain silent.
20. A Member shall direct his/her speech to the question under discussion or to a personal explanation or to a point of order.
21. Only one amendment to a proposal may be moved and discussed at a time and no further amendment shall be moved until the amendment under discussion has been disposed of, providing that the Chairman may permit two or more amendments to be discussed (but not voted on) together if circumstances suggest that this course would facilitate the proper conduct of the Joint Committee's business.
22. If an amendment be lost, other amendments may be moved on the original motion. If an amendment be carried, the motion as amended shall take the place of the original motion and shall become the motion upon which any further amendment may be moved.

23. The order of business shall be indicated in the agenda for the meeting.
24. When a motion is under debate by the Joint Committee no other motion shall be moved except the following:
 - 24.1 to amend the motion;
 - 24.2 to adjourn the meeting;
 - 24.3 to adjourn the debate;
 - 24.4 to proceed to the next business;
 - 24.5 that the question be now put;
 - 24.6 that a Member be not further heard;
 - 24.7 by the Chairman that a Member do leave the meeting;
 - 24.8 a motion under Section 100(A)(4) of the Local Government Act 1972 to exclude the public;
 - 24.9 to postpone consideration of the item.
25. A Member may move without comment at the conclusion of a speech of another Member, "That the Committee proceed to the next business", "That the question be now put", "That the debate be now adjourned", or "That the Committee do now adjourn", on the seconding of which the Chairman shall proceed as follows:
 - 25.1 on a motion to proceed to next business; unless in his opinion the matter before the meeting has been insufficiently discussed put to the vote the motion to proceed to the next business
 - 25.2 on a motion that the question be now put; unless in his opinion the matter before the meeting has been insufficiently discussed he shall first put to the vote the motion that the question be now put
 - 25.3 on a motion to adjourn the debate or the meeting; if in his opinion the matter before the meeting has not been sufficiently discussed and cannot reasonably be sufficiently discussed on that occasion put the adjournment motion to the vote.
- 25.4 The ruling of the Chairman shall not be open for discussion.
26. Any member of the Councils who is not a Member of the Joint Committee is entitled to attend the Joint Committee but he/she shall not be entitled to vote, shall not take part in the consideration or discussion of any business, save by leave of the Chairman and comments will be recorded only on the direction of the Chairman. A Councillor who attends a meeting in this capacity will be entitled to remain in the meeting when a resolution excluding the public is in force.
27. Meetings of the Joint Committee will be open to the public except to the extent that they are excluded under paragraph 29.
28. Members of the public wishing to address the Joint Committee (or a subcommittee of the Joint Committee) on Part I reports contained within the agenda for the meeting shall be given the opportunity to do so subject to:
 - 28.1 the opportunity being extended to one person to speak in support of each agenda item and one person to speak against each agenda item when called to do so by the Chairman;
 - 28.2 an indication of the desire to speak on the agenda item being made by the person just prior to the meeting and the name supplied to the Committee Secretary in attendance (by means of the register), the first person registering to have precedence in the event of more than one person wishing to speak either for or against the agenda item;
 - 28.3 each person addressing the Joint Committee or subcommittee of the Joint Committee being limited to three minutes' speech;
 - 28.4 an opportunity being provided for an expression of a contrary view, even though no prior notice has been given, when a member of the public has spoken for or against the item;

- 28.5 in the event of the person having registered to speak on an agenda item not wishing to take up their right to speak on the agenda item because it was deferred, that person will automatically be given the right to speak on the agenda item at the next meeting of the Joint Committee or sub-committee of the Joint Committee; the Chairman of the meeting having discretion to rule that a person wishing to address the meeting shall not be heard if, in his/her opinion, that issue or the organisation or the person wishing to make representation on that issue has received an adequate hearing.
29. The public may be excluded from a meeting of the Joint Committee during an item of business whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that, if members of the public were present during that item, confidential information as defined in section 100A(3) of the Local Government Act 1972 or exempt information as defined in section 100I of the Local Government Act 1972 would be disclosed to them.
30. The Joint Committee may delegate a function to a Sub-Committee or an officer.
31. Any contractual arrangements that relate to a Shared Service will be undertaken by one of the Councils on behalf of the other Councils and that Council will apply its own financial regulations and contract procedure rules until such time as the Joint Committee adopts its own financial regulations and contract procedure rules. The LGSS Director of the relevant Shared Service that is incurring the expenditure will normally determine which of the Councils' financial regulations and contract procedure rules will apply and in the event of any dispute or uncertainty the matter should be referred to the LGSS Managing Director for decision.
32. The Secretary to the Joint Committee shall provide governance and secretarial support services to the Joint Committee on such terms as may be agreed from time to time between the Councils. The Councils shall make available committee officers to provide administrative services at the meetings of the Joint Committee.
33. The Lawyer to the Joint Committee shall provide legal advice and support services to the Joint Committee on such terms as may be agreed from time to time between the Councils.
34. The Finance Officer to the Joint Committee shall provide financial support services to the Joint Committee on such terms as may be agreed from time to time between the Councils.



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CLOSEDOWN PROGRESS REPORT

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **Group Accountant**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **This report is to provide the Committee with an update on progress on Closedown and the production of the accounts.
The report also includes an update on the implications of the forthcoming changes to the statutory deadlines for the production of the accounts in 2017-18 onwards.**

Recommendation: **The Committee is asked to note the report.**

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1. INTRODUCTION

- 1.1 This report is to provide the Committee with an update on the production of the 2016-17 Statement of Accounts, the interim audit, and an update on the process for the appointment of the next external auditor. Details of the changes required by the 2016-17 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice are also included.
- 1.2 Section 6 of the report sets out the implications of the forthcoming changes to the statutory deadlines for the production of the accounts which will take effect from the production of the 2017-18 accounts onwards.

2. PLANNING FOR THE 2016-17 YEAR END CLOSEDOWN

- 2.1 The Authority utilises a year end timetable to co-ordinate its closedown process. This consists of a detailed list of tasks, which are assigned to different teams, each having deadlines assigned. The 2016-17 timetable has been prepared and is being circulated to all appropriate staff. A separate timetable is prepared specifically for budget managers focussing on the tasks that they are required to undertake at year end. A guidance document has also been circulated to budget managers.
- 2.2 The timetable has been reviewed and, where possible, tasks have been brought forward or deadlines shortened. This is in readiness for the changes to the statutory deadlines which will be introduced for the preparation of the 2017-18 accounts. The deadline for publication of the draft accounts will be 31st May (rather than the current 30th June) with the final audited accounts to be published by 31st July (rather than the current 30th September). These changes are required by the Audit and Accounts Regulations 2015. (See section 6 for further details of the changes to deadlines). Although there is 12 months until this deadline take effect, the Authority has restructured its timetable with the intention of having this year's draft accounts ready for the end of May. Progress will be carefully monitored throughout the process and any lessons learned will be incorporated into next year's timetable.

3. INTERIM AUDIT 2016-17

- 3.1 As in previous years, the external auditors will be undertaking an interim audit of the Authority's financial statements. This will take place over a period of three weeks, and commenced on 27th February.
- 3.2 BDO have provided the Authority with a list of working papers and documents that they wish to inspect during the interim audit. Areas to be reviewed during the interim audit include systems walkthroughs of areas such as payroll, accounts payable and accounts receivable; substantive testing of Capital and fixed assets, and income and expenditure testing. A verbal update on the progress on the interim audit will be provided to the Committee at the meeting on 21st March.

4. CHANGES TO THE CIPFA CODE OF PRACTICE FOR 2016-17

- 4.1 It has been expected that the 2016-17 Code would include a change to the valuation of Highways Network Assets (HNA). HNA includes roads,

footpaths, cycleways, bridges, and street furniture owned and maintained by the Authority. The valuation of these assets has been due to change from a historical cost valuation to a depreciated replacement cost valuation. This change is to bring this section of the Code in line with International Financial Reporting Standards (IFRS). This change will significantly increase the value of these assets on the Authority's balance sheet, but will have no impact on day to day expenditure. CIPFA announced in November 2016 that the adoption of this change within the Code was being postponed by a year. So HNA in the 2016-17 accounts will continue to be valued on a historical cost basis.

- 4.2 The most significant change which is being introduced in the 2016-17 Code of Practice is to the presentation of the Comprehensive Income and Expenditure Statement (CIES). The CIES shows revenue expenditure and income for the year, in line with proper accounting practice. Previous editions of the Code had required the Net of Cost of Services within the CIES to be broken down in to specific service headings. (Referred to as SeRCOP headings). This was to ensure that all authorities presented their statements in the same way, and to allow comparability between authorities. Whilst this allowed comparability from one authority to another, it meant that the link between the Authority's monthly financial reporting (IRPR reports) and the statutory accounts was difficult to follow, because the IRPR report is set out with the Authority's internal Directorate structure and the accounts are set out based on SeRCOP headings. The change to the Code for 2016-17 allows the Authority to display the Net Cost of Services within the CIES based upon its internal reporting structure rather than using SeRCOP headings. This means that the link between the IRPR reports and the accounts position will be clearer for the reader of the accounts to follow. Please see Appendix 1 for an example of how this change will look in the accounts.
- 4.3 Another change in the 2016-17 Code is the introduction of a new disclosure in the accounts called the Expenditure and Funding Analysis (EFA) (also shown in Appendix 1). This partly replaces the segmental analysis shown in previous accounts. This statement and the accompanying disclosure notes are intended to provide a reconciliation between the budget monitoring outturn position shown in the IRPR reports and the accounting position shown in the CIES.
- 4.4 The other changes in the Code are largely presentational in nature. These will be highlighted to the Committee when the draft accounts are presented at the 25th July Committee meeting.

5. UPDATE ON THE APPOINTMENT OF THE NEXT EXTERNAL AUDITOR

- 5.1 An update was provided to the Audit and Accounts Committee at the meeting on 22nd November 2016 on the process for appointing the next external auditor. The current arrangement ends upon the conclusion of the audit of the 2017-18 financial statements.
- 5.2 The option discussed with the Committee in November was for the Authority to opt in to the sector-led procurement exercise being undertaken by Public Sector Audit Appointments Limited (PSAA), the body which has replaced the Audit Commission.

- 5.3 The Local Audit (Appointing Person) Regulations 2015 require that the decision to opt in to this process is taken at the meeting of full Council. The deadline for opting in is 9th March 2017.
- 5.4 A decision was taken at the meeting of full Council on 14th February 2017 to opt in the PSAA-led process. The formal opt in has now been submitted to and acknowledged by the PSAA.
- 5.5 Since the Audit Committee meeting in November officers have written to the PSAA for assurance that all LGSS authorities could be assigned the same external auditor through the PSAA led process. The PSAA have responded to confirm that this can be accommodated, subject to due considerations of auditor independence.

6. IMPLICATIONS OF FORTHCOMING CHANGES TO STATUTORY DEADLINES

- 6.1 As set out in the report presented to the Audit and Accounts Committee on 20th September 2016 the Accounts and Audit Regulations 2015 have enacted some changes to the statutory deadlines for the production and publication of the Statement of Accounts.
- 6.2 The previous deadlines were for the draft accounts to be published by 30th June, with the final audited accounts to be published by 30th September. The new deadlines are for the draft accounts to be published by 31st May and the final audited accounts to be published by 31st July. The Regulations include a transitional period, so these changes apply from the production of 2017-18 accounts onwards. Therefore the accounts produced this year will be the final set with the old deadlines.
- 6.3 The changes to the deadlines will have a number of implications on the production of the accounts. With less time available some tasks will need to be brought forward, so the preparation of the accounts will need to start further in advance of year end. The reduced timescales will also necessitate some changes to the accounts production process. These are highlighted below.
- 6.4 **Revised Closedown timetable.** The Authority operates a year end timetable for the production of the accounts. This comprises several hundred tasks which are assigned to particular individuals and teams to enable the accounts to be produced. This timetable will need to be overhauled and revised to take account of the reduced timescales. Some items which are usually undertaken after year end may need to be undertaken prior to year end in future. This may necessitate an increased use of estimates. (See paragraph 6.7).
- 6.5 **Scheduling of Committee meetings.** Audit and Accounts Committee meetings from April 2018 onwards will need to be scheduled to take account of the revised deadlines for the sign off of the Statement of Accounts. This means that there will need to be a meeting at the end of May (or early in June) for the Committee to review the draft accounts. There will need to be a meeting scheduled prior to the end of July for review and sign-off of the final accounts, following the conclusion of the external audit.

- 6.6 **Reliance on information/reports from external bodies.** During the accounts production process the Authority needs to gather information and reports from external bodies. For example valuation reports on fixed assets, and the actuary's report on the pension position. These reports will need to be available at an earlier point in the year to enable the corresponding accounting entries to be processed. The Authority will need to liaise with these external bodies to ensure that these reports can be provided at an earlier point in the year.
- 6.7 **Use of estimates.** With less time available between the end of the financial year and the point at which the draft accounts need to be published it will be necessary to begin the production of the accounts ahead of year end. This will mean that some items will need to be estimated, as there will not be time available to wait for final actuals to be confirmed. The Authority will need to make appropriate judgements over any estimates used, and the judgements taken will need to be disclosed within the accounts. Prior to the production of the 2017-18 accounts the Authority will need to review its processes to identify any areas where estimates will need to be used. Any use of estimates would be limited to particular items within the accounts and would not have a material effect on the document. For example, some internal recharges may need to be done based upon figures to period 11 with the final month estimated, rather than waiting for the final period 12 position.
- 6.8 **Raising awareness of the new deadlines.** All Finance staff have already been made aware of the forthcoming changes to the statutory deadlines for the production of the accounts. Staff in key roles which link into the production of the accounts have also been informed. Over the coming year awareness in the rest of the organisation needs to be increased. For example budget managers will need to be informed that they will have a reduced amount of time available at year end to make adjustments. Regular communications are already circulated to budget managers, and the changes to deadlines will be included in these communications over the coming year. Messages will also be circulated to staff via Cambweb, the Authority's intranet pages.

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

7.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

7.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource Implications

There are no significant implications within this category.

8.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

8.3 Equality and Diversity Implications

There are no significant implications within this category.

8.4 Engagement and Consultation Implications

There are no significant implications within this category.

8.5 Localism and Local Member Involvement

There are no significant implications within this category.

8.6 Public Health Implications

There are no significant implications within this category.

There are no background papers

Appendix 1 – CIPFA Code changes 2016-17

- **Previous presentation of the Comprehensive Income & Expenditure Statement (CIES):**

		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public	} Note 1	x	(x)	xx
Culture and Related Services		x	(x)	xx
Environment and Regulatory Services		x	(x)	xx
Planning Services		x	(x)	xx
Childrens and Education Services		x	(x)	xx
Highways and Transport Services		x	(x)	xx
Adult Social Care		x	(x)	xx
Public Health and Wellbeing		x	(x)	xx
Corporate and Democratic Core		x	(x)	xx
Non Distributed Costs		x	(x)	xx
Cost Of Services		x	(x)	x
Other Operating Expenditure		x	(x)	xx
Financing and Investment Income and Expenditure		x	(x)	xx
Taxation and Non-Specific Grant Income		x	(x)	xx
(Surplus) or Deficit on Provision of Services		x	(x)	x
(Surplus) or Deficit on Revaluation of Non Current Assets				xx
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				xx
Actuarial (gains) / losses on pension assets / liabilities				xx
Other gains and losses				xx
Other Comprehensive Income and Expenditure				xxx
Total Comprehensive Income and Expenditure				xxx

Note 1: The service headings within this section of the CIES were prescribed by CIPFA in the Service Reporting Code of Practice (SeRCOP). CIPFA also prescribed what was to be included within each service heading.

This enabled comparability between accounts prepared by different authorities, but meant it was difficult to compare the statutory accounts in the Authority's monthly financial monitoring as this is prepared on a Directorate basis.

- **Presentation of the Comprehensive Income & Expenditure Statement (CIES) under the 2016-17 Code:**

	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Economy, Transport and Environment	x	(x)	xx
Children, Families and Adults	x	(x)	xx
Public Health	x	(x)	xx
Corporate Services	x	(x)	xx
LGSS Managed	x	(x)	xx
Assets & Investments	x	(x)	xx
LGSS Operational	x	(x)	xx
Cost Of Services	X	(X)	X
Other Operating Expenditure	x	(x)	xx
Financing and Investment Income	x	(x)	xx
Taxation and Non Specific Grants	x	(x)	xx
(Surplus) or Deficit on Provision of Services	X	(X)	X
(Surplus) or Deficit on Revaluation of Non Current Assets			xx
(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			xx
Actuarial (gains) / losses on pension assets / liabilities			xx
Other gains and losses			xx
Other Comprehensive Income and Expenditure			XXX
Total Comprehensive Income and Expenditure			XXX

Note 2

Note 2: The 2016-17 Code removes the requirement to use the SeRCOP headings. The Cost of Services can now be split based upon the Authority's internal reporting lines. This it can be shown using Directorate headings. This should allow an easy read-across between the Authority's Integrated Resources Performance Reports and the accounts.

Note 3: The prior year CIES figures for 2015-16 will need to be restated into this new format. This is purely a presentational change. The bottom line figure is the same under each presentation method.

- **Expenditure and Funding Analysis – new disclosure for 2016-17**

	Net expenditure chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Economy, Transport and Environment	x	x	x
Children, Families and Adults	x	x	x
Public Health	x	x	x
Corporate Services	x	x	x
LGSS Managed	x	x	x
Assets & Investments	x	x	x
LGSS Operational	x	x	x
Net Cost Of Services	x	x	x
Other Income and Expenditure	x	x	x
Surplus or Deficit	x	x	x
Opening General Fund Balance	x		
Less/Plus surplus or deficit on General Fund in Year	x		
Other gains and losses	x		
Closing General Fund Balance	x		

Service segments

This is a new disclosure which will be included in the 2016-17 accounts, along with some supporting disclosures. It is intended to show how the Authority's annual expenditure and funding is split across each service segment (in the left hand column), and how this compares with the resources consumed/expanded by the Authority in accordance with generally accepted accounting practice (the right hand column).

RISK MANAGEMENT REPORT

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **Sue Grace, Director, Customer Services and Transformation**

Electoral division(s): **All**

Forward Plan ref: **N/A**

Key decision: **N/A**

Purpose:

- **To provide the Audit and Accounts Committee with the profile of Corporate risks faced by the Council**
- **To provide details of significant changes to the Corporate Risk Register since the last report to the Committee in January 2017**
- **To provide the Audit and Accounts Committee with the profile of risks faced by corporate and executive directorates**

Recommendation: **Audit and Accounts Committee comments on and notes the latest Risk Management Report.**

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1. BACKGROUND

- 1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.
- 1.2 The Corporate Risk Register (CRR) was reviewed by Strategic Management Team (SMT) on 2 March 2017. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 21st March 2017.
- 1.3 This report is supported by:
 - The Corporate Risk Profile and common risk themes (Appendix 1)
 - The Corporate Risk Register (Appendix 2)
 - New risk template (Appendix 3)

2. CORPORATE RISK REGISTER UPDATE

- 2.1 Following the review of the CRR by SMT on 2 March, SMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.
- 2.2 Responses to the general points raised from the Audit and Accounts Committee on 24th January 2017 have been included in the minutes of that meeting.

3 REVIEW OF THE CORPORATE RISK REGISTER

- 3.1 At the Committee on 24 January, officers noted comments about the number of risks, the presentation of information in the Risk Register (including the risk map), and the need for the results of the comparison with other authorities' risk registers to be shown clearly in the Risk Register.
- 3.2 The Committee is also aware that a new Information Technology (IT) system, Grace, will be introduced from April 2017 to support improved risk management practice.
- 3.3 In response to these comments and in the light of the need to develop processes that make use of the new IT system, SMT has recommended to General Purposes Committee (GPC) that a review of the risk register is undertaken in April and May. The approach will be to use workshops, facilitated by Business Intelligence and LGSS Internal Audit and Risk Management, with SMT and senior officers and Members, to design a risk register that is aligned with the Business Plan outcomes and good practice.

3.4 Some of the areas this review will look at include:

Benchmarking / content of risk registers:



3.5 In the recent benchmarking exercise, CCC had slightly more than the median number of risks on its' register, with 18 risks compared to a median of 14. Milton Keynes Council has only 4 risks, which include 'corporate' issues of the medium term financial strategy and organisational capacity, and service delivery issues about growth and safeguarding. Hertfordshire County Council (CC) and Suffolk CC have 34 or 35 risks, which cover these issues as well as a wide range of service issues such as the annual Public Sector Network accreditation, under investment in road maintenance, Better Care Fund budget sufficiency, education standards and the Syrian refugee crisis. They also sometimes break down a theme into more than one risk – for example logging the high cost of care as a risk, and also logging the introduction of the National Living Wage as increasing the cost of care.

3.6 The top ten most common themes in risk registers are as follows:

- Safeguarding
- Spending within budget
- Data protection
- Business continuity
- People / staff
- Legislation
- Growth and infrastructure
- Fraud
- Industrial action
- Business plans

- 3.7 As an indicator of what these results would look like if applied to the Council's Risk Register, see Appendix 1, which highlights which of Cambridgeshire's risks would be included.

3.8 Risk map and templates:

The Committee commented that the risk map was not clear, and requested a simplified template be produced. A possible option, based on what was circulated to the Committee in March 2016, that takes account of the application of the benchmarking results, is included at Appendix 1 for comments.

- 3.9 There have also been comments that the Risk Register template is unwieldy, difficult to read on a computer screen, and prone to printing errors. The introduction of Grace allows for a new template to be designed. A possible template is included at Appendix 3.

4 SERVICE RISK

CORPORATE AND EXECUTIVE DIRECTORATE RISKS

- 4.1 The following table overleaf shows the profile of directorate risk across the Red, Amber, Green (RAG) range and comparison with the previous quarter's profile.

ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT FEBRUARY 2017

DIRECTORATE	Green		Amber		Red		Total	
	Dec	Feb	Dec	Feb	Dec	Feb	Dec	Feb
Children, Families and Education (Nov-16)	1	1	14	14	0	0	15	15
Economy, Transport and Environment (Oct-16)	1	1	19	19	0	0	20	20
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (Oct-16)	0	0	22	22	0	0	22	22
TOTAL	2	2	62	62	0	0	64	64

The Table illustrates that there are 64 risks recorded in service risk registers. 64 of the risks are managed within the Council's stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy.

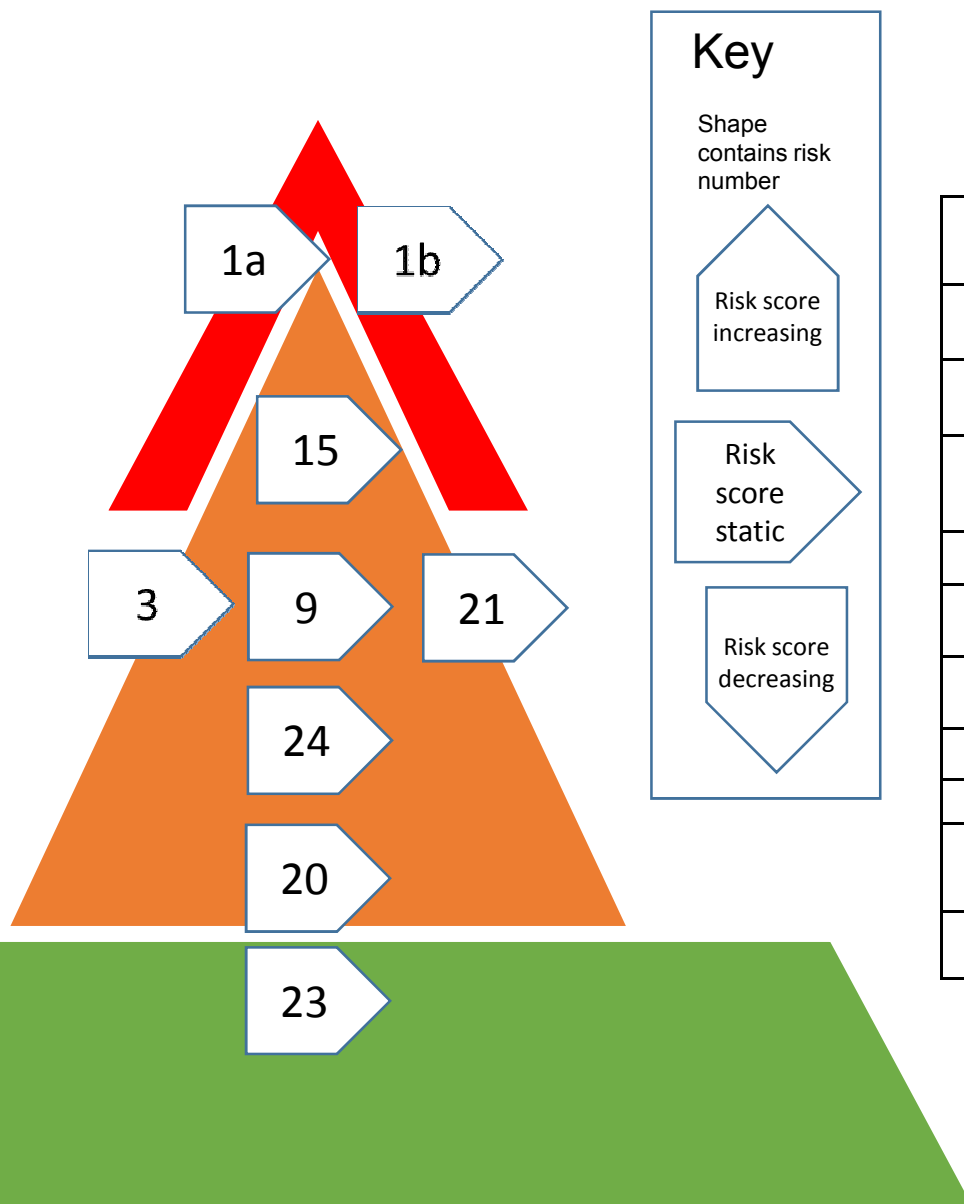
5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- Develop the local economy for the benefit of all

- Help people live healthy and independent lives
- Support and protect vulnerable people

Source Documents	Location
Corporate Risk Register	Box OCT1108 Shire Hall Castle Hill Cambridge, CB3 0AP
Benchmarking review document (20/09/16)	<u>Council and committee meetings - Cambridgeshire County Council > Meetings</u>



Number	Description
1a	Failure to produce a robust and secure Business Plan over the next 5 years
1b	Failure to deliver the current 5 year Business Plan 2016-2021
3	The Council does not have appropriate staff resources with the right skills and experience to deliver the Council's priorities at a time of significant demand pressures
9	Failure to secure sufficient funding for infrastructure
15	Failure of the Council's arrangements for safeguarding vulnerable children and adults
20	Non compliance with legislative and regulatory requirements
21	Business Disruption
23	Major Fraud and Corruption
24	A lack of Information Management and Data Accuracy and the risk of non compliance with the Data Protection Act
	(Industrial action)

CORPORATE RISK REGISTER

Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	Risk Description	Trigger	Result	Owner		Probability	Impact	* Score	Description	Action Owner	Target Date	Revised Target Date	Action Status		
1a	Failure to produce a robust and secure Business Plan over the next 5 years	1. Failure to have clear political direction, vision, priorities, and outcomes in the Business Plan. 2. Failure to plan effectively to achieve necessary efficiency savings and service transformation. 3. Unfavourable result of negotiations with Government about settlement 4. Worsening Pension Fund deficit 5. Legislative changes add unforeseen pressures to Council savings targets	1. The Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.	CD CS&T	1. Robust political leadership, strong vision, clear priorities and policies, developed through councillor engagement 2. Robust engagement with members of CLT and Councillors through the Business Planning process timetable, to ensure greater cross-organisational challenge and development of options. 3. Full consultation with public, partners and businesses during planning process, including thorough use of data research and business intelligence to inform the planning process 4. Stronger links with service planning across the Council seeking to transform large areas of spend. 5. Business Planning process requires early identification of possible impacts of legislative changes, as details emerge 6. A working party is exploring alternatives to the existing business planning process 7. Capital Programme Board - robust management of the delivery of capital elements of the Business Plan 8. CFA savings tracker in place and reviewed by the CFA Performance Board monthly and weekly at the working group 9. An 'in-year savings tracker' in place to enable SMT to strengthen performance management of the delivery of the Business Plan 10. Business Case process in place as part of the development of savings proposals for the Business Plan	4	4	16							
1b	Failure to deliver the current 5 year Business Plan 2016 - 2021	1. Failure to deliver (with partners) the Business Plan and achieve required efficiency savings and service transformation. 2. Assumptions in existing Business Plan regarding the wider economic situation are inaccurate. 3. Organisation not sufficiently aligned to face challenges.	1. The Council is unable to achieve required savings and fails to meet statutory responsibilities or budget targets; need for reactive in-year savings; adverse effect on delivery of outcomes for communities	CE	1. Robust service planning; priorities cascaded through management teams and through appraisal process 2. Strategy in place to communicate vision and plan throughout the organisation 3. Performance Management 4. Governance framework to manage transformation agenda: a. Integrated portfolio of programmes and projects b. Routine portfolio review to identify and address dependencies, cross cutting opportunities and overlaps c. Directorates to review and recommend priorities d. Directorate Management Teams/Programme Gvnce Boards ratify decisions 5. Rigorous RM discipline embedded in all transformation programmes/projects, with escalation process to Directorate Management Teams / Programme Boards 6. Integrated performance and resource reporting (monthly to GPC) a. Monthly progress against savings targets b. Corporate Scorecard monitors performance against priorities c. Budget holders monthly meetings with LGSS Finance Partner/External Grants Team, producing BCR d. Regular meetings with Director of Finance/s151 Officer, Committee Chairs and relevant Directors to track exceptions and identify remedial actions 7. Rigorous treasury management system in place plus ongoing tracking of national and international economic factors and Government policy 8. Limited reserves for minor deviations 9. Routine monitoring of savings delivery to identify any required interventions	4	4	16	6. Work is ongoing on resolving issues with CCG over jointly funded packages of support (CHC, section 41 and section 117). Further action will be taken if back payments cannot be secured.	SD OPMH	Sep-16	Apr-17	G	Service Director Children's Social Care	This action is still underway, and is being closely overseen by Adults Committee. On CHC assessments, we have agreed an action plan with CCG for all assessments to have been completed by 1 April. We will review in Feb / Mar 2017 whether this deadline will be met. On other outstanding areas, we have now exhausted attempts at negotiation between officers and LGSS Law and PCC Law are seeking legal opinion.

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					10. Bi-annual Leaders and Chairs meeting and Cambridgeshire Public Service Board 11. Board Thematic Partnerships including the LEP and the Health and Well Being Board, commissioning task and finish groups 12. LGSS governance arrgts incl representation on SMT (Section 151 Officer)										
2	The quality, responsiveness and standard of LGSS Services fail to meet CCC requirements	1. LGSS resources available to support CCC are reduced as LGSS expands its customer base 2. Failure to manage LGSS service delivery to CCC	1. Support services to CCC are not provided in a timely, accurate and professional manner	CFO	1. Joint Committee Structure incl CCC Cllr representation, LGSS Overview and Scrutiny Cttee, Chief Executive sits on LGSS Management Board 2. LGSS director representation on SMT to ensure LGSS meets current and future Council needs 3. LGSS Strategic Plan, Strategy Map and Improvement Activities identified 4. Programme Management arrangements in place to move forward workstreams 5. CCC performance management arrangements 6. LGSS performance management team 7. LGSS SLA's in place and regularly reviewed in detail 8. Corporate Director CS&T responsible for managing LGSS / CCC relationship	3	3	9	2. In depth reviews of the SLAs in the Council's contract with LGSS. Further information required by SMT prior to sign off for Audit and Risk Management, Learning and Development and Strategic Assets	CD CS&T	May-15	Mar-16 May-16 Jul-16 Dec-16 Feb 17	G	Corporate Director, Customer Service and Transformation	Reviews of SLAs are underway, and will be aligned with improvement planning work timetabled for the end of January'
3	The Council does not have appropriate staff resources with the right skills and experience to deliver the Council's priorities at a time of significant demand pressures	1. Ineffective recruitment outcomes 2. Ineffective planning processes 3. Unattractive terms and conditions of employment. 4. High staff turnover 5. Lack of succession planning to capture experience and knowledge 6. Increasing demand for services 7. Lack of trained staff 8. National pressures on the recruitment of key staff	1. Failure to deliver effective services 2. Regulatory criticism/sanctions 3. Civil or criminal action to the Council 4. Reputational damage to the Council 5. Low morale, increased sickness levels	DoPTT	1. Annual business planning process identifies staffing resource requirements 2. Children and Adults Workforce Strategy and Development plans with focus on recruitment and retention 3. Robust performance management and development practices in place. 4. Flexible terms and conditions of employment 5. Appropriate employee support mechanisms in place through the health and well being and counselling service agenda. 7. Use of statistical data to shape activity relating to recruitment and retention 8. Workforce Strategy and Development Plan which is reviewed by LGSS Management Board on a quarterly basis. 9. Extensive range of qualifications and training available to social care staff to enhance capability and aid retention. 10. Increased use of statistical data to shape activity relating to social care recruitment and retention. 11. ASYE programme ensures new social workers continue to develop their skills, knowledge and confidence. 12. Social care frontline managers support their own professional development through planning regular visits with frontline services. 13. Cross directorate Social Care Strategic Recruitment and Workforce Development Board and Social Work Recruitment and Retention Task and Finish Group proactively address the issue of social care recruitment and retention	3	4	12	1. LGSS Management Board will review the workforce strategy as part of the Transformation Programme 2. Production of common training programme by OWD taken from service needs and compiled from PADP outcomes (annually) 3. Annual employee survey to feed into LGSS service improvement plans 4. Production of the County-wide Organisational Workforce Development Programme 8. Deliver the Recruitment and Retention Action Plan	LGSS MB LGSS LGSS SAC&S HoP SD OP&MH	Jan-16 Sep-16 Nov-16 Jul-16 Mar-17	Mar-16 Jul-16 Dec-16 June 17 Jun-17 Jun-17 Dec-16	G G G G G	LGSS Management Board LGSS Service Assurance, Customers and Strategy Head of People	
	The Council does not achieve best value for money	1. ineffective procurement processes 2. Lack of awareness of procurement processes across the Council 3. Ineffective contract management processes 4. Untrained contract	1. Poor value for money 2. Legal challenge 3. Wasted time and effort in contractual disputes		1. Contract Procedure Rules and Procurement Best Practice Guidance and templates kept updated with changes in best practice 3. Procurement Training provided on a regular basis with differing levels targeted at specific audiences				1. Audit reviews to provide assurance that individual managers have the appropriate skills and training 2. Audit reviews to provide assurance on the effectiveness of contract management in selected contracts	HIA HIA	Mar-16 Mar-16	Mar-17 Mar-17	G G	Head of Internal Audit	Included in the 2016/17 Audit Plan Included in the 2016/17 Audit Plan

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4	not achieve best value from its procurement and contracts	managers		DoLPG	4. Central Contract register maintained and access available to relevant Officers 5. Use of checklist (Summary Procurement Proposal) on all new procurement activity undertaken via central Procurement team. This includes a review of options to achieve optimal value and where feasible captures existing costs and new costs after the procurement. 6. Nursing and residential care purchased through central brokerage unit 7. Develop long term sustainable relationships with providers wherever appropriate (e.g. Home care contract)	2	3	6							
9	Failure to secure sufficient funding for infrastructure	1. Insufficient funding is obtained from a variety of sources, including growth funds, section 106 payments, community infrastructure levy and other planning contributions, to deliver required infrastructure. This is exacerbated by austerity measures and reduced government funding for local authorities 2. Significant reduction in school infrastructure funding in 2016/17 from £34m per annum to £4m	1. Key infrastructure, services and developments cannot be delivered, with consequent impacts on transport, economic, environmental, and social outcomes. This could also result in greater borrowing requirement to deliver essential infrastructure and services which is unsustainable.	ED ETE ED CFA	1. Maximisation of developer contributions through Section 106 negotiations. 2. Prudential borrowing strategy is in place. 3. Section 106 deferrals policy is in place. 4. External funding for infrastructure and services is continually sought including grant funding. 5. Maintain dialogue with Huntingdonshire District Council and East Cambridgeshire District Council where Community Infrastructure Levy is in place to secure CIL monies for County Projects. 6. Strategic development sites dealt with through S106 rather than CIL and S106. In dealing with sites through S106 alone, the County Council has direct involvement in negotiation and securing of developer contributions to mitigate the impact of a specific development. 7. County planning obligation strategy being developed for district's and CCC use in identifying community infrastructure needs. 8. Lobby with LGA over infrastructure deficit 9. On-going review, scrutiny and challenge of design and build costs to ensure maximum value for money. 10. Coordination of requirements across Partner organisations to secure more viable shared infrastructure. 11. Respond to District Council Local Plans and input to infrastructure policy at all stages of the Local Plan process. 12. Annual school capacity return to the Department of Education seeks to secure maximum levels of funding for basic need. 13. Maintain dialogue with Cambridge City Council and South Cambridgeshire District Council to input into Community Infrastructure Levy prior to adoption of the Local Plan (Adoption of CIL anticipated 2017) 14. City Deal	3	4	12	15. County Planning Obligation Strategy for District's and County Council use, to go to E&E Committee.	HoG&E	Jun-17		G	HoTIPF - Head of Transport Infrastructure Policy and Funding HoGE - Head of Growth and Economy HoS - Head of Strategy SD S&C - Service Director, Strategy and Commissioning ED CFA - Exec Director, Children, Families and Adults	

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15	Failure of the Council's arrangements for safeguarding vulnerable children and adults	Children's Social Care:	1. Harm to child or an adult receiving services from the Council 2. Reputational damage to the Council	ED CFA	1. Multi-agency Safeguarding Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity	3	5	15	3. Investigating referral arrangements to ensure most effective arrangements are in place to the MASH - proposals to be reviewed and next steps decided by CFA management team	HoS FREDt	May-16	May-17	G	Service Director Adult Social Care	Complete for investigating referrals arrangements with education and are now moving to the health system							
		1. Children's social care case loads reach unsustainable levels as indicated by the unit case load tool 2. More than 25% of children whose referral to social care occurred within 12 months of a previous referral 3. Serious case review is triggered																				
		Adult Social Care (inc. OPMH):																				
		1. Care homes, supported living or home care agency suspended due to a SOVA (safeguarding of vulnerable adults) investigation 2. Serious case review is triggered 3. Outcomes of reported safeguarding concerns reveals negative practice																				
20	Non compliance with legislative and regulatory requirements	1. Staff unaware of changes to legislative/regulatory requirements 2. Lack of staff training 3. Lack of management review 4. High turnover/use of agency staff	1. Adverse reports from regulators 2. Criminal or civil action against the Council 3. Reputational damage	CE	1. LGSS legal team robust and up to date with appropriate legislation.	2	4	8														

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					18. Developed information and advice provision (an inspection handbook) 19. Developed an arrangement for disseminating legislative change to all directorates and services										
21	Business Disruption	1. Loss of staff (large quantities or key staff) 2. Loss of premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a supplier 5. Loss of utilities or fuel 6. Flu Pandemic	1. Inability to deliver consistent and continuous services to vulnerable people 2. School closures at critical times impacting students' ability to achieve 3. Inability to fully meet legislative and statutory requirements 4. Increase in service demand 5. Inability to respond to citizens' request for services or information 6. Lasting reputational damage	CD CST	1. Corporate and service business continuity plans 2. Relationships with the Unions including agreed exemptions 3. Corporate communication channels 4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum (CPLRF) 5. First phase of IT resilience project including the increased alternative power/environment conditions in major machine rooms 6. Operational controls 7. Resilient Internet feed 8. Business continuity testing 9. CCC corporate BCP Group incl LGSS BC leads	3	4	12	3. Project to establish 2nd LGSS data centre for resilience/backup of all systems, in addition to Scott House facility. 14. Review of accommodation provision in business continuity plans with LGSS	DoIT HoEP	Mar-13 Jul-16	Dec-15 Dec-16 June 17 Sep-16 Dec-16 April 17	G G	DoIT - Director of Information Technology HoEP - Head of Emergency Planning	The second LGSS data centre is in Northampton and this is finished and it is connected but much more work is needed before this becomes the live failover site for CCC. Much of the new hardware and systems is on order and/or being installed now but they will keep using Scott House for some time to come Consideration of accommodation provision within the Business Continuity arrangements is still being worked upon
22	The Total Transport project fails to identify and implement affordable solutions that allow service levels to be maintained	1. The changes to services that Total Transport introduces generate a level of adverse opinion such that they prove impossible to sustain. 2. One or more individual serious incidents undermine confidence in the overall provision of the service. 3. It proves impossible to secure savings for the transport budget without incurring additional costs elsewhere (e.g. the impact on domiciliary care provision would outweigh the savings available by changing travel times). 4. The provider market proves unable or unwilling to meet the Council's requirements at an affordable rate.	1. An overall reduction in transport budgets would then result in the same amount as now being spent on meeting statutory obligations using a standalone model, meaning that non-statutory but socially necessary services (for example, community transport or local bus routes) would face withdrawal. This would contribute to social exclusion, poor take up of employment and education opportunities, and reduced quality of life	ED ETE	1. A Total Transport Member Steering Group meets bi-monthly, offering a wide range of political insight and providing a steer for the project 2. A Total Transport Programme Board meets at least quarterly, bringing together Service Directors from CFA and ETE to provide strategic direction 3. A Total Transport Project Group meets monthly, bringing together Heads of Services from CFA and ETE, to consider the operational impacts and opportunities. 5. A new procurement framework has been established, and work continues to engage with (potential operators). High level work is also being undertaken to explore the costs and benefits of in-house operation 6. The Council is actively engaged with other local authorities pursuing a Total Transport agenda, and attends quarterly DfT meetings to share experience and ideas 7. Active plans are being made to determine the best approach following the formal end of the pilot period in March 2017. This includes the roll-out proposal for phase one, which is being considered by GPC on 20 December, and the use of an underspend on the original grant to support the on-going implementation of phase two	2	3	6	4. A new Flexible Minibus Service is scheduled for introduction in April 2017. This will test a possible model that could mitigate future reductions to the budget for local bus services	TTAO	Jan-17	Apr-17	G	TTAO - Total Transport Area Officer	

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23	Major Fraud or Corruption	1. Non compliance with the internal control framework and lack of awareness of anti-fraud and corruption processes. 2. Increased personal financial pressures on individuals as a result of economic circumstances	1. Reputational damage 2. Financial loss	CE	1. Financial Procedure rules	2	3	6	3. Implement anti bribery policy	HIARM	Mar-14	Dec-15 Mar-16 Jun 17	A	HIARM - Head of Internal Audit and Risk Management	
					2. Anti Fraud and Corruption Strategy incl Fraud Response Plan										
					3. Whistle blowing policy										
					4. Codes of conduct										
					5. Internal control framework										
					6. Fraud detection work undertaken by Internal Audit										
					7. Awareness campaigns										
					8. Anti Money Laundering policy										
					9. Monitoring Officer/Democratic Services role										
					10. Publication of spend data in accordance with Transparency Agenda										
					11. New Counter Fraud Team established in LGSS										
24	A lack of Information Management and Data Accuracy and the risk of non compliance with the Data Protection Act	1. Failure to equip staff and managers with the training, skills, systems and tools to enable them to meet the statutory standards for information management. 2. Failure to ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive and fit for purpose to enable managers to make confident and informed decisions.	1. Adverse impact on Council's reputation. 2. Adverse impact on service delivery, as unable to make informed decisions. 3. Financial penalties. 4. Increase in complaints and enquiries by the ICO. 5. Decisions made by managers are not appropriate or timely.	CD CST	1. Governance: SIRO, CIO, Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities (see below) Data protection registration requirements	3	3	9	6. Roll out of EDRM to manage the information lifecycle (including information standards). Task and finish group established to drive forward greater awareness raising and training	IM	Mar-13	Apr-17	G	IM - Information Manager	
					2. Policies: Data Protection, Freedom of Information, Information Security Incidents, Mobile Devices, Code of conduct, Retention schedules, IT security related policies (computer use, email), Information Management Strategy				7. Updated Information Asset Register	IM	Apr-17		G		
					3. Procedures: FOI, Subject Access Request Handling, Records Management, service level operational procedures,				8. Mapping data flows	IM	Apr-17		G		
					4. Tools: Encrypted laptops and USB sticks, secure email and file transfer solutions, asset registers (USB sticks, encrypted laptops) device control				11. Implementation of CFA social care Business Systems on new rationalized platform	HoS IM	Mar-18		G		
					5. Training and awareness: Data Protection, information security, information sharing, Freedom of Information and Environmental Information Requests										
					6. Advice: Information Management advice service (IM, IG, RM, security), Information Management addressed via the Gateway project										
					7. Information asset catalogue/register - to catalogue all information assets which are managed by CCC										
					8. Information sharing protocols embedded internally and with partners										
					9. Audit/QA of accountabilities process										
					10. e-safety policy										
					11. Assurance monitoring - The SIRO and Information Management Board will receive a report as part of the Information Risk Management work package highlight any information risks across CCC. Details of any IG Security Incidents will be included in the IG Annual Update report to Senior Management team/ members										
					12. Mapping Flows of Personal Confidential Data - To adequately protect personal information, organisations need to know how the information is transferred into and out of the organisation, risk assess the transfer methods and consider the sensitivity of the information being transferred.										
					13. Incident reporting - Damage resulting from potential and actual information security events should be minimised and lessons learnt from them. All information security incidents, suspected or observed, should be reported through the CCC Incident Reporting system and managed in line with the Incident Reporting Procedures and Integrated Risk Management Policy										
					14. Intrusion or Perimeter Security including use of next generation hardware firewalls in several tiers, network traffic monitoring by Virgin Media Business, hardware appliances to check in bound mail traffic, spam filters and web content filtering on internet traffic and anti-virus software on the servers										
					15. Local device protection including anti-virus on individual devices (sourced from a different supplier to the anti-virus software on the servers), Microsoft tools to restrict users ability to modify or install software and all mobile devices are encrypted										

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					16. Record all attempted attacks and have an established relationship with the local and regional cyber crime teams in the Police and have established links and information sharing with the national crime and intelligence agencies 17. Individual Services Business Continuity Plans. 18. LGSS IT Disaster Recovery Plan 19. LGSS IT service resilience measures (backup data centre, network re-routing). 20. Version upgrades to incorporate latest product functionality 21. Training for CFA Business systems prior to use 22. Information sharing agreement 23. Backup systems for mobile working 24. Back up systems for CFA Business Systems										
26	Increasing manifestation of Busway defects	1. Failures of Busway bearings or movement of foundations continue and increase	1. Significant and ongoing costs to maintain the Busway or restricted operation of the Busway to the extent that it will no longer be attractive to operators or passengers.	ED ETE	1. Monitoring and inspection regime in place 5. Independent Expert advice has been taken confirming that the defects are defects under the Contract and that a programme of preventative remedial action is required and will be cheaper overall and less disruptive in the long run than a reactive response. 6. Legal Advice has been taken confirming that the defects are defects under the contract and that the Council has a good case for recovering the cost of correction from the Contractor 7. Retention monies held under the contract have been withheld from the Contractor and used to meet defect correction and investigation costs. 8. Funds have been set aside from the Liquidated Damages withheld from the Contractor during construction, which are available to meet legal costs 9. General Purposes Committee have resolved to correct the defects and to commence legal action to recover the costs from the Contractor 10. Initially defects are being managed on a case by case basis until the contractual issues are resolved, minimising impact on the public.	2	5	10	1. Survey and investigation work -- Programme of investigation and surveys agreed with BAM Nuttall to better understand nature, cause and possible solutions to defects are complete. Our independent experts have produced a Report to the General Purpose Committee 29/11/16 2. Negotiations are taking place with Bam Nuttall 3. Initiate any necessary legal proceedings to recover costs of defect correction.	SD S&D ETE SD S&D ETE SD S&D ETE	Feb-16 	Jun-16 Sep-16 Nov-16 	G G G	Service Director, Strategy & development, ETE.	There are no dates. It's a sensitive matter with negotiations going on with legal, contractors, etc. For now they can only give the brief description of actions but no dates. It was agreed with Bob Menzies to present the actions this way.
27	The pension fund has the potential to become materially under-funded	2. Contribution levels do not maintain the level of the fund 3. The longevity of scheme members increases 4. Government changes to pensions regulations 5. Volatility of financial markets 6. Change to tax threshold causing exceedingly high contribution 7. Shrinking workforce	1. Significant increases in revenue contributions to the Fund are necessary placing additional savings requirements on services	CFO	1. Governance arrangements including CCC Constitutional requirements and Pensions Committee including response to Hutton enquiry 2. Investment Panel work plan 3. Triennial valuation 4. Risk agreed across a number of fund managers 5. Fund managers performance reviewed on a regular basis by Pensions Committee 6. Opt in legislation 7. Review investment manager performance quarterly 8. Ongoing monitoring of skills and knowledge of officers and those charged with governance	3	5	15	1. Updated Funding Strategy Statement to be agreed as part of the 2016 triennial valuation process setting out the funding approach for secure, tax rising scheme employers such as CCC 2. An established approach to employer contributions to continue, recognising the secure nature of CCC and the long term nature of the pension liabilities 3. Review strategic asset allocation as part of valuation process	HoP HoP HoP	Dec-16 Mar-17 Mar-17	Mar-17 	G G G	HoP - Head of Pensions	

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29	Failure to address inequalities in the county continues	1. Impact of wider economic and social determinants, which may require mitigation through Council services. 2. Failure to target/promote services to disadvantaged or vulnerable populations, or in areas of deprivation, appropriately for local need.	1. Worsening inequalities between geographical areas and/or disadvantaged or vulnerable populations, including health, educational achievement, income.	CE	1. Council's business plan 2. Committee monitoring of indicators for outcomes in areas of deprivation (following full Council motion) 3. Joint Strategic Needs Assessment, Annual Public Health Report, and Joint Health and Wellbeing Strategy (Health inequalities) 4. Implementation of Health Committee Priority 'Health Inequalities' actions and targetting of Public Health programmes (health inequalities) 6. Child Poverty Strategy (income) 7. Targetted services e.g: Travellers Liaison, Traveller Health Team, Chronically excluded adults team etc. 9. Buy with confidence approved trader scheme. 10. Cambridgeshire Inequalities Charter 11. Wisbech 20:20 programme 12. Cambridgeshire 0-19 Education Organisation Plan 13. Cambridgeshire Older People Strategy	3	4	12	1. Implementation of health inequalities aspects of Joint Health and Wellbeing Strategy	DoPH	Dec-16	Mar-17	G	DoPH - Director of Public Health DoCFA - Director and Children, Families and Adults SD L - Service Director Learning	
30	Failure to deliver Waste savings / opportunities and achieve a balanced budget	1. Failure to realise Waste PFI contract opportunities (eg. Reduce cost of CLO and increase income from TPI) and manage operational risk of unforeseen contractual events (eg. Wet IVC waste) leading to significant budget pressures	1. Savings not delivered and potential increased costs leading to significant budget pressures.	ED ETE	1. Strong contract management and close working with legal and procurement to reduce unforeseen costs where possible e.g. management of amount of waste going to landfill. Regular communication, exchange of information and decision-making at the Waste PFI Delivery Board. The Board provides focused management of issues, ensuring contract delivers as required. 2. The Waste PFI is in service delivery phase - the protection that is provided by the contract terms and conditions is in place. 3. Officers working closely with DEFRA, WIDP, Local Partnerships, WOSP and other local authorities 4. The contract documentation apportions some risks to the contractor, some to the authority and others are shared. 5. Clear control of the risk of services not being delivered to cost and quality by levying contractual deductions and controls if the contract fails or issues arise. 6. During the procurement process, the authority appointed a lead to negotiate risk apportionment. The results of the negotiation relating to financial risk are captured in the Payment Mechanism (schedule 26) and Project Agreement that form part of the legally binding contract documentation 7. Waste PFI contractor investigating contract for Refuse Derived Fuel (RDF) option for Compost Like Output (CLO).	3	5	15	6. Deliver further contract management training if November review identifies a requirement. 7. Identify options for savings in collaboration with Amey and carry out trials where appropriate. 8. Resolve legacy issues in the round with discussions on savings and opportunities.	HoH&C HoH&C HoH&C	Sep-16 Aug-16 Aug-16	Jan-17 Mar 17 Oct-16 Nov-16 Dec-16 Nov-16 Dec-16 Mar 17	G G G G		
		1. The number of children who are looked after is above the number identified	1. Client dissatisfaction and increased risk of harm.		1. Regular monitoring of numbers, placements and length of time in placement by CFA management team and services to inform service priorities and planning				7. Deliver the actions in the LAC action plan to manage demand and costs	SD CSC	Mar-17		G	Service Director Children's Social Care	

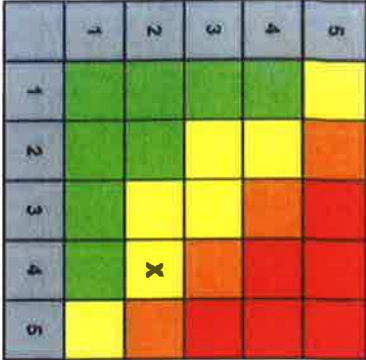
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Risk No.	Risk Description	Trigger	Result	Owner		Probability	Impact	* Score	Description	Action Owner	Target Date	Revised Target Date	Action Status		
31	Insufficient availability of affordable Looked After Children (LAC) placements	in the LAC strategy action plan 2015-17 2. % LAC placed out of county and more than 20 miles from home as identified in CFA performance dashboard 3. The unit cost of placements for children in care is above targets identified in the LAC strategy action plan 2015 to 2017	2. Reputational damage to the council. 3. Failure to meet statutory requirements. 4. Regulatory criticism. 5. Civil or criminal action against the Council	ED CFA	2. Maintain an effective range of preventative services across all age groups and service user groups 3. Looked After Children Strategy provides agreed outcomes and describes how CCC will support families to stay together and provide cost effective care when children cannot live safely with their families. 4. Community resilience strategy details CCC vision for resilient communities 5. CFA management team assess impacts and risks associated with managing down costs 6. Edge of care services work with families in crisis to enable children and young people to remain in their family unit	3	4	12					G G G G G		
32	Insufficient availability of care services at affordable rates	1. Average number of ASC attributable bed-day delays per month is above national average (aged 18+) as identified by CFA performance dashboard 2. Delayed transfers of care from hospital attributable to adult social care as identified by CFA performance dashboard 3. Home care pending list	1. Client dissatisfaction and increased risk of harm and hospital admission 2. Increase in delayed discharges from hospital 3. Reputational damage to the Council	ED CFA	1. Data regularly updated and monitored to inform service priorities and planning 2. Maintain an effective range of preventative services across all age groups and service user groups 3. Community resilience strategy details CCC vision for resilient communities 4. Directorate and CFA Performance Board monitors performance of service provision 5. Coordinate procurement with the CCG to better control costs and ensure sufficient capacity in market 6. Use of the benchmark rate to control costs of care homes 7. Market shaping activity, including building and maintaining good relationships with providers, so we can support them if necessary 8. Capacity Overview Dashboard in place to capture market position 9. Residential and Nursing Care Project has been established as part of the wider Older People's Accommodation Programme looking to increase the number of affordable care homes beds at scale and pace. 10. Business Case for Council owned Care Home 11. Delivered first phase of Early Help Offer for Adults and OP 12. Retendered the block purchase of care	5	3	15	4. Retender the main home care contract 5. To support home based services, reablement and its relationship with the intermediate tier is being reviewed and refined to increase efficiency	HoS Procurement HoS DOP	Jul-16 Apr-17	Oct-17	G 	Service Director Older People HoS Service Development Older People	

SCORING MATRIX (see Risk Scoring worksheet for descriptors)

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

Risk Owners

CD CS&T - Sue Grace
CE - Gillian Beasley
DoPTT - Christine Reed
DoLPG - Quentin Baker
ED ETE - Graham Hughes
ED CFA - Wendi Ogle-Welbourn
DoSD - Bob Menzies
CFO - Chris Malyon

Failure of the Council's arrangements for safeguarding vulnerable children and adults						
Risk						
						
Risk Owners						Current Score 8
						Target Score
						Previous Score 8
Triggers						Likelihood Factors (Vulnerability)
Children's Social Care: 1. Children's social care case loads reach unsustainable levels as indicated by the unit case load tool 2. More than 25% of children whose referral to social care occurred within 12 months of a previous referral 3. Serious case review is triggered						
Adult Social Care (inc. OPMH):						
						Last Review 14/04/2016
						Next Review 13/07/2016
						Potential Consequences
						1. Harm to child or an adult receiving services from the Council 2. Reputational damage to the Council

Actions / Controls Already In Place	Adequacy	Critical Success
1. Multi-agency Safeguarding Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity	Good	
10. Coordinated work between Police, County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the LSCB	Good	
2. Skilled and experienced safeguarding leads and their managers.	Good	
3. Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions monitor and instil safeguarding procedures and practice.	Good	

Required Management Action / Control	Responsibility	Target Date
1. Implement plan to integrate adult safeguarding into the Multi-agency Safeguarding Hub (MASH)		31/03/2016
2. Implementing new operational management arrangements across children's social care to ensure better management of re		31/05/2016
3. Investigating referral arrangements to ensure most effective arrangements are in place to the MASH - proposals to be		31/05/2016
4. Implementation of changes to safeguarding as required by the Care Act 2014 overseen by the Safeguarding Adults Board		29/04/2016
5. Implementing new QA process, including monthly reporting, of safeguarding of adults to ensure we are complying with I		31/05/2016

4. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews.	Good	
5. Multi Agency Safeguarding Hub (MASH) supports timely, effective and comprehensive communication and decisions on how best to approach specific safeguarding situation between partners.	Good	
6. Robust process of Internal Quality Assurance (QA framework) including case auditing and monitoring of performance	Good	
7. Whistleblowing policy, robust Local Authority Designated Officer (LADO) arrangements and complaints process inform practice	Good	
8. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission	Good	
9. Joint protocols, practice standards and QA ensure appropriate joint management and case transfer between Children's Social Care and Enhanced and Preventative Services	Good	

Risk Path: Cambridgeshire County Council/Training Register/Milton Keynes Council

Risk Category:

Agenda Item No. 8.

TITLE DRAFT INTERNAL AUDIT PLAN 2017/18

To: Audit & Accounts Committee

Date: 21st March 2017

From: Duncan Wilkinson, Chief Internal Auditor

1. PURPOSE

- 1.1 To present the draft 2017/18 Internal Audit Plan and invite comments from the Committee.

2. BACKGROUND

- 2.1 The role of Internal Audit is to provide the Audit Committee and management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 This report outlines the proposed 2017/18 Internal Audit Plan (at Appendix 1, p.8).
- 2.3 A draft revised Internal Audit Strategy and Charter is also provided (at Appendix 2, p.15) for 2017/18 for comments. The final draft of the Strategy and Charter will be returned to the May meeting of the Audit and Accounts Committee for formal approval.

RECOMMENDATION

The Committee is requested to consider and comment on the contents of this report.

1. THE INTERNAL AUDIT PLAN

1.1 BACKGROUND

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013. The PSIAS set out the standard for internal audit across the public sector.

The principles in the PSIAS are consistent with the previous CIPFA code of practice for internal audit which applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'; for the purposes of the key duties laid out in the PSIAS, the Audit & Accounts Committee is effectively the 'Board' for the Council.

Under the Local Government Act, the Council's Section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the Authority's financial affairs. The work of Internal Audit is therefore directly relevant to these responsibilities.

1.2 AUDIT PLANNING

PSIAS Performance Standard 2010 – *Planning* states that:

"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

The standards refer to the need for the risk-based plan to consider the organisation's risk management framework, and to take into account the requirement to produce an annual internal audit opinion and the assurance framework.

Within the Council, the Chief Audit Executive is the Chief Internal Auditor, for the purposes of the PSIAS. Performance Standard 2450 – *Overall Opinions* states that:

"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."

The risk-based plan therefore needs to include an appropriate and comprehensive range of work which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by the Audit & Accounts Committee. The Chief Internal Auditor will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

1.3 THE PLANNING PROCESS

The plan is based on assurance blocks that each provides an opinion over key elements of the control environment, targeted towards in-year risks, rather than a more traditional cyclical approach examining each system over a number of years. For each assurance block, the most appropriate level of coverage necessary to provide an effective annual assurance opinion and added value to the organisation has been developed.

The audit plan is intended to remain dynamic in nature and will be reviewed and re-aligned on a regular basis to take account of new, emerging and changing risks and priorities. Resources will then be re-prioritised towards the areas of highest risk. The audit plan will be reported to Audit & Accounts Committee every quarter, and should be reviewed and robustly challenged by the Senior Management Team, the S151 Officer and the Audit & Accounts Committee.

In order to develop the audit plan, there must be a sound understanding of the risks facing the Council. The Internal Audit risk assessment of the authority is updated during the year and used to form the basis of the Internal Audit plan, alongside the Corporate Risk Register. Internal Audit has also engaged with members of senior management to ensure that known and emerging risks are considered in annual audit planning. Potential audit areas identified through this process are then assessed and weighted according to the level of risk they relate to.

1.4 THE ANNUAL PLAN

The Internal Audit Plan for the next year must be sufficiently flexible to enable assurance to be obtained over current risk areas, as well as emerging risks, and those risks which are yet to be identified. This is particularly relevant as we move into 2017/18, with the Council continuing to evolve and transform in the face of ongoing financial challenges.

Inevitably, the potential for risks is increased during periods of change. For instance, reductions or high levels of turnover in the workforce provide an opportunity for controls to break down – as well as an opportunity to consider new and more efficient ways of organising people, systems and processes, without adversely impacting internal control. To reflect this risk, the Audit Plan contains an allocation of time for advice and guidance. Reviews of the key financial systems and pro-active anti-fraud and compliance audits will provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.

The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and achieving best value. The planned audit coverage is intended to ensure stakeholders receive a valuable assurance and that the audit service tangibly adds value to the organisation.

Maintaining an Audit Plan which is dynamic, challenging and prioritised based on the organisation's risks is not a new concept; however, in the current environment it is

ever more critical if Internal Audit is to help the Council to respond effectively to the scale of change required in 2017/18 and beyond.

1.5 HOW ASSURANCE CAN BE GIVEN

As detailed above, the plan is split into both assurance blocks and directorate areas for ease of understanding as well as to demonstrate how assurance on the organisation's control environment can be given. There are a number of key assurance blocks:

1.5.1 *Key Financial Systems*

This is the traditional area of internal audit work, required by external audit, and very much focuses on providing the Section 151 officer assurance that "the Council has made arrangements for the proper administration of its financial affairs." These systems are agreed in advance with External Audit and are used as the basis by which External Audit area able to place reliance on Internal Audit work. These are generally the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

1.5.2 *Policies & Procedures*

Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. A number of policies and procedures will be reviewed to ensure these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. Each audit undertaken should similarly review the current policies and procedures in the area being covered.

1.5.3 *Compliance*

Compliance work is fundamental as it provides assurance across all Directorates and therefore supports the Head of Internal Audit opinion on the control environment. The proposed coverage for compliance is underpinned by an assessment of the Council's framework of controls (informed by policies and procedures) and includes those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether the critical controls within the key policies and procedures are being routinely complied with in practice. This work will continue to challenge the existing controls to ensure that they are modern, effective and proportionate.

1.5.4 *Making Every Penny Count*

This assurance block incorporates the on-going work on initiatives to promote the value of *making every penny count* across the organisation. Although each audit we undertake should have value for money at its core, the team will be suggesting areas where this work can be expanded.

1.5.5 Commissioning and Contracts

Within this assurance block, a number of days have been included for capital and current contract reviews. The first stage will be to agree the higher risk contracts for review and will incorporate open-book assurance where required to ensure that these are operating in accordance with the terms of the contracts. Work to examine the commissioning process as a whole is also included in this assurance block.

1.5.6 Anti-Fraud and Corruption

This is a key development area and a high-risk area across the public sector. This includes both reactive and pro-active elements, along with initiatives to raise awareness of the council's anti-fraud and corruption culture and to report on the arrangements in place. In addition to the time allocation for fraud investigation work including the risk assessment process for referrals, the assurance block includes an allocation of days for pro-active fraud strategy work.

1.5.7 ICT and Information Governance

The ICT assurance block includes reviews of key ICT risk areas – major ICT failure and ICT strategy. It also includes an allocation of time for the review of general computer controls to provide assurance that systems are correctly processing information accurately and on a timely basis. The assurance block also incorporates time for reviews of key risk areas around information governance and information security.

1.5.8 Contingency

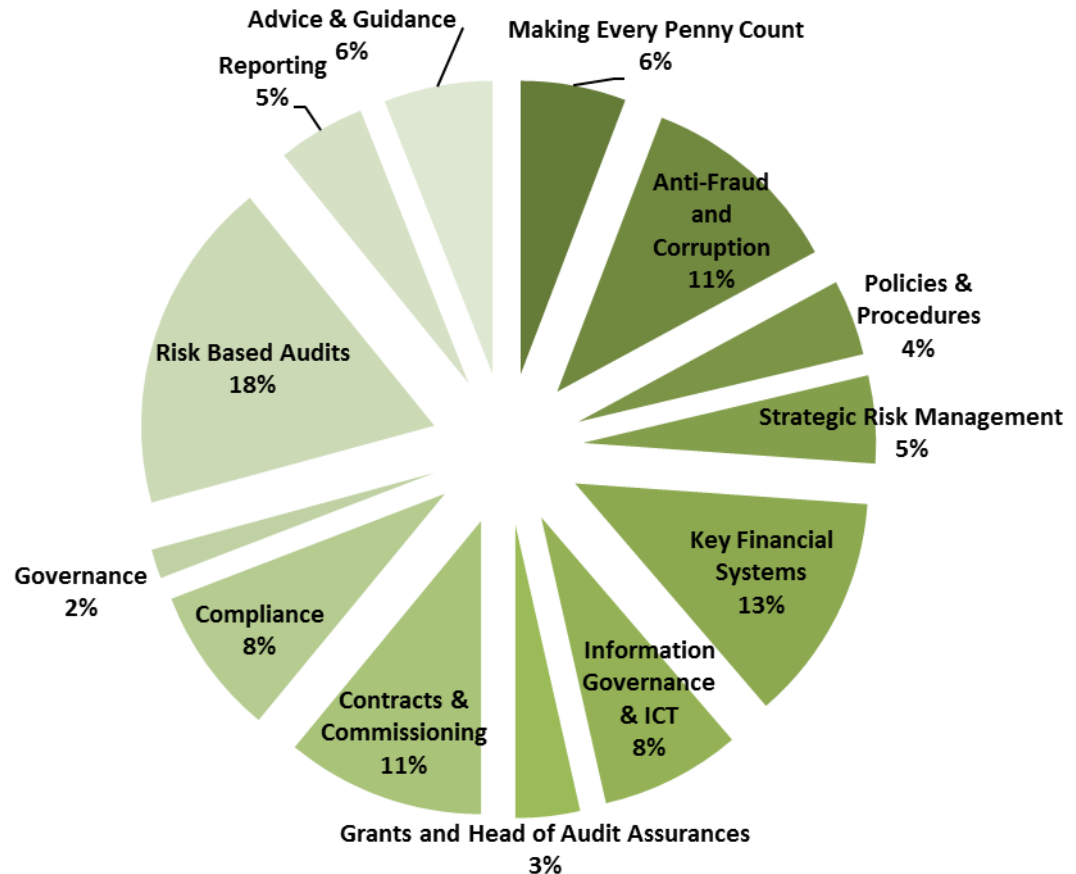
The Audit Plan also includes a contingency provision to be utilised in-year, in response to unforeseen work demands and emerging risks. This is incorporated within the Risk Based Audits allocation.

1.6 PLAN SUMMARY AND RESOURCES

In summary, the Audit Plan maintains a focus on risk-based and compliance audits as well as providing assurance on key financial systems. This reflects the need to focus on the management of emerging risks and to ensure the continued operation of key controls within the Council's governance arrangements, systems and processes. In order to contribute to the Council's efficiency agenda, there is also a continued need to allocate time to anti-fraud work and value for money reviews.

The Audit Plan has been agreed as 1,550 days, consistent with the 1,550 days for 2016/17. The proposed approximate split of time across the 2017/18 Audit Plan follows:

Internal Audit Plan 2017/18 Breakdown of total days by Assurance Block

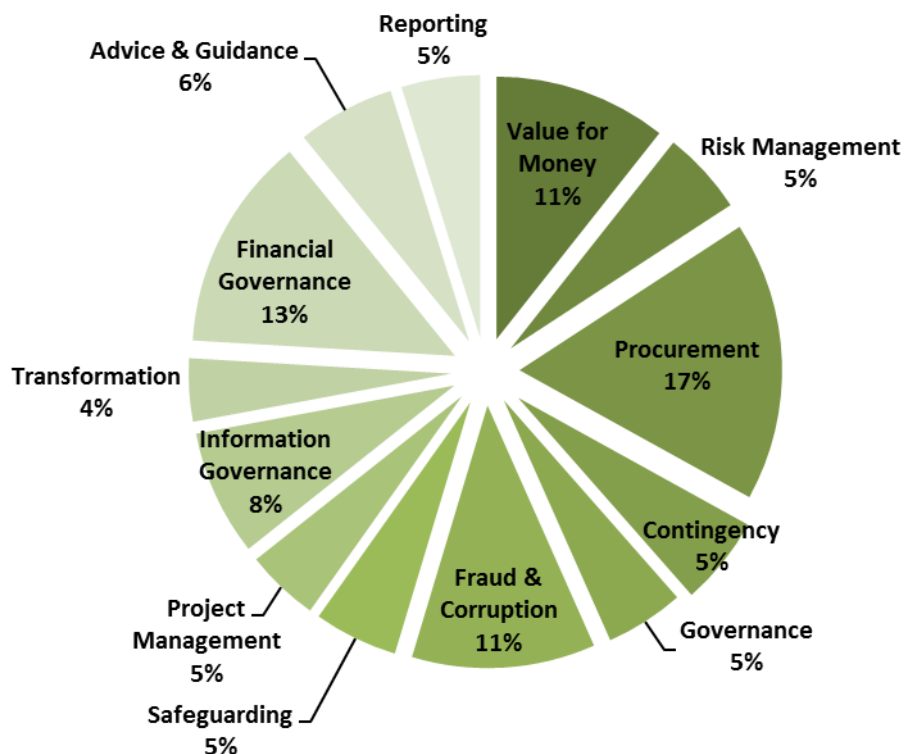


To help understand the breadth of audit coverage across the organisation, we have also broken the draft Plan down into organisational themes. This helps to demonstrate how the planned reviews will provide coverage of key organisational risks. In particular, in alignment with the Council's Transformation Programme, the Audit Plan for 2017/18 has a focus on procurement risk, and includes reviews of commissioning and contract management of major corporate contracts; reviews focused on new governance arrangements around procurement and commissioning; and reviews of compliance with procurement policies and guidance.

The breakdown of the proposed Plan across these organisational themes is as follows:

Internal Audit Plan 2017/18

Breakdown of total days by Audit Theme



1.7 CONCLUSIONS

The 2017/18 Audit Plan has used a risk-based approach to prioritising internal audit work and includes sufficient coverage to ensure an evidence-based assurance opinion on the control environment can be provided at the end of the year.

The Plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on key risks facing the organisation throughout the year.

Progress against the plan will be monitored throughout the year and key issues reported to SMT and the Audit Committee each quarter.

1.8 THE DRAFT INTERNAL AUDIT PLAN 2016/17

The Draft Internal Audit Plan is presented at Appendix 1.

Any changes agreed as a result of this meeting will be incorporated into the draft Plan prior to presentation to Audit & Accounts Committee on the 21st March.

APPENDIX 1 – DRAFT INTERNAL AUDIT PLAN 2017/18

Internal Audit Plan 2017/18				
Audit	Days	Theme	Directorate	Why?
Making Every Penny Count				
Governance of Financial Assessments	30	Value for Money	CFA	Requested by Wendi Ogle-Welbourn. Focus on ensuring clawback of Direct Payments. Including benchmarking against Peterborough CC processes following a recent Peer Review at Peterborough which gave extremely positive feedback.
Traded Services	20	Value for Money	CFA	Requested by Wendi Ogle-Welbourn. Risk of a lack of clear policies around charging for services, particularly outside the remit of 'traditional' traded services. Risk that full costs, including overheads, are not being passed on when we charge for items and services.
Section 106	20	Value for Money	ETE	Requested by Graham Hughes. Major income stream; risk that income is not collected when due or is not utilised and has to be returned to developers. Light touch review of compliance with processes, to include following a sample of s106 agreements from receipt of the funding to its application.
Overtime and Enhancements in CFA	20	Value for Money	Cross-Cutting	Requested by Wendi Ogle-Welbourn. Compliance testing of claims for overtime and enhanced payments in CFA and tracing these back to evidence of hours worked. Review of policy to confirm whether it is in line with national guidance and practice elsewhere (e.g. whether Saturday working is considered eligible for enhancements).
Total Making Every Penny Count:	90			
Anti-Fraud and Corruption				
Proactive Fraud Work				
Preventative & Pro-Active Fraud Work	10	Fraud & Corruption	Cross-Cutting	Deterrent; stopping fraud and encouraging reporting of concerns.
National Fraud Initiative	40	Fraud & Corruption	Cross-Cutting	Deterrent; stopping fraud; recouping lost funds.
Reactive Fraud Work				
Fraud Investigations	125	Fraud & Corruption	Cross-Cutting	Deterrent; stopping fraud; recouping lost funds.
Total Anti-Fraud and Corruption:	175			

Key Financial Systems				
Accounts Receivable	15	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Purchase to Pay	20	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Payroll	25	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Payroll Transaction Testing & Safe Recruitment in Schools	60	Financial Governance	CFA	Review to provide assurance over schools payroll, with testing on new starters to include review of compliance with Safe Recruitment requirements.
General Ledger	10	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Bank Reconciliation	5	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Treasury Management	5	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Financial Systems IT General Controls	10	Financial Governance	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Risk Management	5	Risk Management	Cross-Cutting	Review focusing on the risk management procedures and processes in place at the Council, and compliance with these.
Procurement Governance	20	Procurement	Cross-Cutting	Review covering policies and procedures governing procurement processes, and arrangements for monitoring compliance with procurement policies. Assurance over risk that best value is not being achieved across all Council procurement.
Debt Recovery	20	Value for Money	Cross-Cutting	Review of debt recovery, with a focus on: appropriate policies and procedures for debt recovery; areas of high debt write-offs; and debt recovery timescales. Increasing levels of corporate debt particularly in social care have been picked up by Committee as a risk.
Total Key Financial Systems:	195			
Grants and Other Head of Audit Assurances				
Growth Deal	5	Financial Governance	ETE	Grant certification required. 29th July 2017 deadline.
Local Transport Capital Block Funding	5	Financial Governance	ETE	Grant certification required. 30th September 2017 deadline.
Bus Service Operators	5	Financial Governance	ETE	Grant certification required. 30th September 2017 deadline.
Pothole Action Fund	5	Financial Governance	ETE	Grant certification required. 30th September 2017 deadline.
Cycle City Phase II	5	Financial Governance	ETE	Grant certification required. 31st March 2018 deadline.
Troubled Families Grant	20	Financial Governance	CFA	Grant certification required. Ongoing throughout year.
Other grants to be identified	10	Financial Governance	CCC	Allowance of time for additional grants identified in-year as requiring Internal Audit certification.
Total Grants and Other Head of Audit Assurances:	55			

Commissioning & Contracts				
Highways Contract Management Arrangements	20	Procurement	ETE	Key risk within the ETE directorate given the size of this contract. Review of contract management arrangements, pre contract let (July). To include a lessons learned review of the process of letting the contract.
Highways Contract Open Book Reviews	40	Procurement	ETE	Quarterly open book reviews of the Highways Contract.
Street Lighting PFI	20	Procurement	ETE	Review of the contract management of the Council's Street Lighting PFI Contract.
Waste PFI	20	Procurement	ETE	Requested by Graham Hughes. Ongoing audit support to the renegotiation of the contract to resolve legacy issues. Scale of the contract (£35m p.a.) means this is a key financial risk for the Council.
CFA Contract Audit	20	Procurement	Cross-Cutting	Allowance of time for review of further contract(s) identified in-year.
Capital Programme Board	10	Procurement	Cross-Cutting	Requested by Chris Malyon. To focus on how the Boards are operating and integrating; whether the Boards are carrying out their roles as originally envisioned; whether they carry out an appropriate level of challenge and enforcement; and any recommendations for how to maximise the value achieved by these arrangements.
Commercial Board	20	Procurement	Cross-Cutting	As above.
Commissioning Board	20	Procurement	CFA	As above.
Total Commissioning & Contracts:	170			
Risk-Based Audits				
Deputyships	20	Safeguarding	CFA	Follow-up review of transfer to LGSS and new procedures to confirm risks identified by previous audit have been addressed in terms of financial management, fraud risk, safeguarding and efficiency.
Deprivation of Liberty/Mental Capacity Act (DoLs/MCA)	20	Safeguarding	CFA	Requested by Wendi Ogle-Welbourn. Risk that the team are not operating within statute, particularly in relation to children and the recent focus on children in residential homes and the extent to which this constitutes a deprivation of their liberty.
Joint Safeguarding Board Arrangements	20	Safeguarding	CFA	Requested by Wendi Ogle-Welbourn. The project to join up Safeguarding Board arrangements between Cambridgeshire and Peterborough constitutes a major change and a review would provide assurance that safeguarding risks, information security risks and the risk of non-compliance with statutory requirements are being appropriately mitigated by the new arrangements.

Multi Agency Safeguarding Hub (MASH)	20	Safeguarding	CFA	Requested by Wendi Ogle-Welbourn. The MASH is undergoing major changes as part of the Children's Change Programme and a review will provide assurance that the new arrangements effectively mitigate safeguarding risks, information security risks and the risk of non-compliance with statutory requirements.
Safe Recruitment	15	Safeguarding	CFA	Review of safe recruitment practice across the Council with a focus on DBS check compliance, to ensure safeguarding risk is appropriately mitigated.
Corporate Capacity Review Outcomes	20	Transformation	Cross-Cutting	Cross-cutting review of the outcomes and how processes are being managed following the CCR. Requested by Chris Malyon.
Business Intelligence Continuity	20	Transformation	CST	Review of whether aspirations around business continuity and resilience within the Business Intelligence function are being met, as well as the effectiveness of the commissioning of outcomes from the new service. Requested by Sue Grace.
Property Portfolio Development Project	10	Transformation	Cross-Cutting	Embedded assurance support to the Property Portfolio Development Project, including Internal Audit representation on the Property Portfolio Development Board.
Public Health Joint Commissioning Unit	20	Procurement	PH	Post-implementation review of the new PH Joint Commissioning Unit, to confirm that the unit is functioning as planned and identify any further recommendations for improvement.
Project Management Methodologies	20	Project Management	Cross-Cutting	A major review of project management methodologies is underway, including a move towards more agile project management. Review to provide assurance that the new methodologies in use are mitigating project risks and resulting in effective project management.
Projects Assurance	50	Project Management	Cross-Cutting	4x reviews of major projects, to provide assurance over the implementation of new project management methodologies. Internal Audit staff will act as corresponding members of the project board as part of the review and focus on key gateway stages of each selected project. This will include the Mosaic implementation project, and the Citizen First, Digital First project.
Other risk-based audits	50	TBC	Cross-Cutting	Further audit reviews, to be determined by SMT/Audit Committee each quarter based on their assessment of risk.
Total Risk-Based Audits:	285			
Key Policies & Procedures				
Whistleblowing Policy & Compliance	15	Governance	Cross-Cutting	Review of the Council's Whistleblowing Policy, to include review of a sample of whistleblowing disclosures, to provide assurance over the risk that fraud or malpractice are not properly dealt with.
Fees and Charges Policy & Compliance	20	Value for Money	Cross-Cutting	Requested by Graham Hughes. Risk that new processes around setting fees and charges are not followed, leading to the Council missing out on income or legislative non-compliance.

Scheme of Delegation Policy & Compliance	15	Governance	Cross-Cutting	Review of a sample of decision-making to confirm that the Council's Scheme of Delegation is being complied with and that officers do not take decisions which are beyond their delegated powers. Focus on both financial and non-financial decision making risks.
Ethics Policies & Compliance	15	Governance	Cross-Cutting	Recommended as part of the Public Sector Internal Audit Standards. Review of policies and practice relating to organisational ethics, including gifts and hospitality; conflicts of interest; staff behaviour; and the risk of bribery.
Total Policies & Procedures:	65			
Compliance				
Direct Payments Compliance	15	Value for Money	CFA	Sample testing of Direct Payments files to provide assurance over the following risks: Direct Payments are misused by service users or subject to fraud; the Council does not monitor these effectively; and that surplus monies due for repayment are not identified.
Agency Staff Compliance	15	Procurement	Cross-Cutting	Following the implementation of the new arrangements for agency staffing, review of the use of agency staff to identify areas of high expenditure and/or non-compliance with Council policies on agency staffing, providing assurance over the achievement of best value through procurement.
Unannounced Visits	20	Value for Money	Cross-Cutting	2 - 3 services will be identified in conjunction with contract managers, for unannounced visits focusing on compliance with the Council's policies and expectations for management of finances and safeguarding risks, and providing an appropriate deterrent to fraud.
Key Performance Indicators	15	Governance	Cross-Cutting	Review of a sample of Key Performance Indicators to confirm that they are calculated and reported accurately in order to appropriately inform decision-making.
Procurement Compliance	32	Procurement	Cross-Cutting	4x reviews throughout the year of a sample of invoices, to provide assurance over risk that best value is not being achieved across all Council procurement. Once invoices have been selected, the review will work backwards through the commissioning process to confirm compliance and VFM.
Procurement Exemptions Compliance	15	Procurement	Cross-Cutting	Compliance review to provide assurance that necessary approvals are obtained when required, following audit reviews in 2016/17 identifying this as a risk to achieving best value. To include contract extensions; off-contract expenditure; and instances where fewer than three bids are obtained for a contract.
EU Procurement Regulations	15	Procurement	Cross-Cutting	Review of high-value procurements to confirm compliance with EU Procurement Regulations and that best value is being achieved through procurement.
Total Compliance:	127			

ICT and Information Governance				
Information Governance	20	Information Governance	Cross-Cutting	Review(s) focused around Information Governance, potentially to include further follow up on the implementation of the action plan resulting from the Information Commissioner's Office audit review in 2016.
New ERP System IT Controls	30	Information Governance	Cross-Cutting	Review of the General Computer Controls in place, with a focus on: access controls; physical security controls; system and data backup and recovery; system development and program change management controls.
Controls Review of critical systems	15	Information Governance	Cross-Cutting	Systems to be determined.
Agresso data migration	15	Information Governance	Cross-Cutting	Assurance on migration of data from Oracle to Agresso.
Assurances from 3rd Parties	10	Information Governance	Cross-Cutting	Review of risks and assurances from services providers who hold CCC data.
IT Security Culture	10	Information Governance	Cross-Cutting	Evaluation of IT security awareness amongst staff and senior managers.
Information Security	20	Information Governance	Cross-Cutting	Review of arrangements for Information Security, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
Total ICT Audit:	120			
Governance				
Annual Governance Statement/Code of Corporate Governance	15	Governance	Cross-Cutting	Annual Governance Statement/Code of Corporate Governance.
Transformation Programme	10	Transformation	Cross-Cutting	Embedded assurance support of the Transformation Programme, including feedback from individual audit reviews into the programme; internal audit responses to consultations; ad hoc advice and support etc.
Total Governance:	25			
Strategic Risk Management				
Risk Management	75	Risk Management	Cross-Cutting	Strategic risk management processes.
Total Risk Management:	75			
Advice & Guidance				
Advice & Guidance	50	Advice & Guidance	Cross-Cutting	Providing support and guidance to staff on ad-hoc queries.
Freedom of Information Requests	3	Advice & Guidance	Cross-Cutting	Allowance of time to respond to FOI requests received in-year.
Follow-Ups of Agreed Actions	40	Advice & Guidance	Cross-Cutting	Confirming agreed actions have been implemented to reduce key organisational risks.

Total Advice & Guidance:	93			
Reporting				
Committee Reporting	25	Reporting	Cross-Cutting	Reporting to Audit and Accounts Committee.
Management Reporting	25	Reporting	Cross-Cutting	Reporting to SMT.
Audit Plan	25	Reporting	Cross-Cutting	Development of the Internal Audit Plan and any in-year revisions/updates.
Total Reporting:	75			
Operational Plan Total - 2017/18	1550			

APPENDIX 2

Duncan Wilkinson – Chief Internal Auditor

1. INTRODUCTION and CONTEXT

- 1.1. The Council's Internal Audit service is delivered by LGSS (a Cambridgeshire County Council, Northamptonshire County Council, and Milton Keynes Unitary Council partnership).
- 1.2. As austerity continues, the context for local government and for the overall governance, risk and control environment within which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Council. Services have become increasingly sophisticated in their understanding of risk management and may accept greater levels of controlled risk in order to achieve their aims. This is accompanied by greater transparency and scrutiny of public expenditure and governance. This context will affect the overall governance, risk and control environment.
- 1.3. Internal Audit is required to maintain an Internal Audit Strategy and Charter. The core governance context for Internal Audit is summarised below:

The Accounts and Audit Regulations (2015) sets out that:

A relevant authority must ensure that it has a sound system of internal control which—
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—
(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
(b) prepare an annual governance statement

The Public Sector Internal Audit Standards (PSIAS) issued in April 2013 include the need for risk-based plans to be developed for internal audit and to receive input from management and the 'Board' (usually discharged by the Council's Audit Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS : 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS : 2450 – "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and

effectiveness of the organisation's framework of governance, risk management and control."

1.4. The purpose of the audit strategy and charter is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that:

- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations;
- Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;
- Provides an independent Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
- Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
- Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
- Supports the S151 officer in maintaining prudent financial stewardship for the Council.

1.5. The following definitions apply throughout the Strategy and Charter:

- The Audit & Accounts Committee – acts as the PSIAS defined Council 'Board'.
- The LGSS Chief Internal Auditor – is the PSIAS defined 'Chief Audit Executive'.
- CCC Senior Management Team (SMT) – is the PSIAS defined 'senior management' team.
- Internal Audit – is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include financial, performance, compliance, system security and due diligence.
- Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

2. STRATEGY / VISION

- 2.1. Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed. The 'Mission' for Internal Audit is therefore:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

- 2.2. Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

- 2.3. LGSS Internal Audit will provide a robust high quality audit service that delivers honest, evidenced assurance, through:

- **Focusing on what is important:**
Deploying its resources where there is most value, aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
- **Being flexible and responsive to the needs of the Council:**
The Annual Plan will be reviewed quarterly, enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.
- **Outward-looking and forward-focused:**
The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
- **Providing Assurance:**
There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
- **Balancing independent support and challenge:**
Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.
- **Having impact:**
Delivering work which has buy-in and which leads to sustained change.
- **Ensuring it is welcomed at the top table:**
Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

- **Strengthening the governance of the Council:**

Being ambassadors for, and encouraging the Council towards, best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

2.4. The Internal Audit Service maintains an ongoing and comprehensive understanding of:

- Local Government / Public Sector;
- The Council and its community;
- Professional Audit and Corporate Governance standards.

2.5. All staff within the audit service hold a relevant professional qualification or part qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

3. AUTHORITY

3.1. In accordance with PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit Committee, and the senior management team.

3.2. Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit's remit extends across the entire control environment of the Council.

3.3. Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.

3.4. All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.

3.5. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

3.6. The Audit Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevents the proper discharge of IA functions.

3.7. The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

3.8. To provide for independence, the day-to-day management of the Internal Audit Service is undertaken by the Chief Internal Auditor who reports to the Audit Committee. This

accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.

- 3.9. The Chief Internal Auditor has direct and unrestricted access to the Chief Executive, Resources Director (S151 Officer), Directors, External Audit, Audit and / or Scrutiny Committees at his/her discretion, including private meetings with the Chair of the Audit Committee.

4. INDEPENDENCE & OBJECTIVITY

- 4.1. Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to matters of audit selection, scope, procedure, frequency, timing or report content.
- 4.2. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 4.3. In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.
- 4.4. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least 2 years. Audits are rotated within the team to avoid over-familiarity and complacency.
- 4.5. The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

5. HOW THE SERVICE WILL BE DELIVERED

5.1. Audit Planning

The audit plan guides the work of the service during the year. The planning principles are:

- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects.
- Maintaining up-to-date awareness of the impact of the external and internal environment on control arrangements.
- Using a risk assessment methodology to determine priorities for audit coverage

based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores.

- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising that in a resource-constrained environment, there will be situations when not all needs can be met which is where risk management is key.
- Being flexible so that the plan evolves through the year in response to emerging risks and issues.
- Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and anti-fraud responsibilities.
- Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice from management and sources.

Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.

The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary, e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on high-risk areas will reduce the overall coverage required.

In order to deliver the Annual Audit Plan at the required quality and professionalism, we strive to ensure that the team have the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:

- Risk-based system audit
- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Risk Management
- Fraud/investigation work
- Value for money audit
- Control self assessment techniques
- Consultancy and advice

Internal Audit may procure external audit resource to enhance the service provision as necessary.

5.2. Internal Audit Annual Opinion

Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

5.3. Conduct of work

The principles of how we conduct our work are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from ex-employees and other stakeholders where appropriate;
- Ensuring that risks identified in planning are followed through into audit work;
- Ensuring that the right skills and right approaches are in place for individual assignments;
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate;
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work;
- Having high standards of behaviour at all times.

5.4. Reporting

The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, brief, clear and professional manner;
- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
- Always seeking management's response to reports so that the final report includes a commitment to action;
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels;
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless in the opinion of the Audit Services Manager a written report is unnecessary.

Each report will:

- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action;
- provide management's explanations for any risks that will not be addressed;
- identify individuals responsible for implementing agreed actions.

Senior Management shall ensure that agreed corrective actions are introduced.

All audits and follow ups receiving a moderate or limited audit opinion will be highlighted to the senior management team, and the Audit Committee. Regular reports to the Audit Committee shall highlight each weak / limited report until controls have been restored to satisfactory levels at least.

To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex B):

- 1) Assess and test the CONTROL ENVIRONMENT;
- 2) Test COMPLIANCE with those control systems; and
- 3) Assess the ORGANISATIONAL IMPACT of the area being audited. is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

5.5. Actions / Recommendations

Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Action is imperative to ensure that the objectives for the area under review are met
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Standard	Action recommended to enhance control of improve operational efficiency

5.6. Follow up

All Essential and Important actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of prompting the action owner to proactively inform Internal Audit and provide evidence when an action has been fully implemented to inform the follow up process. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities.

5.7. Quality Assurance

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual documenting methods of working;
- Supervision and review arrangements;
- Customer feedback arrangements;
- Quality Standards;
- Annual Internal review;
- Periodic external reviews;
- Performance measures, including:
 - Proportion of Plan completed, including spread of areas covered;
 - Proportion of agreed actions implemented;
 - Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up;
 - Productive/direct time as a % of total time;
 - Customer satisfaction levels.

The completion of every assignment shall be monitored against:

- end to end time;
- days taken to complete;
- time between key audit stages e.g. draft issue to final report issue;
- customer satisfaction.

The Audit Committee, Senior Management Team, the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with SMT, the Section 151 Officer and / or the Audit Committee.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIMA) and being suitably experienced;
- encouraging, and where appropriate acting on, Customer feedback

6. AUDIT COMMITTEE OVERSIGHT

The Chief Internal Auditor will provide regular update reports to the Audit Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.

The Chief Internal Auditor will also provide an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition the Audit Committee will:

- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
- approve, but not direct, changes to the audit plan;
- be informed of results from the quality assurance and improvement programme;
- be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

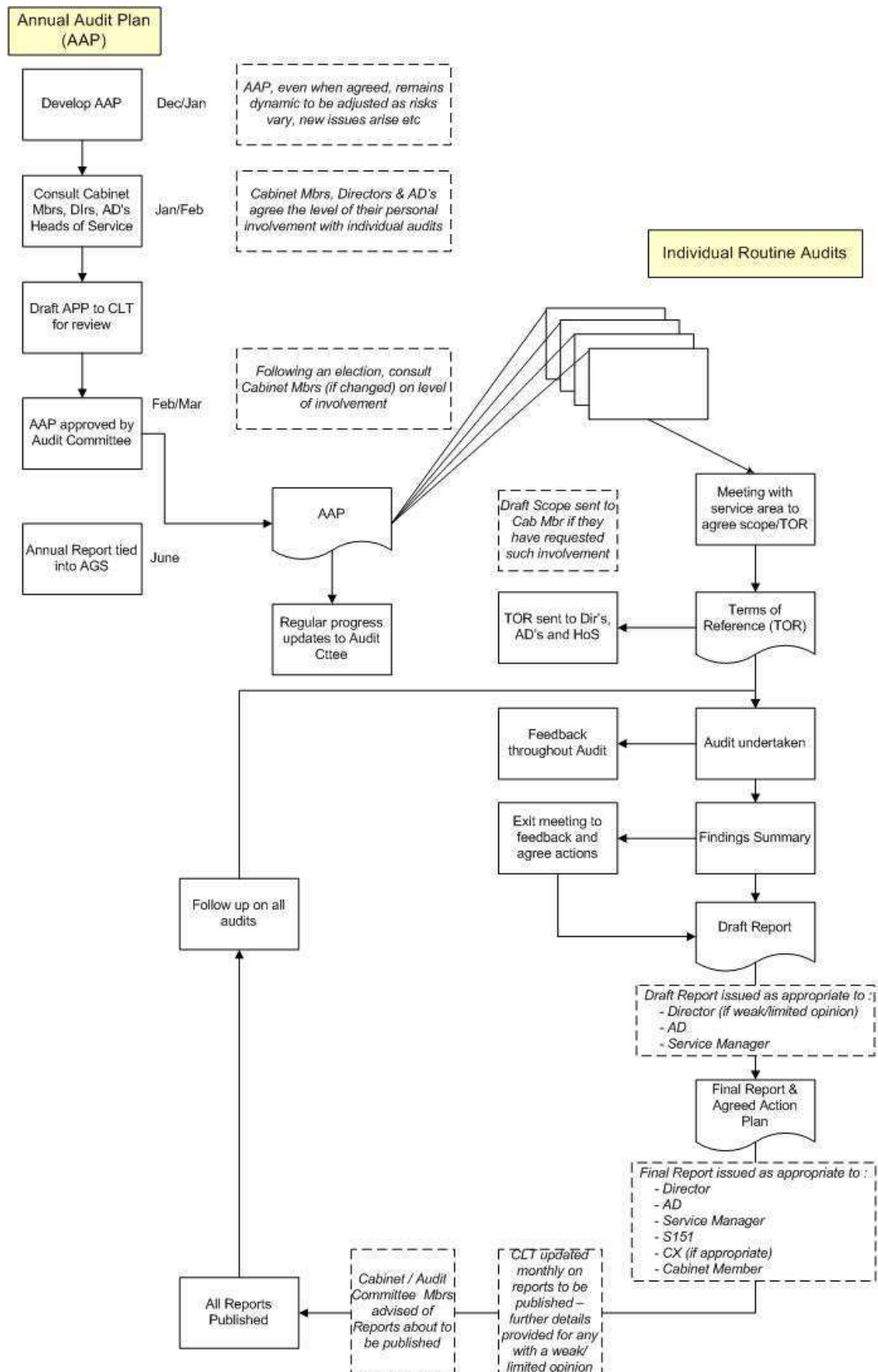
7. ANTI-FRAUD and ASSOCIATED ISSUES

The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:

- Anti-Fraud and Corruption policy;
- Whistleblowing policy;

- Anti-Money Laundering Policy.

All Internal Audit staff will be alert to possibility of fraud during all work but are not responsible for identifying fraud.



Annex B

INTERNAL CONTROL ASSESSMENT

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Satisfactory	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact	
Level	Definitions

Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Where specific compliance reviews are undertaken e.g. grant certification, the following definitions are used to assess the level of compliance in each individual reviewed, albeit each certification usually requires the Chief Internal Auditor to formally certify compliance with grant conditions.

Opinion for Compliance Audits – Levels of Compliance	
Level	Definitions
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

Individual audits are reported to relevant Manager / Service area, Finance Director and the Chief Executive. Periodic summary reports are issued to the Audit Committee.

An Annual Audit Opinion is then constructed based upon the years' work and formally reported to the Senior Management Team, the audit committee and relevant stakeholders to inform Annual Governance Statement and Accounts.

ANTI FRAUD AND ANTI MONEY LAUNDERING POLICY REPORT

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **Duncan Wilkinson, Chief Internal Auditor**

Electoral division(s): **All**

Forward Plan ref: **N/A** *Key decision:* **N/A**

Purpose: **To provide the Audit and Accounts Committee with the draft updated Anti-Fraud and Anti-Money Laundering policies for feedback and comments.**

Recommendation: **Audit and Accounts Committee comments on and notes the draft Anti-Fraud and Anti-Money Laundering policies.**

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1. BACKGROUND

- 1.1 In accordance with best practice, the Council has drafted updated Anti-Money Laundering and Anti-Fraud policies to address the issues arising from the Bribery Act using a standard approach that is applied across other authorities.
- 1.2 Audit and Accounts Committee is being presented with the draft policies for feedback and comments.
- 1.3 Following any feedback and comments the policies will be presented to SMT on 11th May 2017, the Audit and Accounts Committee on the 30th May 2017 and the General Purposes Committee at its meeting of 6th June 2017 for approval.
- 1.3 This report is supported by:
- The Draft Anti-Money Laundering Policy (Appendix 1, p.3)
 - The Draft Anti-Fraud & Corruption policy (Appendix 2, p.27)

Source Documents	Location
Draft Anti-Money Laundering Policy Draft Anti-Fraud & Corruption policy	Box OCT1108 Shire Hall Castle Hill Cambridge, CB3 0AP

APPENDIX 1



April 2017

1 Introduction

- 1.1 The need for this policy derives from the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. The Council's legal obligations impact on certain areas of the business and requires Cambridgeshire County Council (CCC) to establish internal procedures to prevent the misuse of services to launder money.
- 1.2 This policy details the controls to prevent and protect against money laundering and terrorist financing

2 Scope of the policy

- 2.1 This policy applies to all employees and contractors / agents of CCC. The policy sets out the procedures which all officers must follow where they suspect or know that a transaction involves money laundering.

3 What is Money Laundering?

- 3.1 Money laundering is how criminally obtained money or other assets are exchanged for money or assets with no obvious link to their criminal origins. It also covers money, however obtained, which is used to fund terrorism.
- 3.2 Money laundering can take many forms such as:
 - Concealing, disguising, converting, transferring or removing criminal property from the UK;
 - Entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property;
 - Acquiring, using or possessing criminal property;
 - Attempting or helping any of the above offences;
 - Involvement in an arrangement which facilitates the control of money or property destined for, or the proceeds of, terrorism;

4 How do you detect money laundering

4.1 There is no one method of laundering money. For this reason, it is important that the Council (via its employees and contractors and agents) should be vigilant and alert to possible signs of money laundering through the Council's services.

4.2 At all times, you should ;

- Be wary of cash transactions. 'Cash' for this purpose means notes, coins or travellers' cheques in any currency;
- Take care when commencing business with a new client (establish identity as per below where applicable);
- Be alert to the possibility of money laundering by a client or a prospective client;
- Keep records (as per below where applicable);

5 Council's Obligations

5.1 The Money Laundering regulations apply to specific persons, including certain institutions, auditors, accountants, tax advisers and legal professionals.

5.2 Strictly speaking, internal public sector services may not be covered by the legislation. However, public services are susceptible to money laundering activities and CCC must be able to demonstrate its compliance with the law in this area.

5.3 The Proceeds of Crime Act also creates offences relating to money laundering activities, as well as terrorist financing. Again public services may be targeted for this purpose and CCC must be able to demonstrate its compliance with this law.

5.4 CCC has therefore:

- appointed a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activities (their own concerns or that of someone else);
- implemented a reporting procedure where a person:

- knows or suspects; or
 - has a reasonable ground for knowing or suspecting money laundering.
- Set out client identification procedures to be followed in certain circumstances
 - Set down record-keeping procedures for the purposes of money laundering

5.5 All employees, contractors and agents of the public are therefore required to be familiar with the council's policy and to comply with the procedures set out in the following sections and particularly with the reporting procedure.

6 The Money Laundering Reporting Officer (MLRO)

6.1 The officer nominated to receive disclosures about money laundering activities is the LGSS Chief Internal Auditor. This post is currently held by Duncan Wilkinson who can be contacted as follows:

Duncan Wilkinson
Chief Internal Auditor,
Civic Offices
Milton Keynes Council
1 Saxon Gate East
MK9 3EJ
Telephone: 01908 252089

Email: duncan.wilkinson@milton-keynes.gov.uk

6.2 In the absence of the MLRO, the CCC Director of Law & Governance (as CCC Monitoring Officer), is nominated to deputise as the MLRO until further notice. Quentin Baker can be contacted at [01223 727961](tel:01223727961), email quentin.baker@LGSSLaw.co.uk

7 Reporting Procedure

This section explains what you **MUST** do where you become suspicious or know that there is a money laundering or terrorist financing activity going on and how your report will be dealt with by the MLRO.

7.1 Reporting to the MLRO

- 7.1.1 Where you know or suspect or have reasonable grounds to know or suspect that a money laundering activity is taking place or has taken place, you must notify the MLRO **IMMEDIATELY** using the money laundering reporting form attached at appendix 1.
- 7.1.2 Similarly, where you believe your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 (see relevant provisions at appendix 2), you must disclose this to the MLRO using the form attached at appendix 1.
- 7.1.3 You must still report your concerns even if you believe that someone else has already reported their suspicions of the same money laundering activity.

Warning: If you fail to report or disclose as above, you may be liable for prosecution for one or more offences.

7.2 After reporting to the MLRO you **MUST**:

- **not** voice your suspicion to the suspected person or any third party
- **not** disclose to anyone the fact the you have made the report
- **not** make any further enquiries into the matter yourself
- **not** make any reference on the file of the report
- do nothing further on the matter unless you receive specific, written consent from the MLRO to proceed.

Warning: If you fail to observe any of the above, you may be liable for prosecution for ‘tipping off’ or other offences.

7.3 Once the MLRO receives the report, he/she will;

- (1) note the date of receipt and confirm that she/he has received the report.
- (2) advise you of the timescale within which he/she expects to respond to you.
- (3) conduct a provisional investigation into the matter.
- (4) undertake such other reasonable enquiries as appropriate, seeking specialist legal and financial advice (if appropriate)

(5) make a timely determination as below:

- (a) Where it is determined there is no reasonable grounds to suspect money laundering, he/she will record the reasons for the finding and give consent for the transaction to proceed.
- (b) Where it is determined money laundering is suspected he/she will:
 - (i) make a report to NCA (National Crime Agency), as soon as is practicable, and seek NCA's consent whether to proceed with the transaction.
 - (ii) advise the reporting officer of any consent or refusal of consent from NCA.
 - (iii) may give consent for the transaction to proceed where 7 working days have passed since the disclosure to NCA and no refusal notice has been given; or where although the refusal notice has been given, the moratorium period of 31 days has expired since the date of when the refusal notice was given.
 - (iv) Take formal advice from the Director of Law and Governance IF there appears to be reasonable excuse for non- disclosure (eg legal professional privilege) to decide whether or not the matter should be disclosed to NCA.
 - (v) Where the decision is made not to disclose to the NCA, she must record the same and give consent for the transaction to proceed.

7.4 The MLRO commits an offence:

7.4.1 if without reasonable excuse, she/he fails to disclose to NCA as soon as is practicable suspected money laundering to him/her (except as set out at 7.3.1 (5) (b) (iv) above)

7.4.2 where after reporting to NCA:

- he/she gives consent to an officer to proceed with the transaction without receiving such consent from NCA;
- where he/she gives such consent before hearing from NCA and the period of 7 working days has not expired since she/he made the disclosure to NCA;
- the moratorium period of 31 days has not expired since the refusal notice.

8 Client identification procedure (customer due diligence)

This section explains what you **MUST** do where you are involved in services identified as potential targets for money laundering or terrorist financing transactions. Verifying the identity of clients is a key process that reduces the risk of money laundering and terrorist financing.

8.1 Client/customer due diligence consists of:

- identifying the customer and verifying the client's identity on the basis of documents, data or information obtained from a reliable source;
- identifying a beneficial owner who is not a customer, where there is one, and taking adequate measures on a risk sensitive basis, to verify his/her identity;
- obtaining information on the purpose and intended nature of the business relationship.

8.2 You **must** conduct a 'customer due diligence' in the following circumstances ;

- when establishing a new business relationship
- when carrying out an occasional transaction (a transaction which amounts to €15,000 or more (approximately £10,000) which is carried out in a single operation or several linked operations, and which is carried out other than as part of a business relationship);

- when you suspect money laundering or terrorist financing, regardless of the amount involved;
- when you doubt the veracity or adequacy of documents, data or information previously obtained for identification purposes.

8.3 You **must** complete the verification of the identity of the client (or beneficial owner) before you establish the business relationship or accept / process the transaction.

8.4 You may however, complete such identity verification after establishing the business relationship only if it is necessary not to interrupt the normal conduct of business and there is little risk of money laundering or terrorist financing occurring, but provided that the verification is completed as soon as practicable after contact is first established.

8.5 You should obtain evidence of identity as follows:

8.5.1 For internal clients:

- Written instructions on CCC headed paper signed and dated by the appropriate person; or an email from the Council's internal email system.
- The evidence should be kept on file identifying that it is evidence of the client's identity.

8.5.2 For external clients:

- Written instructions on the organisation's official headed paper, duly signed and dated by the appropriate person/s (It must be clear what position the signing person/s hold/s within the organisation); or an email from the organisation's e-communication system that clearly identifies the sending company and person.
- The evidence should be kept on file identifying that it is evidence of the client's identity.
- Whenever dealing with a company, you must also verify the existence of the company. You must always request to be provided with the company's registration number which you can use to search for the company's existence at the companies house, and the registered address of the company.
- You must further ensure that the person instructing you has the authority from the company to do so.

- When dealing with an individual, identity evidence will be key, verifiable documents such as Driving Licence, Passport or other reliable document.

It is very important that you do not take a tick box approach towards the client identification procedure. You must be satisfied with the authenticity of identification documents and where in doubt, please speak to your manager to see what other forms of identification you may request. The MLRO is able to provide tools that verify the validity of identification documents.

8.6 Where satisfactory evidence of identity is not obtained from the outset or as soon as practicable (in the case of 8.5 above), then;

- You cannot establish a business relationship or carry out an occasional transaction with the client;
- You cannot proceed any further with the transaction (if applicable);
- You must consider whether you need to report the matter to the MLRO.

8.7 Where you are satisfied with the evidence of the identity and an ongoing business relationship is established with a client, you should still scrutinise transactions undertaken to ensure that they are consistent with your knowledge of the client or business and risk profile. You should also ensure that the identification documents are up to date.

9 Record keeping procedure

9.1 It is essential that records are properly kept to aid in any subsequent investigation which may be carried out and to demonstrate the Council has met its responsibilities. Each service must keep the following records for a period of five years beginning from the date when the occasional transaction is completed or business relationship ends:

- evidence of the client's identity
- all supporting records, originals or copies, relating to the transaction

9.2 The MLRO must keep all records of any reports or disclosures received by him/her, action taken and the outcome.

Report to Money Laundering Reporting Officer

Re: money laundering activity

To: Duncan Wilkinson, CCC Money Laundering Reporting Officer

From: Date:
[insert name of employee]

Directorate: Ext/Tel No:
[insert post title and section]

DETAILS OF SUSPECTED OFFENCE

Name (s) and address (es) of person(s) involved:
[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Nature of suspicions (cont'd):

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (to your knowledge)?

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes No

If yes, please specify below and where applicable, explain why such discussion was necessary:

Have you consulted any supervisory body's guidance (e.g. the Law Society) on money laundering?

Yes No

If yes, please specify below:

Do you have any grounds for believing that the matter should not be disclosed to NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes No

If yes, please set out full details below:

Are you involved in a transaction which may involve a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 and which may require NCA's consent?

Yes No

If yes, please set out the details below:

Please set out below any other relevant information:

Signed:.....

Dated:.....

Do not discuss the content of this report with the person/s you suspect to be involved in the money laundering activities described or with third parties. To do so may constitute the offence of tipping off which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt report acknowledged

CONSIDERATION OF DISCLOSURE:

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?

Yes No

If yes, please give reasons/details below:

If there are reasonable grounds for suspicion, will a report

be made to NCA?

Yes No

If yes, please confirm date of report to NCA:
and complete the box below:

Details of liaison with NCA regarding the report:

Notice period: to

Moratorium period: to

Is consent required from NCA to any ongoing or imminent
transactions which would otherwise be prohibited acts?

Yes

No ☐ ☐

[Please tick the relevant box]

If yes, please confirm full details below:

Date consent received from NCA:

Date consent given by you to the employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to NCA, please set out below the reason(s) for non-disclosure:

Date consent given by you to employee for any prohibited act/transaction to proceed:

.....

Other relevant information:

Signed: **Dated:**

This report should be retained for at least five years from the date when the occasional transaction or the business relationship to which it relates comes to an end.

RELEVANT EXTRACTS FROM THE PROCEEDS OF CRIME ACT 2002

S.327 Concealing etc

(1) A person commits an offence if he—

- (a) conceals criminal property;
- (b) disguises criminal property;
- (c) converts criminal property;
- (d) transfers criminal property;
- (e) removes criminal property from England and Wales or from Scotland or from Northern Ireland.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) Concealing or disguising criminal property includes concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it.

S.328 Arrangements

(1) A person commits an offence if he enters into or becomes concerned in an arrangement which he knows or suspects facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

S.329 Acquisition, use and possession

(1) A person commits an offence if he—

- (a) acquires criminal property;
- (b) uses criminal property;
- (c) has possession of criminal property.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) he acquired or used or had possession of the property for adequate consideration;
- (d) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) For the purposes of this section—

- (a) a person acquires property for inadequate consideration if the value of the consideration is significantly less than the value of the property;
- (b) a person uses or has possession of property for inadequate consideration if the value of the consideration is significantly less than the value of the use or possession;
- (c) the provision by a person of goods or services which he knows or suspects may help another to carry out criminal conduct is not consideration.

S.332 Failure to disclose: other nominated officers

- (1) A person nominated to receive disclosures under section 337 or 338 commits an offence if the conditions in subsections (2) to (4) are satisfied.
- (2) The first condition is that he knows or suspects that another person is engaged in money laundering.
- (3) The second condition is that the information or other matter on which his knowledge or suspicion is based came to him in consequence of a disclosure made under section 337 or 338.
- (4) The third condition is that he does not make the required disclosure as soon as is practicable after the information or other matter comes to him.
- (5) The required disclosure is a disclosure of the information or other matter—
 - (a) to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service;
 - (b) in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339.
- (6) But a person does not commit an offence under this section if he has a reasonable excuse for not disclosing the information or other matter.

S.333 Tipping off

- (1) A person commits an offence if—
 - (a) he knows or suspects that a disclosure falling within section 337 or 338 has been made, and
 - (b) he makes a disclosure which is likely to prejudice any investigation which might be conducted following the disclosure referred to in paragraph (a).
- (2) But a person does not commit an offence under subsection (1) if—
 - (a) he did not know or suspect that the disclosure was likely to be prejudicial as mentioned in subsection (1);
 - (b) the disclosure is made in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct;

(c) he is a professional legal adviser and the disclosure falls within subsection (3).

(3) A disclosure falls within this subsection if it is a disclosure—

(a) to (or to a representative of) a client of the professional legal adviser in connection with the giving by the adviser of legal advice to the client, or

(b) to any person in connection with legal proceedings or contemplated legal proceedings.

(4) But a disclosure does not fall within subsection (3) if it is made with the intention of furthering a criminal purpose.

S.334 Penalties

(1) A person guilty of an offence under section 327, 328 or 329 is liable—

(a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or

(b) on conviction on indictment, to imprisonment for a term not exceeding 14 years or to a fine or to both.

(2) A person guilty of an offence under section 330, 331, 332 or 333 is liable—

(a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or

(b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.

S.335 Appropriate consent

(1) The appropriate consent is—

(a) the consent of a nominated officer to do a prohibited act if an authorised disclosure is made to the nominated officer;

(b) the consent of a constable to do a prohibited act if an authorised disclosure is made to a constable;

(c) the consent of a customs officer to do a prohibited act if an authorised disclosure is made to a customs officer.

(2) A person must be treated as having the appropriate consent if—

(a) he makes an authorised disclosure to a constable or a customs officer, and

(b) the condition in subsection (3) or the condition in subsection (4) is satisfied.

- (3) The condition is that before the end of the notice period he does not receive notice from a constable or customs officer that consent to the doing of the act is refused.
- (4) The condition is that—
- (a) before the end of the notice period he receives notice from a constable or customs officer that consent to the doing of the act is refused, and
 - (b) the moratorium period has expired.
- (5) The notice period is the period of seven working days starting with the first working day after the person makes the disclosure.
- (6) The moratorium period is the period of 31 days starting with the day on which the person receives notice that consent to the doing of the act is refused.
- (7) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 (c. 80) in the part of the United Kingdom in which the person is when he makes the disclosure.
- (8) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).
- (9) A nominated officer is a person nominated to receive disclosures under section 338.
- (10) Subsections (1) to (4) apply for the purposes of this Part.

S.336 Nominated officer: consent

- (1) A nominated officer must not give the appropriate consent to the doing of a prohibited act unless the condition in subsection (2), the condition in subsection (3) or the condition in subsection (4) is satisfied.
- (2) The condition is that—
- (a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and
 - (b) such a person gives consent to the doing of the act.
- (3) The condition is that—
- (a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and

(b) before the end of the notice period he does not receive notice from such a person that consent to the doing of the act is refused.

(4) The condition is that—

(a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service,

(b) before the end of the notice period he receives notice from such a person that consent to the doing of the act is refused, and

(c) the moratorium period has expired.

(5) A person who is a nominated officer commits an offence if—

(a) he gives consent to a prohibited act in circumstances where none of the conditions in subsections (2), (3) and (4) is satisfied, and

(b) he knows or suspects that the act is a prohibited act.

(6) A person guilty of such an offence is liable—

(a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or

(b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.

(7) The notice period is the period of seven working days starting with the first working day after the nominated officer makes the disclosure.

(8) The moratorium period is the period of 31 days starting with the day on which the nominated officer is given notice that consent to the doing of the act is refused.

(9) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 (c. 80) in the part of the United Kingdom in which the nominated officer is when he gives the appropriate consent.

(10) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

(11) A nominated officer is a person nominated to receive disclosures under section 338.

S.337 Protected disclosures

- (1) A disclosure which satisfies the following three conditions is not to be taken to breach any restriction on the disclosure of information (however imposed).
- (2) The first condition is that the information or other matter disclosed came to the person making the disclosure (the discloser) in the course of his trade, profession, business or employment.
- (3) The second condition is that the information or other matter—
- (a) causes the discloser to know or suspect, or
 - (b) gives him reasonable grounds for knowing or suspecting,
- that another person is engaged in money laundering.
- (4) The third condition is that the disclosure is made to a constable, a customs officer or a nominated officer as soon as is practicable after the information or other matter comes to the discloser.
- (5) A disclosure to a nominated officer is a disclosure which—
- (a) is made to a person nominated by the discloser's employer to receive disclosures under this section, and
 - (b) is made in the course of the discloser's employment and in accordance with the procedure established by the employer for the purpose.

S.338 Authorised disclosures

- (1) For the purposes of this Part a disclosure is authorised if—
- (a) it is a disclosure to a constable, a customs officer or a nominated officer by the alleged offender that property is criminal property,
 - (b) it is made in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339, and
 - (c) the first or second condition set out below is satisfied.
- (2) The first condition is that the disclosure is made before the alleged offender does the prohibited act.
- (3) The second condition is that—
- (a) the disclosure is made after the alleged offender does the prohibited act,
 - (b) there is a good reason for his failure to make the disclosure before he did the act, and
 - (c) the disclosure is made on his own initiative and as soon as it is practicable for him to make it.

(4) An authorised disclosure is not to be taken to breach any restriction on the disclosure of information (however imposed).

(5) A disclosure to a nominated officer is a disclosure which—

(a) is made to a person nominated by the alleged offender's employer to receive authorised disclosures, and

(b) is made in the course of the alleged offender's employment and in accordance with the procedure established by the employer for the purpose.

(6) References to the prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

APPENDIX 2



Cambridgeshire
County Council

DRAFT ANTI-FRAUD AND CORRUPTION POLICY

Foreword

Cambridgeshire County Council is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously.

This is Cambridgeshire County Council's Anti-Fraud Policy. It provides a clear framework for the Council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action and seek recovery of defrauded monies through all possible legal means. This policy also applies to the Bribery Act 2010.

The Council administers significant public funds and is sometimes targeted by persons wishing to defraud the public purse. This policy, and the structures maintained by the Council, demonstrate that we will make every effort to identify attempts to defraud the public purse and will robustly pursue individuals responsible.

The Council, through this policy, has adopted a zero tolerance towards fraud including:

- The referral of matters to the Police for investigation wherever appropriate and the full recovery of fraudulently obtained public funds by all legal means.
- The prosecution of persons responsible for defrauding the Council including prosecution through civil and criminal courts in the Council's own name or through the Police etc
- The termination of contracts with partners and contractors
- The dismissal of employees proven to have defrauded or who have attempted to defraud the Council, including where an employee is complicit with another person's attempts to defraud the Council.

The Council requires all partners and contractors to assist in this role and cooperate with any fraud investigation undertaken by authorised officers. This policy also applies to schools staff.

Cllr Mike Shellens
Audit Committee Chair

Gillian Beasley
Chief Executive

1. INTRODUCTION

- 1.1 The authority aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the authority has always adopted a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority (eg suppliers/contractors).
- 1.3 However, in light of the Nolan Report, several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the authority has formalised these accepted standards and practices and developed an anti-fraud and corruption policy.
- 1.4 The authority demonstrates clearly (through this policy) that it is firmly committed to dealing with fraud and corruption and no distinction will be made for perpetrators inside (members/governors and employees) or outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.5 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into the following sections:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and Training Section 6
- 1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as its external auditors, inspection bodies, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.7 Fraud is defined by the Audit Commission as:

FRAUD – “The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.

In addition, fraud can also be defined as:

“The use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.”

1.8 Bribery and Corruption may be defined as:

“A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity.”

1.8.1 The Bribery Act is now in force, and places responsibilities and powers on organisations such as Local Authorities.

1.8.2 There are 3 key sections of the Act which need to be considered for the purposes of this document, which are:

Section 1, which deals with bribing another person by money, payment in kind, or goods and services.

Section 2, the act of being bribed. This relates to individual officers and could lead to prosecution of senior managers.

Section 7, failure of a commercial organisation to prevent bribery. For this section, a “relevant commercial organisation” means an entity that carries on a business and current indications are that this includes Local Authorities. This section also includes persons associated with the organisation, such as agency workers, suppliers and contractors.

1.8.3 Under the legislation, an organisation has a defence if it can show that it has adequate bribery prevention procedures in place, which are informed by the following 6 principles:

- 1) Proportionality – the action an organisation takes should be proportionate to the risks it faces and the size of the business.
- 2) Top Level Commitment – A culture needs to be evident in which bribery is never acceptable. This can be shown via leadership statements, training and procurement expectations.
- 3) Risk Assessment – to include proportionate risk management perhaps via training, newsletters, procurement controls and inclusion within organisational policies such as this one.
- 4) Due Diligence – ie knowing who the organisation is dealing with.
- 5) Communication – communicating policies and procedures by training and general awareness including how occurrences should be investigated and by whom.
- 6) Monitoring and Review – to ensure policies, training and awareness are relevant and updated and by nominating a responsible officer.

1.8.4 Defence against bribery charges under the act, therefore, should be considered adequate if the organisation has the following in place:

Risk awareness and preparation

Adequate communication and senior management buy-in

A zero-tolerance culture

Adequate education and training

An audit trail and integration with counter fraud processes

1.8.5 The penalties for individuals under this legislation can, on conviction on indictment, be as high as a prison term of 10 years, or a fine or both (although under section 7 a guilty person is only liable to a fine). The organisational consequences may include disbarment from contract tenders, reputational and financial risk exposure, and adverse publicity.

1.9 Other risk areas which need to be considered and are covered by this policy include:

Facilitation payments – i.e. payments designed to make things happen but which do not secure agreement. Section 106 payments are the subject of legal debate in this area.

Gifts and Hospitality – genuine low-level hospitality is deemed acceptable, but it is imperative that corporate registers are kept up to date and all staff must make declarations of interest.

Disclosures of Interests – and “the failure to disclose an interest in order to gain financial or other pecuniary gain.”

2. **CULTURE**

2.1 The culture of the authority has always been one of the highest ethical standards, probity, openness and the core values of fairness, trust and value support this. The authority’s culture therefore supports the opposition to fraud and corruption.

2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility and of paramount importance to the authority.

2.3 The authority’s elected members, school governors and all employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. To that effect, the Council has adopted a Whistleblowing Policy.

2.4 The definitions of Fraud and Corruption are by their nature technical and have their basis in the Fraud Act which became law on 15th January 2007. A more practical definition is where the Council’s assets, including money, are dishonestly obtained by someone not entitled to them. Examples include:

- theft of cash or assets:
- obtaining access to services to which the person is not entitled e.g. obtaining a Council house or disabled blue badge;

- falsifying information or documentation e.g. timesheets, overtime, expenses, qualifications etc.;
- dishonesty between officers and management/head teachers;
- the deliberate concealment of information required by the Council e.g. convictions or activities inconsistent with the Council's duties and responsibilities;
- Defrauding welfare payments, such as Housing Benefit, Council Tax benefit and Council Tax Single Person Discounts etc.

- 2.5 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions.
- 2.6 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 2.7 When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, Executive or Service Directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 2.8 In certain circumstances, and where appropriate, a commercial settlement between the Council and an employee may be deemed necessary as a way of disposing of a case. This should only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Council.

3. ROLES

Elected Members and School Governors

As elected representatives, all members of the authority have a duty to citizens to protect the authority from all forms of abuse. This is done through this anti-fraud and corruption policy and compliance with the national code of conduct for members, the authority's Financial Regulations, Constitution and the relevant legislation.

Elected members sign to the effect that they have read and understood the national code of conduct when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Director of Law, Property and Governance advises members of new legislative or procedural requirements.

Members and Governors are required to apply the principles of good governance regarding their own affairs and when acting for the Council, including: declaring pecuniary or non-pecuniary interests; declaring the potential for a conflict of interest; and recording the receipt of all gifts and hospitality. Members and governors must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council.

Audit Committee

The Audit Committee and its members have specific responsibility re: the oversight of the Council's governance arrangements, in respect of the adequacy of control systems to prevent and detect fraud but also the assurance that processes work effectively for individual cases.

The Audit Committee considers periodic reports from Internal Audit on suspected and proven frauds and monitors those systems of control applicable to that area, making recommendation to Council where improvement is required.

<p><u>SMT / Directors :</u></p>	<p>SMT / Directors are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>SMT / Directors have responsibility to ensure that effective systems of control are in place corporately and within their directorate to both prevent and detect fraud, and that those systems operate properly.</p> <p>SMT / Directors are required to submit an annual self-assessment of those processes for inclusion within the Council's Annual Governance Statement.</p> <p>SMT / Directors must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council. SMT / Directors are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p>
<p><u>Heads of Service/ Managers / Head Teachers</u></p>	<p>Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Regulations and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Managers of all levels must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Cambridgeshire County Council. Managers of all levels are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p> <p>Heads of Service, Managers and Head Teachers must ensure that special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed, in order to inform the directorate annual self-assessment.</p>

	<p>The authority recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The authority's formal recruitment procedures (which contain appropriate safeguards on matters such as written references, verifying qualifications held, and DBS checks undertaken on employees working in regulated activity with children and vulnerable adults) will be adhered to during this process.</p> <p>In line with the Council's Fraud Response Plan, management investigations into disciplinary matters must liaise with Internal Audit regarding any potential fraud or corruption implications of the conduct / investigation. If a member of staff raises concerns regarding suspected fraud, the line manager must inform the Chief Internal Auditor or contact Internal Audit immediately. Line managers should only undertake discreet preliminary enquiries which should be restricted to the basic facts required to determine whether there are any grounds to the allegation. The handling of evidence at the early stages of an investigation can be critical to the outcome of the investigation and advice must be sought from the Chief Internal Auditor to ensure evidence is safeguarded and not compromised. No action should be taken which may alert those suspected of involvement.</p>
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Internal Audit

The Head of Audit (in consultation with the Director of HR) shall determine whether a concern / suspicion regarding fraud requires investigation by the Internal Audit Investigators as opposed to management, in line with the Council's Fraud Response Plan.

Audit & Risk Management Services plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Internal Audit Investigators liaise with management to recommend changes in procedures to prevent further losses to the authority.

The Internal Audit service shall report to SMT and the Audit Committee regarding the application of the zero tolerance statement within this policy. Furthermore, the Internal Audit Investigators shall investigate all cases of suspected irregularity in accordance with the requirements of the Police and Criminal Evidence Act 1984, Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. In all cases where employees are involved, they will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy and the Council's Fraud Response Plan are adhered to.

<p><u>Employees, including school staff</u></p>	<p>Each employee is governed in their work by the authority's Constitution and Financial Regulations and other codes of conduct and policies (Code of Conduct; Health and Safety; IT security and so on). Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager.</p> <p>In addition to the above, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the authority. These will be included in induction training and procedure manuals.</p> <p>Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns should be raised, in the first instance, directly with the supervisor/business unit manager. Employees who feel unable to report to their line management should contact the Chief Internal Auditor directly, telephone the Whistleblowing Hotline or email stop.fraud@cambridgeshire.gov.uk. Should there be a preference to make an anonymous notification, then they should refer to the Council's (or school's) Whistleblowing Policy which gives details of independent persons they can discuss their concerns.</p> <p>All employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of service. Internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.</p>
<p><u>External Audit</u></p>	<p>Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and</p>

	irregularity, and arrangements designed to limit the opportunity for corrupt practices.
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<u>External Bodies</u>	Internal Audit has arranged, and will keep under review, procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity, in relation to local authorities with external agencies such as: police, county, unitary and district Council groups, the external audit service, Department of Works and Pensions and other government departments.
<u>Contractors and Partners</u>	<p>Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation. They are also responsible for ensuring that their employees are aware of the Council's Financial Regulations, Whistleblowing and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the relevant Executive or Service Director for that area or may approach the Head of Audit directly on any Whistleblowing issue.</p>
<u>Stakeholders and Customers</u>	Whilst this policy is primarily aimed at implementing the necessary culture and processes within the Council, its stakeholders and customers may become aware of issues that they feel may indicate fraud. They should refer to the Council's complaints procedure, or they can contact the Head of Audit to discuss their concerns directly.

4. DETERRENCE

4.1. Prosecution

Each case will be considered on its merits.

4.2. Disciplinary Action

- 4.2.1 Theft, fraud and bribery and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken, if appropriate, in addition to criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the relevant Executive or Service Director, Head Teacher, and if appropriate the Director of HR.
- 4.2.2 Disciplinary action will be undertaken in accordance with the Council's disciplinary policy and procedure with each case considered on its merits.
- 4.2.3 Members will face appropriate action under this policy if they are found to have been involved in theft, fraud or corruption against the authority. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. As per the Council's Fraud Response Plan, if fraud concerns relate to an elected Member, the Chief Internal Auditor will inform the Council's Monitoring Officer and Chief Executive and matters, if not referred to the police, will be referred to the Constitution and Ethics committee or appropriate group leader
- 4.2.4 Members or employees involved in fraud, theft or corruption that does not involve the Council or its finances may still be subject to the above action, if it is considered to undermine the Council and its reputation.

4.3. Publicity

- 4.3.1 The Council recognises the key role that publicity of fraud cases plays in deterring other attempts to defraud the Council. To that effect, a Publicity Policy is attached at Annex A of this policy which sets out these measures in detail.
- 4.3.2 The authority's Communications service will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Comms will also try to ensure that the results of any action taken, including prosecutions, are reported in the media. The service will maintain close working relationships with all areas involved in anti-fraud work, but particularly Legal Services and Internal Audit.
- 4.3.3 In all cases where financial loss to the authority has occurred, the authority will seek to recover the loss and advertise this fact.
- 4.3.4 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.

4.3.5 Regular reports will be made to the Audit and Accounts Committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 All staff, Members and any other stakeholders in Council services have a vital role in identifying potential fraud or corruption. It is not the responsibility of those groups to investigate their suspicions, as this may undermine a case to be pursued, but all parties play a key role in bringing such concerns to the Council's attention for a proper and thorough investigation to be undertaken.
- 5.2 Management, including Head Teachers are in the best position to become aware of any problems that could indicate fraud or theft etc. Management are also best placed to ensure that systems of internal control are in place and operating and thus are ideally placed to identify weaknesses or failures that may be exploited. Internal Audit can provide advice and assistance in this area.
- 5.3 Employees are also ideally placed to detect fraud, theft or corruption. Employees are encouraged to discuss concerns with their line manager but the Fraud Response Plan also provides mechanisms to raise concerns corporately.
- 5.4 The Fraud Response Plan provides a process to enable the Council to demonstrate :
- Proper investigations for all referrals;
 - Proper action taken in relation to findings from investigations;
 - Feedback is provided to anyone making a referral;
 - Appropriate protection for anyone making or having made a referral.
- 5.5 Internal Audit plays an important role in the detection of fraud and corruption. Included in the Audit Plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. Internal Audit operates in accordance with best practice, including the adoption of a formal Audit Manual in line with CIPFA best practice. This includes suitable processes to provide assurance to management on the adequacy of systems of internal control including the completion of follow ups for previous recommendations.
- 5.6 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection. In particular, the Council's Corporate Anti-Fraud Team are involved in the reactive and proactive investigation of specialised areas, such as transport-related fraud.
- 5.7 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.

- 5.8 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the policy, and:
- ensures the consistent treatment of information regarding fraud and corruption;
 - facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.
- 5.9 This process will apply to all the following areas:
- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by authority employees
 - d) fraud by contractors' employees
 - e) external fraud (the public).
- 5.10 Cases under a) will be referred to the Council's External Auditor and the Director for Law and Governance for consideration of action via the Police or Cambridgeshire County Council Constitution and Ethics Committee.
- 5.11 In accordance with basic legal concepts any person who witnesses or discovers a criminal act has the right to refer concerns directly to the Police.
- 5.12 Any decision to refer a matter to the police will be taken by the Head of Internal Audit in consultation with the Director of HR and/or Chief Executive and relevant Executive or Service Director or Head Teacher. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.
- 5.13 Depending on the nature of an allegation under b) to e), the Head of Audit will normally work closely with the Director or Head Teacher concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 5.14 The authority's Fraud Response Plan and disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.2.3 will cover members.

6. AWARENESS AND TRAINING

- 6.1. The authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the authority.
- 6.2. To facilitate this it is intended that a programme of anti-fraud awareness training in the form of workshops possibly incorporating interactive means, will be rolled out across

the Council. There will still be specialist training for certain elected members and employees.

6.3. A poster to raise awareness of the means to report fraud has been distributed across the Council's officers, and full copies of the anti-fraud and corruption policy are on the Council's intranet.

6.4. Key to effective awareness (and deterrence) is a formal and comprehensive system of feedback to provide outcome information to the person who originally referred concerns. Whilst confidentiality must be respected (including the Data Protection Act and Human Rights Act provisions) every referral should be concluded and the outcome communicated to the person making the original referral.

6.5. Anti-fraud services should also maintain management information to show:

- How frauds are identified
- Which type of frauds were affected
- Any patterns or themes detected
- New fraud issues highlighted
- Prevention measures

Publicity

1. Introduction

- 1.1 Cambridgeshire County Council has adopted this policy to address anti-fraud and corruption issues enhancing public confidence in the administration of taxpayers' money.
- 1.2 The Anti-Fraud & Corruption Policy, and particularly this Publicity section, aims to :
 - 1.2.1 Make clear the connection between saving public monies and the fraud work that achieves this;
 - 1.2.2 Dispel the belief held in some quarters that fraud is a victimless crime;
 - 1.2.3 Demonstrate consistent action is taken for both complex frauds and the perceived lower-level frauds;
 - 1.2.4 Ensure that tough action taken against persons who commit fraud is utilised as an effective deterrent to others;
 - 1.2.5 Alter perceptions of this area of work to move for an image of petty bureaucracy or snoopers to one of professional public funds watchdog;
 - 1.2.6 Ensuring that action taken is consistent with Cambridgeshire County Council policies and legislative provisions as well as being in the public interest.
- 1.3 This policy covers the methods by which the work of the Anti-Fraud services within Cambridgeshire County Council will be promoted, including the publicity associated with specific cases.

2 Publicity Categories

- 2.1 Publicity takes many forms including
 - Leaflets
 - Posters
 - Press Releases / Articles
 - Advertisements
 - Intranet or Internet media
- 2.2 It is imperative that all available forms are maximised to promote an anti-fraud culture throughout the organisation and to the public. However, great care is needed to ensure that publicity in relation to anti-fraud work is positive and does not undermine the service or reinforce the negative perceptions of this area of work.
- 2.3 Thus publicity needs to focus on 3 key areas :
 - 2.3.1 Proactive work of Anti-Fraud services, e.g. a day in the life of a Fraud Investigator;
 - 2.3.2 Specific Cases pursued by Anti-Fraud services, e.g. specific prosecutions / convictions sought;

2.3.3 Reactive responses to Media enquiries.

3 Proactive Publicity – Work of Anti-Fraud Services

- 3.1 This area of work is essential to promote the work of the services and ensure that others are aware of this work, and thus deterred from attempting fraud. The aim of this publicity is to increase the profile of anti-fraud work across Cambridgeshire County Council and the wider community, in order to promote the referral processes and deter fraud.
- 3.2 Intranet pages are maintained which sets out details as to how to contact the Internal Audit Investigators and how to report fraud. The site also provides links to relevant policies.
- 3.3 Any leaflets and posters used for Fraud Awareness purposes shall be reviewed annually to reflect any necessary changes.
- 3.4 It is intended that Fraud Awareness training shall be part of the Council's Corporate Training/Induction system.
- 3.5 In addition to the above, the work of Anti-Fraud services shall be promoted periodically both within the Council and to the general community.
- 3.6 For high profile cases prosecuted, the publicity shall consider whether the work of Anti-Fraud services shall be promoted e.g. volumes of cases referred; investigated; prosecuted; convicted etc.

4 Specific Cases

- 4.1 Great care must be taken when publicising any specific case of fraud, theft or corruption. Data Protection Act and Human Rights Act provisions are key legal protections provided to those suspected of committing such offences, and must not be breached by the Council's attempts to promote anti-fraud work.
- 4.2 However, the publicity attached to any specific case is a necessary element of promoting the deterrent effect of anti-fraud work, as it demonstrates actual instances and consequences to individuals.
- 4.3 Any decision that the Council should prosecute an individual, individuals or organisation(s) must be taken following a formal quality assurance procedure.
- 4.4 Any decision to pursue prosecution will be taken on the basis of professional advice, the merits of the case itself and any applicable guidelines relevant.
- 4.5 All prosecutions should include a consideration of publicity issues and ensure that the Council's Communications service are involved / aware of the issue so that the Council can adopt a proactive publicity strategy and avoid the need to react to press enquiries.
- 4.6 A specific decision will be taken and recorded by the Head of Service to issue a press release for any specific case. In all other cases, a press statement / position shall be prepared to address any potential press enquiry.
- 4.7 Press releases shall be prepared that promote the Council's Anti-Fraud policy and maximise the deterrent effect of prosecutions.

5 Reactive Responses to Media Enquiries

- 5.1 Ideally the above measures aim to minimise the need for this, where the Council proactively provides relevant information to promote anti-fraud through local (and possibly national) media.
- 5.2 Press queries will arise on some occasions and it is essential that they are responded to in such a way as to promote the anti-fraud policy of the Council.
- 5.3 Responses to Press queries regarding specific individuals must not breach Data Protection or Human Rights legislation.

ELY ARCHIVES REVIEW - UPDATE ON ACTION PLAN PROGRESS

To: **Audit and Accounts Committee**

Date: **21st March 2017**

From: **Chief Internal Auditor**

Electoral Division(s): **All**

Forward Plan Ref: **N/A**

Key decision: **No**

Purpose: **To report on progress to date with implementing the recommendations set out in the Ely Archives Review Action Plan.**

Key Issues: **N/A**

Recommendation: **The Audit and Accounts Committee is asked:**

a) to note and comment on the progress made against the Ely Archives Review Action Plan.

<i>Officer contact:</i>	
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Ely Archives Review

Implementation of Agreed Actions at 7th March 2017

1. BACKGROUND:

Internal Audit completed a report on the Ely Archives Project which was presented to the January meeting of Audit & Accounts Committee. It was requested by Committee that an update on progress with implementing the associated action plan be brought to the 21st March meeting of the Committee, while recognising that the majority of actions were not due to be implemented until the end of April 2017 or later.

2. CURRENT POSITION:

A detailed breakdown of the agreed actions from the Ely Archives review is provided below at Appendix 1, with an indication of due dates for completion and information on which actions have been completed.

3. IMPLEMENTATION OF ACTIONS FROM ELY ARCHIVES REVIEW:

The findings of the Ely Archives review and copies of the report have been shared with the Transformation Team and the Property Service. Internal Audit was also invited to attend the Property team meeting on 1st March, to discuss the key findings from the review with the team in person.

Procurement Best Practice Guidance has been updated to specifically state that prospective contractors should not be involved in writing applications for exemptions, and that as part of the exemption request process, where competition exists, price comparison exercises should be undertaken against prices from suppliers other than the supplier who has proposed the price under review. In addition, although clearly implied, consideration should be given to specifically stating that prospective contractors should not be involved in writing applications for exemptions from Contract Procedure Rules.

Following approval by SMT and members, procurement of a new Project Management Office (PMO) system has been completed. The new system will be implemented for the start of the next financial year and will drive a gateway process for all projects across the Council. The system will take initiatives from ideation stage, through a rigorous business case development process before reaching project stage where clear milestones, monitoring and risk management are built into the programme.

Governance approaches across the organisation are being aligned with the new system to ensure clear ownership, decision making and accountability. Current PMO systems and process will run in parallel with the new system for a three month testing and evaluation period.

4. ADDITIONAL PROPOSED ACTIONS:

Following the report to Committee in January 2017, further discussions have been undertaken regarding the findings of the Ely Archives review and how best to address them. In particular clarity over the role of programme boards (such as the Council's Commercial Board and Capital Programme Board) in reviewing and enforcing compliance with corporate policies was highlighted as an area for development. A workshop with the corporate leadership team is planned to take place in April, to clearly map the responsibilities for ensuring compliance with policies and procedures for projects across the organisation. The action to complete this piece of work has been incorporated within the action plan for the Ely Archives review.

The Ely Archives report was discussed at the Capital Programme Board meeting on the 19th January. Internal Audit has been requested by the Audit and Accounts Committee to provide some assurance over project management of capital projects, through reviewing a sample of projects from the Council's Capital Programme. This review will be reported to Committee and may result in the identification of further actions to strengthen the Council's control environment.

Background documents:

None

Appendix 1 – Ely Archives Action Plan

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
1.	<p>Compliance:</p> <p>In order to improve officer compliance with existing policies and procedures, key staff involved in project management and capital projects should be made aware of the findings of this report.</p>	<p>The findings of this report will be shared with the corporate Transformation Team and Property Service, and disseminated to staff.</p> <p>The corporate Transformation Team are developing project management training. Initially the focus is to provide a strong induction process for members of the Transformation Team, who form the core of the Council's project management resource, with the intention to roll this out across the organisation by the end of the year.</p> <p>Responsibility for ensuring compliance with policies and procedures rests with the Senior Responsible Owner (SRO) for each project. Programme Boards also have a role in monitoring and enforcing compliance for the projects which fall within their remit. A CLT workshop is planned in April, to map the responsibilities for this for projects across the organisation.</p>	<p>Internal Audit COMPLETE</p> <p>Head of Transformation 31/12/2017</p> <p>Head of Transformation 31/05/2017</p>
2.	<p>Property Options Appraisals:</p> <p>Before the Council embarks on an options appraisal for a project to acquire property, Spokes should be consulted on the brief.</p>	<p>The Council now has a Commercial Board which is a central board that considers exemption requests, procurement opportunities, options appraisals etc. Options appraisals for procurement undertaken as</p>	<p>Head of Transformation 30/4/2017</p>

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
		<p>part of Council projects will now be going to the Commercial Board for review.</p> <p>The findings of this report will be shared with the corporate Transformation Team and Property service, and disseminated to staff. This will raise awareness of this point in the short term.</p>	<p>Internal Audit COMPLETE</p>
3.	<p>Business Cases:</p> <p>For projects which constitute a Key Decision under the Council's Constitution, a Business Case should be completed and approved by management, which should then be provided to Members in full at the point that the budget or purchase is approved. If, due to time constraints, sufficient detail is not available for this to be completed in full at the point of budget/purchase approval, detailed information regarding the risks of the purchase should be provided, and the completed Business Case should be brought back to Members at a later date to approve the scope.</p>	<p>The corporate Transformation Team is in the process of procuring new project management software for the organisation which will store Business Case information for all projects, which will be accessible to Members.</p> <p>The Council's Business Planning process now requires Business Cases to be completed, in order for projects to gain approval to proceed. All projects coming in to the Transformation Programme now require a Business Case to have been completed.</p>	<p>Head of Transformation 30/4/2017</p> <p>COMPLETE</p>
4.	<p>Change Control:</p> <p>A clear change control process for changes in project scope should be in place for all major projects, including Member approval. Approval of a purchase (or subsequent Business Case) by Members should represent a design and cost freeze on the project.</p>	<p>The corporate Transformation Team has developed a dashboard for projects which identifies any changes in project cost; time; scope etc. As part of procuring and implementing the Council's new project management software, the team will develop this dashboard so that cost and/or design increases are flagged to the project decision maker and project</p>	<p>Head of Transformation 30/4/2017</p>

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
		manager with a reminder that these need to be approved by the appropriate decision makers.	
5.	<p>Approval of Procurement Approach:</p> <p>A report should be taken to the project's single decision maker to sign off decisions over the proposed procurement approach to be taken by major Council projects.</p>	<p>The Council now has a Commercial Board which is a central board that considers exemption requests, procurement opportunities, options appraisals etc. Procurement undertaken as part of Council projects will now be going to the Commercial Board for review, and the project's single decision maker would be expected to present the decision to the Board. This will ensure that procurement decisions are subject to centralised independent review, and that the key officers for the project are appropriately informed.</p>	<p>Head of Transformation 30/4/2017</p>
6.	<p>Updates to Contract Procedure Rules:</p> <p>Contract Procedure Rules should be updated to specifically state that as part of the exemption request process, where competition exists, price comparison exercises should be undertaken against prices from suppliers other than the supplier who has proposed the price under review. In addition, although clearly implied, consideration should be given to specifically stating that prospective contractors should not be involved in writing applications for exemptions from Contract Procedure Rules.</p>	<p>Cambridgeshire County Council's Best Practice Guidance will be updated to state that price comparison exercises must take place against prices from other suppliers, and to state that prospective contractors should not be involved in writing applications for exemptions. This was agreed as an alternative to updating Contract Procedure Rules, given the long lead-in time and changes to the Constitution required to update Contract Procedure Rules, and the fact that the measures are implied by the CPRs in place.</p>	<p>Head of Procurement COMPLETE</p>

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
7.	<p>Construction Project Risk Allowances:</p> <p>Risk allowances (a contingency) for construction projects should accurately reflect the known risks and exclusions at the time, including where possible a costed risk register, and should be clearly communicated to Members. The contingency balance should be routinely updated and challenged throughout the development phases of the project.</p>	<p>The Transformation Team will review whether it will be possible to build the functionality for costed risk registers into the Council's new project management software; otherwise it will be possible to monitor the contingency balance and changes in this through the new project management dashboards that are being developed.</p> <p>The findings of this report will be shared with the corporate Transformation Team and Property service, and disseminated to staff. This will raise awareness of this point in the short term.</p>	<p>Head of Transformation 30/4/2017</p> <p>Internal Audit COMPLETE</p>
8.	<p>Allowance for Tender Price Inflation:</p> <p>Figures for construction projects should include allowances for tender price inflation, or Members should be specifically made aware of the fact that this has been excluded from reported figures.</p>	<p>As part of the development of the Council's Commercial Board, a 'commercial academy' training programme is being developed for officers who are responsible for contracts; commercial opportunities; procurement etc. This will be incorporated within the training provided.</p> <p>The findings of this report will be shared with the corporate Transformation Team and Property service, and disseminated to staff. This will raise awareness of this point in the short term.</p>	<p>Head of Transformation 30/6/2017</p> <p>Internal Audit COMPLETE</p>
9.	<p>Project Management Roles and Responsibilities:</p> <p>Roles and responsibilities of officers and teams involved in major projects should be clearly defined, to a level of detail beyond the allocation of titles such as Project Manager. A template set of standard</p>	<p>The Ely Archives Project will be taken as a case study to the Capital Programme Board. The Board will aim to develop more defined project management roles and responsibilities specifically for key officers</p>	<p>Capital Programme Board 31/5/2017</p>

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
	project roles and responsibilities should be produced and made available to officers on the Council's intranet, and project management guidance should be updated to reflect the importance of clearly allocated roles.	<p>involved in all capital projects. Internal Audit will provide feedback on the review and support to this process.</p> <p>As part of the development of the Council's project management processes, all projects going forwards will be required to have an identified 'single decision maker' which should ensure further clarity over roles, responsibilities, and accountability in Council projects. This is already in place for some projects.</p> <p>Responsibility for ensuring compliance with policies and procedures rests with the Senior Responsible Owner (SRO) for each project. Programme Boards also have a role in monitoring and enforcing compliance for the projects which fall within their remit. A CLT workshop is planned in April, to map the responsibilities for this for projects across the organisation.</p>	<p>Head of Transformation 30/4/2017</p> <p>Head of Transformation 31/05/2017</p>
10.	<p>Project Plan:</p> <p>Projects should have a detailed Project Plan in place which sets out the actions, timescales and action owners for internal activities.</p>	This will be a requirement of the Council's new project management processes, which will be enforced by the new project management software to be introduced by the Transformation Team.	Head of Transformation 30/4/2017

	Internal Audit Recommendations	Proposed actions	Timescale / Owner
11.	Risk Register: When actions are identified to mitigate risks in a project risk register, these actions should have clearly defined due dates and action owners, and should feed in to the Project Plan. The Council's Risks and Issues Register template should be amended to include a separate column to specify the timescale for actions. The Council's Guide to Approving and Managing Projects should be updated to include a reminder to incorporate monitoring as part of the Project Plan.	<p>The Transformation Team will review how to incorporate this functionality within the Council's new project management system.</p> <p>This point will also be picked up within the training that will be rolled out to programme boards going forward.</p>	Head of Transformation 30/4/2017
12.	Ely Archives Project: Officers should identify a revised estimated total cost which takes account of the exclusions from the previous estimated cost to Committee (identified in this report section 5.6.4) and whether any of these are planned to be met from revenue budgets. This revised estimate should be presented to the Assets and Investment Committee along with details of the current risk provision and the remaining areas of uncertainty over the cost of the current proposals.	<p>Report to be taken to the Assets and Investment Committee, to include details of the current risk provision; remaining areas of uncertainty regarding the project; any revisions to the most recent estimate of costs; and details of when further certainty with regards to project cost is likely.</p>	Project Team COMPLETE

**INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 31ST DECEMBER 2016
TO 28TH FEBRUARY 2017**

To: **Audit & Accounts Committee**

Date: **21st March 2017**

From: **Duncan Wilkinson, LGSS Chief Internal Auditor**

1. PURPOSE

- 1.1 To report on the main areas of audit coverage for the period 31st December 2016 to 28th February 2017 and the key control issues arising.

2. BACKGROUND

- 2.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The Committee is requested to consider the contents of this report.

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Quarterly update report

Q4

As at 28th February 2017

Section 1

1. FINALISED ASSIGNMENTS

- 1.1 Since the previous Progress Report to SMT in January 2017, the following audit assignments have reached completion as set out below in table 1:

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Cross-Cutting (CCC-wide)	Travel and Subsistence Compliance	Good	Moderate	Minor
2.	Customer Service & Transformation	Business Continuity Policy	N/A	Good	Minor
3.	Children, Families & Adults	Community-Based Appointeeships	Moderate	Limited	Moderate
4.	Cross-Cutting (CCC-wide)	Procurement Compliance	Good	N/A	Minor
5.	Cross-Cutting (CCC-wide)	Debt Recovery	Moderate	Moderate	Moderate
6.	Children, Families & Adults	Client Contributions	Moderate	Moderate	Minor
7.	Economy, Transport & Environment	Total Transport Pilot	Good	Good	Minor
8.	Cross-Cutting (CCC-wide)	Use of Government Purchase Cards compliance	Limited	N/A	Minor
9.	Cross-Cutting (CCC-wide)	VAT compliance	Substantial	N/A	Minor
10.	Cross-Cutting (CCC-wide)	Grants to Voluntary Organisations compliance	Substantial	N/A	Minor
11.	Cross-Cutting (CCC-wide)	Duplicate Payments	Good	Good	Minor
12.	Customer Service &	Information Commissioners Office	Moderate	Moderate	Minor

	Transformation	(ICO) Audit Action Plan			
13.	Economy, Transport & Environment	Concessionary Bus Passes	LGSS Counter Fraud Team report into work investigating allegations of fraudulent use of bus passes.		

- 1.2 Summaries of the finalised reports with moderate or less assurance are provided in Section 6. This excludes individual schools audits, which are reported collectively once all reviews have been finalised.
- 1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

Table 2: Draft/Interim Reports

No.	Directorate	Assignment
1.	Economy, Transport & Environment	Section 106
2.	Customer Service & Transformation	ICO Audit Action Plan
3.	Cross-Cutting (CCC-wide)	Off Contract Expenditure
4.	Cross-Cutting (CCC-wide)	EU Procurement Regulations
5.	Cross-Cutting (CCC-wide)	Transformation Programme – Benefits Realisation
6.	Cross-Cutting (CCC-wide)	Follow the Money
7.	Cross-Cutting (CCC-wide)	Key Performance Indicators
8.	Children, Families & Adults	Direct Payments Compliance
9.	Cross-Cutting (CCC-wide)	Contract Extensions
10.	Customer Service & Transformation	Information Governance Policies
11.	Cross-Cutting (CCC-wide)	Corporate Policy Statements

- 1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix A.

Section 2

2. FRAUD AND CORRUPTION UPDATE

2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit team is provided below at table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit. As at the end of February 2017, 42 cases had been closed by Audit.

A report on the investigations into seven allegations of fraudulent use of concessionary bus passes has been produced by the Counter Fraud Team, and the team continue to work with the Passenger Transport service to identify improvements to the control environment.

Table 3: Internal Audit Investigations Caseload

Case Category	Description of activity or risk example	Cases	Outcomes
Concessionary travel & Blue Badges fraud	Common frauds are: <ul style="list-style-type: none"> • Use of counterfeit/altered passes • Use of a pass reported lost or stolen 	7	Closed cases. Outcomes included referrals to the police; two written cautions issued; referrals to adult social care.
Pensions Payments Project	Project to review cases where pensions had been suspended due to no contact from the pensioner.	32	Closed & reported to service manager. No fraud identified.
Theft or misappropriation	<ul style="list-style-type: none"> • Theft of property • Staff misappropriation 	3	Closed with recommendations.
Investigations	FACT Investigation	1	Ongoing investigation work
Totals		43	

2.2 CURRENT HUMAN RESOURCES (HR) CASELOAD:

A summary of the caseload of work currently being progressed by HR, primarily relating to disciplinary matters, is provided below at table 4. Internal Audit has also

provided support to two of the ongoing disciplinary cases. The high number of cases relating to attendance management is due to a current push to improve attendance management in social care teams, which is being supported by HR.

Table 4: HR Caseload

Case Category	Description of activity or risk example	Open/Ongoing Cases
HR caseload	Disciplinary	9
	Grievance	8
	Performance	21
	Whistleblowing	1
	Attendance management	124
Totals		163

Section 3

3 IMPLEMENTATION OF MANAGEMENT ACTIONS

- 3.1 The outstanding management actions as at the end of February 2017 are summarised in Table 5, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

Table 5: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	0	0% (0%)	34	74% (64%)	34	74% (64%)
Actions due within last 3 months, but not implemented	0	0% (2%)	2	4% (13%)	2	4% (15%)
Actions due over 3 months ago, but not implemented	2	4% (2%)	8	17% (23%)	10	22% (25%)
Totals	2		44		46	

- 3.2 A summary of the outstanding recommendations, and the current progress with implementing them, is provided in a table at Appendix B.

4. SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

A. CHILDREN, FAMILIES & ADULTS DIRECTORATE

A.1 Community-Based Appointeeships

An Appointee is a person authorised by the Department for Work and Pensions to claim, collect and use benefits on behalf of a person who does not have the mental and/or physical capacity to manage their own finances. Internal Audit carried out a review focusing on situations where the Council is the Appointee for service users in the community; a separate review was carried out earlier in the year focusing on Appointeeships for service users in residential care, as these are administered separately.

The initial work undertaken to determine compliance with the Council's Community-Based Appointeeships Policy identified some serious concerns which led Internal Audit to issue an interim report to the service. The system outlined in the policy itself contained some inherent risk, as the guidance did not include a process for oversight of the activities of staff acting as Appointees and undertaking the role may place a significant additional burden of work on Team Managers who are not specialised in financial risk. In practice, based on a sample of 88 service users, there was no evidence of compliance with the policy; no central record of staff holding Appointeeships existed; some managers had indicated that they believed some staff held Appointeeships for service users but were not able to identify which staff; and of the 88 service users reviewed, 13 (15%) had Appointeeships in place with external providers, although this was outside the Council's policy.

Given these findings, it was agreed that the service would conduct a full review to identify any instances of staff acting as appointees in Older People's Services, Learning Disability Partnership operational teams, or in Physical Disabilities or Sensory services, and to identify any external organisations acting as Appointees for service users. This identified just one instance where a member of staff was acting as an Appointee for two service users; this arrangement is now being discontinued.

It was therefore apparent from the full review carried out by the service that although the control environment around Appointeeships for service users in the community did create a risk to the Council and service users, in practice staff had put in place pragmatic arrangements which minimised this risk. The service will

now develop and implement new guidance for the management of Appointeeships for service users in the community.

A.2 Client Contributions

Service users in receipt of provision from adult social care or older people's and mental health services undergo a financial assessment to determine whether they need to pay a financial contribution to their care costs. In 2015/16 the Council received £22.4m client contributions for adult social care; in order to ensure that the most effective use is made of limited resources, it is important for the Council to have appropriate processes in place to charge and collect client contributions due in an efficient way, and to accurately budget for this. An audit was therefore carried out, which gave moderate assurance both for the controls in place over these processes, and for compliance with those controls.

The take-up of the direct debit payment method by service users is approximately 40%. Direct debit is the Council's preferred payment method, as it is relatively low cost and reduces the risk of non-payment or late payment by service users. The Debt Service are currently finalising CCC access to create direct debits online via the telephone, with the intention of significantly reducing the time the current paper process takes and ensure direct debits can be in place prior to invoices being issued. Monitoring of the take-up of direct debit payment will be undertaken and reported on a quarterly basis.

The audit also noted that moving service users onto direct debit payments creates the potential to make further savings by ceasing to issue monthly invoices to service users paying by direct debit, moving to a single annual invoice instead. It was agreed that the service would undertake a review of the feasibility of this proposal.

The Council also offers the option of Deferred Payment Agreements for service users; these legal agreements place a charge against the service user's property to ensure that they do not have to sell their home to pay for their care costs during their lifetime. Internal Audit reviewed a number of these agreements and identified a lack of consistency with regards to ensuring agreements were appropriately signed and dated, and the monitoring process and statements issued to service users. The service has agreed to implement a review process to ensure all Deferred Payment Agreements are checked by managers and to review all current agreements to ensure the correct signatures are in place. A new system, ABACUS, is being introduced at Cambridgeshire to monitor agreements, and a system of random quarterly checks will also be introduced to verify information recorded about each agreement.

B. CROSS-CUTTING (COUNCIL WIDE)

B.1 Travel and Subsistence Compliance

Internal Audit completed a review of compliance with the Council's travel and subsistence policies, which focused on reviewing a sample of travel and expenses claims made by employees. Based on this review, good assurance was given over compliance with the policies, and moderate assurance was given over the control environment, as some areas for improvement were identified.

The current online claims system for mileage has no mechanism to prevent an employee from duplicating a claim or to alert managers to possible duplications or unusually high claims. The audit identified an instance where £370 had been paid for car parking charges; when this was investigated it was identified that the charges should have been for £3.70, not £370, but the incorrect amount had been approved by the manager and paid to the employee. This appears to have been a genuine error; there were no other high expense claims from the employee, and HR are making arrangements for repayment of the money. A reporting mechanism to alert managers to high value claims may have picked this up sooner, and the service is now seeking to develop a report which would enable managers to check the mileage and expenses they have approved, which will also highlight high value claims.

Home to work mileage is deducted from claims automatically by the system, based on the postcode that has been set as the employee's home. The review identified that when managers approve mileage claims, they are not currently able to check whether the correct amount of home to work mileage has been deducted from the claim, and managers are not alerted when an employee changes their home postcode. With no means for managers to check what postcode employees are using as their home base, this area of the system may be open to abuse; however, a review of a sample of five travel claims identified that in every case the postcode that had been set as the employee's home for mileage purposes matched their home postcode on Oracle. The service has confirmed that with the implementation of the new Agresso system, the way home to work mileage is claimed will be changed, giving greater visibility to approving managers.

B.2 Use of Government Purchase Cards (GPC) Compliance

Internal audit gave limited assurance for compliance relating to the use of Government Purchase Cards (GPC's). The Council's annual GPC expenditure amounts to less than £1m in total, a small figure in relation to the overall Council

revenue budget, although there remains a risk that misuse of the purchasing power of GPC's could have an adverse financial and reputational impact on the Council.

The current process in place requires card-holding officers to review and confirm their transactions on a monthly basis; once this is complete, the transactions should then be reviewed by an approver. Based on a review of GPC transactions in July 2016 (expenditure of £60.1k in total), it was identified that 42% of transactions were compliant with this process, but 25% of transactions were not reviewed by the card-holding officer, and 33% had been reviewed by the card-holding officer but were then not approved.

The current policy places significant burden on staff and particularly managers who may be required to review a large volume of low-value transactions within a short time window. Internal Audit has suggested that a more proportionate control may be to require approval of items above a stated value, or where a staff member has incurred expenditure above a given value within a set period. Analysis of July data identified that setting a transaction review floor of £25 could reduce the number of transactions requiring review by half, yet still capture over 90% of all GPC expenditure by value. The introduction of a threshold has been agreed in principle by LGSS, although further discussions with the Cambridgeshire Strategic Finance Management Team will be needed to clarify the exact process and resourcing, and to consider any sanctions to be imposed as part of the process.

In the interim, further communications will go out to cardholders regarding the need to request VAT evidence and itemise VAT, the need for receipt retention and the need for adequate descriptions of transactions.

B.3 Debt Recovery

Internal audit carried out a review of debt recovery at Cambridgeshire County Council, and gave moderate assurance over the control environment in place for debt recovery, and moderate assurance over compliance with controls.

The current system used for debt recovery has no way of setting system triggers for recurring action on outstanding debts, and delinquency reports cannot be sorted by the date that the last action was taken on each debt, which means that debts are chased 'as and when'. It was agreed to implement a formal process to address this, and the debt team are working to configure reports to address these issues as part of the implementation of the new financial system in 2017.

Currently there is not a corporate policy for debt prevention; the team have already started work identifying and implementing ways to prevent debt (such as encouraging the take-up of direct debits in social care) and it has been agreed to

develop a debt prevention strategy to be incorporated into the overall Collections Strategy, which will set out the Council's approach to preventing debt through for instance the promotion of direct debit, deferred payment, interest charges and so on. The service has also agreed to investigate the possibility of offering settlement rebates, implementing a customer credit limit, and imposing penalties for late payment. On a corporate level, it is anticipated that the implementation of the Citizen First, Digital First programme will improve the Council's ability to prevent debt.

A number of other actions have also been agreed with regards to updates of the Collections Strategy; communication of guidance; and internal debt team processes, which when implemented should further strengthen the control environment around debt recovery.

C. CUSTOMER SERVICE AND TRANSFORMATION

C.1 Information Commissioners Office (ICO) Audit Action Plan

The Information Commissioner's Office (ICO) conducted a records management audit of Cambridgeshire County Council in 2016, and a limited assurance level was given; this is a typical level of assurance for an authority on its first review by the ICO. A number of actions were agreed with the ICO to improve the Council's control environment around data protection and records management. As a result of this, it was agreed with the Chief Executive that Internal Audit would undertake a review to provide assurance that the implementation of agreed actions from the ICO's visit have either been implemented or are on track.

It was identified that of the 68 actions agreed with the ICO, 39 had been completed, 28 were in progress and 1 was yet to start as it is contingent on the implementation of the new Mosaic system. The internal audit highlighted the need for the service to revise their action plan and incorporate revised target dates for ongoing actions, and a number of supporting actions were identified to improve the work being undertaken, including conducting an information risk workshop and greater engagement with IT.

5. OTHER AUDIT ACTIVITY

In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas:

5.1 CAPITAL PROGRAMME ASSURANCE

Following the presentation of the Internal Audit report on the Ely Archives project to Audit & Accounts Committee on the 24th January, Internal Audit were requested to programme testing of a range of current projects from within the Council's Capital Programme, to provide assurance over project management arrangements in place.

A Terms of Reference for this review has been issued and the audit work programme developed. A sample of six schemes for detailed review has been selected, incorporating a range of schemes from the schools capital programme, highways programme, and ad hoc capital projects including housing development and community hubs. Fieldwork testing these schemes is currently underway and meetings with key officers are booked in; at the time of writing there are no key findings to report.

5.2 PUBLIC SECTOR INTERNAL AUDIT STANDARDS EXTERNAL REVIEW

The Cambridgeshire office of LGSS Internal Audit underwent an external review of compliance with Public Sector Internal Audit Standards in December 2016. This included a review of a number of audits undertaken over the current and previous financial year; interviews with relevant officers including all members of the Internal Audit team along with the Council's Chief Finance Officer, Monitoring Officer and Chief Executive; and consideration of Internal Audit policies and procedures.

This review identified no areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity, an extremely positive result. Some areas for improvement were identified, and a draft action plan to address these areas has been drawn up and will be implemented before a follow-up assessment is conducted in 2016/17.

The end date for all actions from the action plan to be complete is the end of June 2017. A number of key actions have already been implemented, including implementation of a revised Terms of Reference format, and development of a new draft Internal Audit Charter and Strategy (being presented separately to this meeting of the Audit & Accounts Committee).

5.3 TROUBLED FAMILIES GRANT REVIEW

Internal Audit conduct review and certification of claims made by the Council under the government's Troubled Families Grant. Following concerns about the service's ability to meet its target of 505 claims by year end, given that only 23 claims had been approved to the end of September, Internal Audit completed a review of the processes by which families are identified and claimed, including benchmarking current practice at Cambridgeshire against processes in place at other Councils. The report was issued in January and a number of suggestions and recommendations were made.

Audit has continued to work closely with the service in reviewing the grant and monitoring the progress being made with the claim. The team are now projecting that between 400-450 will be completed for the 24th March deadline, and as of the 10th February, 114 claims had been approved.

Internal Audit will continue to work closely with the service to review this grant and monitor the progress being made with the claim.

5.4 INTERNAL AUDIT PLAN

In the last quarter, the Internal Audit Plan has been re-assessed in line with current risks facing the organisation and updated accordingly, as part of the ongoing re-evaluation of the coverage required to give stakeholders an appropriate level of assurance; and to ensure resources are prioritised to the areas of highest risk.

- **Capital Programme Assurance** – Internal Audit has been requested to provide assurance by sampling a number of projects in the Capital Programme and reviewing project management arrangements; this review has been added to the Plan.
- **Use of Consultants** – Internal Audit has been requested to provide assurance by reviewing a number of consultancy contracts from the past year; this review has been added to the Plan.
- **Troubled Families** – The time budgeted for this review has had to be increased, as the level of queried/rejected claims was initially extremely high, meaning that Internal Audit had to review 100% of claims. This has now dropped to 50% review and the intention is to drop this to the minimum 10% required, once the new processes are fully embedded and few claims are being queried/rejected.
- **Waste Private Finance Initiative (PFI)** – Internal Audit review of this PFI will be deferred to April and included in the 2017/18 Audit Plan.

- **Street Lighting PFI** – Internal Audit review of this PFI will be deferred to April and included in the 2017/18 Audit Plan.
- **Traded Services** – work on this review was started earlier in the year and initially focused on following up previous audit recommendations. It was agreed that Audit would return to complete the audit following an internal review which was due to be completed in December. This will not now be completed until the end of March, so the review has been deferred to the new financial year.

APPENDIX A

CCC INTERNAL AUDIT PLAN 2016/17

Audit Title <i>as per APACE</i>	Status (drop-down)	Directorate (drop-down)	Qtr Opened	Qtr Closed	Plan Days
TRANSFORMATION PROGRAMME					
Following the Money Strategy	Draft	Cross-Cutting	Q3		20
Transformation Programme	Closed	Cross-Cutting	Q2	Q4	10
Corporate Capacity Review	Closed	Cross-Cutting	Q2	Q4	10
Procurement, Contracts & Purchasing (V4)	Closed	Cross-Cutting	Q1	Q3	20
QA Task & Resource Mapping	Closed	Cross-Cutting	Q2	Q2	5
Corporate Policy Statements	Draft	Cross-Cutting	Q3		20
Partnerships Framework	Closed	Cross-Cutting	Q2	Q3	5
Transformation Programme - Benefits Realisation	Draft	Cross-Cutting	Q3		15
Business Planning Compliance	Open	Cross-Cutting	Q3		15
MAKING EVERY PENNY COUNT					
Client Contributions	Closed	CFA	Q1	Q4	20
Traded Services - Cost Recovery	Closed	Cross-Cutting	Q2	Q4	3
VAT - Compliance	Closed	Cross-Cutting	Q1	Q4	20
Review of Procurement - Compliance	Closed	Cross-Cutting	Q2	Q4	10
Overtime - Compliance	Closed	Cross-Cutting	Q1	Q2	20
Travel & Subsistence - Compliance	Closed	Cross-Cutting	Q2	Q4	20
KEY FINANCIAL SYSTEMS					
Accounts Receivable	Draft	Cross-Cutting	Q4		15
Purchase to Pay	Draft	Cross-Cutting	Q4		20
Payroll	Open	Cross-Cutting	Q4		25
General Ledger	Draft	Cross-Cutting	Q4		10
Bank Reconciliation	Draft	Cross-Cutting	Q4		5
Treasury Management	Open	Cross-Cutting	Q4		5
Financial Systems IT General Controls	Open	Cross-Cutting	Q4		10
Risk Management	Open	Cross-Cutting	Q3		5
Procurement Governance	Open	Cross-Cutting	Q3		20

Debt Recovery	Closed	Cross-Cutting	Q1	Q4	20
GRANT VERIFICATION					
Local Transport Capital Block Funding	Closed	ETE	Q2	Q2	5
Local Sustainable Transport Fund	Closed	ETE	Q1	Q2	5
Cycle City Phase II	Closed	ETE	Q2	Q3	5
Public Health Grant	Closed	PH	Q2	Q2	5
Troubled Families Grant	Ongoing	CFA	Q1		40
Disabled Facilities Grant	Closed	CFA	Q2	Q2	2
Bus Services Operators Grant	Closed	ETE	Q2	Q2	5
Arts Grant	Closed	ETE	Q1	Q2	5
Local Growth Fund Grant	Closed	ETE	Q2	Q2	5
COMMISSIONING & CONTRACTS					
Schools Capital Programme	Open	CFA	Q3		20
Skanska Highways	Ongoing	ETE	Q1		20
Highways Contract Transformation	Closed	ETE	Q1	Q4	25
Waste PFI Contract	Closed	ETE	Q2	Q4	6
Street Lighting PFI	Closed	ETE	Q1	Q4	3
Off-Contract Spend	Draft	Cross-Cutting	Q2		15
Commissioning	Cancelled	Cross-Cutting	Q3	N/A	3
Contract Management	Open	Cross-Cutting	Q3		15
RISK-BASED AUDITS					
Section 106	Draft	ETE	Q1		20
Total Transport Pilot	Closed	ETE	Q1	Q4	24
Replacement of AIS System	Closed	CFA	Q1	Q3	20
Commitment Records in CFA	Closed	CFA	Q1	Q3	20
Public Health Joint Intelligence Unit	Cancelled	PH	Q1	N/A	5
Quality Assurance	Closed	CFA	Q1	Q3	15
Appointeeships	Closed	CFA	Q1	Q4	20
Blue Badges	Closed	CST	Q1	Q1	4
Capital Programme Projects	Open	Cross-Cutting	Q4		15
Use of Consultants	Open	Cross-Cutting	Q4		15
Residential Care Homes Project	Ongoing	CFA	Q1		10
Property Portfolio Development Project	Ongoing	Cross-Cutting	Q1		15
POLICIES & PROCEDURES					
Financial Regulations	Closed	Cross-Cutting	Q3	Q3	5
Contract Procedure Rules	Open	Cross-Cutting	Q3		5
Business Continuity Policy	Closed	Cross-Cutting	Q3	Q4	5

Scheme of Delegation	Closed	Cross-Cutting	Q2	Q2	5
Information Governance Policies	Draft	Cross-Cutting	Q3		10
Code of Conduct and Behaviour Policies	Closed	Cross-Cutting	Q2	Q3	5
Risk Management Policy	Open	Cross-Cutting	Q4		5
Enforcement Policy	Closed	Cross-Cutting	Q2	Q3	5
COMPLIANCE					
Direct Payments - Compliance	Draft	CFA	Q4		15
Duplicate Payments - Compliance Follow-Up	Closed	Cross-Cutting	Q3	Q4	5
Fees and Charges Compliance	Closed	Cross-Cutting	Q2	Q3	10
Grants to Voluntary Organisations - Compliance	Closed	Cross-Cutting	Q2	Q4	15
Agency Staff - Compliance	Closed	Cross-Cutting	Q2	Q3	15
Unannounced Visits - Compliance	Closed	Cross-Cutting	Q2	Q3	20
Key Performance Indicators - Compliance	Draft	Cross-Cutting	Q2		15
Scheme of Delegation - Compliance	Closed	Cross-Cutting	Q2	Q3	15
Use of GPC - Compliance	Closed	Cross-Cutting	Q2	Q4	15
Contract Extensions - Compliance	Draft	Cross-Cutting	Q3		15
EU Procurement Regulations - Compliance	Draft	Cross-Cutting	Q3		20
ICT AND INFORMATION GOVERNANCE					
Information Security	Draft	CST	Q3		15
Records Management - ICO	Closed	CST	Q1	Q1	5
Agresso ERP	Open	Cross-Cutting	Q4		10
General Computer Controls	Open	Cross-Cutting	Q4		20
SCHOOLS					
Schools Financial Risks	Closed	CFA	Q1	Q3	60
Safe Recruitment	Closed	CFA	Q1	Q3	60
Schools Advice & Training Sessions	Closed	CFA	N/A	N/A	5
ANTI-FRAUD AND CORRUPTION					
Preventative & Pro-Active Fraud Work	Ongoing	Cross-Cutting	N/A	N/A	10
National Fraud Initiative	Closed	Cross-Cutting	Q2	Q4	30
St Luke's Working Party	Closed	CFA	Q1	Q4	10
Fraud Investigations	Ongoing	Cross-Cutting	Q1	N/A	125
GOVERNANCE, RISK MANAGEMENT & OTHER					
Annual Governance Statement/CoCG	Closed	Cross-Cutting	Q1	Q1	19
Assurance Framework	Closed	Cross-Cutting	Q1	Q1	10
Risk Management	Ongoing	Cross-Cutting	N/A	N/A	75

FOI requests	Ongoing	Cross-Cutting	N/A	N/A	3
Advice & Guidance	Ongoing	Cross-Cutting	N/A	N/A	50
Follow-Ups of Agreed Actions	Ongoing	Cross-Cutting	N/A	N/A	40
Committee Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Management Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Audit Plan	Ongoing	Cross-Cutting	N/A	N/A	25
Operational Plan Total - 2016/17					1550

APPENDIX B

Summary of Outstanding Recommendations

Audit	Risk level	Summary of Recommendation	Target Date	Status
Direct Payments	M	Direct Payment Monitoring: The requirement to produce monitoring information will be clarified for service users as part of the revision of the Direct Payments Agreement and the DPMOs team will introduce different levels of monitoring for Direct Payments, based on an assessment of service user risk.	30/9/16	The service has revised the Direct Payments Agreement and requirements for monitoring information, but upon review by Internal Audit it was felt that these did not fully address all aspects of the audit recommendations. Feedback has been provided and the documents have been revised but the service are awaiting advice regarding data protection requirements prior to re-issuing the revised documents. A meeting about this is scheduled for the week of the 13 th March and Internal Audit will be informed of the outcomes. Awaiting revised date (expected by 17th March).
	M	Line Management Arrangements for DPMOs: The line management arrangements for the DPMO's will be refreshed, so that they report directly in to the Practitioner Consultant for Direct Payments and are given greater authority to challenge.	30/9/16	Recruitment of a Consultant Practitioner was delayed due to the original preferred candidate dropping out. A new Consultant Practitioner has now been recruited. They have a start date of 10 th April. The development of new procedures is dependent on recruitment of the Practitioner Consultant.
	M	Direct Payments Monitoring Officers Team Procedures: A full set of procedures will be developed and agreed for the Direct Payments Monitoring Officers.	30/9/16	Due date: 31/5/17

	M	Support Planning: As part of the new procedures, DPMOs will review Support Plans when new payments are set up and an escalation procedure for poor support planning will be set up.	30/9/16	<p>The action is partially complete, as it has been confirmed that DPMOs are now reviewing Support Plans and evidence of this has been provided to Internal Audit. However it has not been confirmed that this process has been recorded formally in new procedures, along with a clear protocol for escalation if issues are identified and not addressed.</p> <p>Awaiting revised date.</p>
Payment Methods	H	Understanding the costs of transactions: The cost to the Council of processing transactions via cash; cheque; invoice; credit/debit card; and online payment will be calculated.	31/7/16	<p>The implementation of the actions from this review was initially delayed due to the impact of the Corporate Capacity Review, which resulted in responsibility for implementing these actions shifting between teams, due to staff turnover and staffing structure changes.</p> <p>A new online payments system, Civica ICON, is now being procured for the County Council in conjunction with our partners in Northamptonshire and Milton Keynes. The timescale for implementation of this is the end of May 2017. Going forward this will become the principal online payments system for the Council, enabling us to close down other payments systems, thereby reducing cost and system complexity.</p> <p>As yet, no work has been undertaken to re-calculate the cost of the Council of processing transactions via different payment methods. Instead the current proposal is that the end-to-end unit costs of transactions will be reviewed in each service area being transformed as part of the roll out of the Citizen First, Digital First Programme as it is felt that this will be a more valid measure.</p> <p>A meeting is scheduled with Internal Audit on 18th March to discuss this approach and confirm whether this action would address the risks</p>

				identified from the Internal Audit review of Payment Methods.
	H	Raise awareness of the cost of transactions: The costs to the Council of processing transactions via the various types of payment methods will be made available on CamWeb and publicised to staff.	30/9/16	<p>The bringing together of our communications and information resources, through the review of our corporate capacity, has created a dedicated role for internal communications. This includes making improvements to our intranet, and the nature and range of internal communications' channels we have at our disposal, so that we can have a more systematic approach to our internal communications. This will include providing key information for managers such as raising awareness of the costs of transactions and setting out how we intend to support services to maximise the use of Civica ICON.</p> <p>Awaiting revised date for comms to be rolled out (expected at 18th March meeting).</p>
	M	Digital Payment by default: A Business Case will be taken to SMT outlining the case for the Council to take the approach that digital payment should be the default option.	30/9/16	<p>The implementation of Civica ICON in May 2017 will be the means by which the Council can drive towards digital by default payments, which will in turn contribute towards more effective debt management. This new payments system will be integrated with the new Enterprise Resource Planning (ERP) Finance System when this goes live in September 2017.</p> <p>In anticipation of Civica ICON going live, the service is working on an implementation plan which will identify which services will be pushed towards Digital Payment by Default, and in what order. The business case for this will be signed off by SMT, and this will be the means by which services will be transformed.</p> <p>Awaiting revised date for Business Case to go to</p>

				SMT (expected at 18th March meeting).
	M	Services should apply to be transformed: Once services are able to determine the total cost of transactions by payment method, there should be a clear prioritisation for transforming services, based on the anticipated savings from transformation.	30/11/16	<p>Service transformation will be driven through the Citizen First Digital First Programme, supported by GPC and SMT, so the ability to drive services to deploy digital payments will be strengthened.</p> <p>A draft prioritisation framework/criteria for identifying services to be transformed has been produced and a draft rollout plan has been created to identify which services will be targeted and when for digital payment by default. Completion of this action depends upon sign-off of this approach by SMT as part of the Business Case.</p> <p>Awaiting revised date for Business Case to go to SMT (expected at 18th March meeting).</p>
	M	Payment processing costs: Once transaction costs are known, consideration will be given to a review of which traded services are charged payment processing costs.	30/9/16	<p>A review of traded services is underway, with support from the newly created Transformation Team. This will include looking at internal charging, to ensure that we operate a full-cost recovery approach to our traded services as a base line. A Commercial Framework is under development which will be developed at the Commercial Board and this will confirm which overheads are charged to commercial services and how these are charged (including payment processing costs). A draft Framework is expected to be taken to the meeting of the Board in May 2017.</p> <p>Due: 31/05/2017</p>
Domiciliary Care	M	Centralised System for Monitoring Missed Calls Regular centralised monitoring of missed calls on AFM should be introduced, to identify any	30/9/16	<p>A missed calls report has been produced, which will form part of a centralised monitoring system. Audit is working with the service to complete this action; final completion of the action as originally envisaged is</p>

		patterns. This should include cross-referencing to the SCR.		dependent on the completion on the action below.
	M	Use of the Single Central Record The SCR should be used to log complaints from all service users, including self-funders. An SCR category for missed/short/late calls should be introduced.	30/9/16	This action was initially delayed as the officer originally responsible for it has left the organisation. The recommendations expand the focus of the Soft Concerns Database and staff resource needs to be identified to ensure that the information collected in the database can be used effectively. Responsible officer will be confirmed by 31 March 2017.
Unannounced Visits	M	Absence of Written Procedures: A set of formal written financial procedures should be developed for the Council's residential units. These must comply with the Council's Scheme of Financial Management and Financial Regulations and should clearly set out the practices to be followed in all areas of financial administration and the responsibilities of key officers. Once completed, these written procedures should be distributed to all residential Unit employees to ensure that they are aware of their financial administration responsibilities.	31/01/17	Draft procedures have been developed by the service and a second draft has now been provided to Internal Audit. The service are aiming to have this completed by the end of March and Audit will meet with them to go through the final draft before it is finalised. Revised date: 31st March 2017.

**INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING
31ST JANUARY 2017**

To: General Purposes Committee

Date: 21st March 2017

From: Chief Finance Officer

**Electoral
division(s):** All

Forward Plan ref: N/A **Key decision:** Yes

Purpose: To present financial and performance information to assess progress in delivering the Council's Business Plan

Recommendations: General Purposes Committee (GPC) is recommended to:

- a) Analyse resources and performance information and note any remedial action currently being taken and consider if any further remedial action is required.
- b) Approve the allocation of £0.5m additional capital funding to CFA and note the recommendation to A&I Committee to approve the rephasing of £0.734m capital funding, both set out in Section 6.7.
- c) Approve the proposed funding mechanism to borrow up to £5m against the Broadband Investment Fund and bid for up to £2.4m European Regional Development Funds (ERDF) to support the procurement and delivery of a fourth phase of Superfast Broadband rollout, as set out in Section 6.8.
- d) Approve the allocation of £267k High Needs Strategic Planning Funding to CFA, as set out in Section 7.1.
- e) Approve virements of previously allocated funding totalling £650k that will not be used in 2016/17 back to reserves, and approve the carryforward of this earmarked reserves funding to 2017/18, as set out in Section 7.2.

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Chris Malyon Post: Chief Finance Officer Email: Chris.Malyon@cambridgeshire.gov.uk Tel: 01223 699796	Name: Councillor S Count Chairman: General Purposes Committee Email: Steve.Count@cambridgeshire.gov.uk Tel: 01223 699173

1. PURPOSE

- 1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

2. OVERVIEW

- 2.1 The following table provides a snapshot of the Authority's forecast performance at year-end by value, RAG (Red, Amber, Green) status and direction of travel (DoT).

Area	Measure	Forecast Year End Position (December)	Forecast Year End Position (January)	Current Status	DoT (up is improving)
Revenue Budget	Variance (£m)	+£1.3m	+£1.7m	Amber	↓
Basket Key Performance Indicators	Number at target (%)	44% (7 of 16) ¹	56% (9 of 16) ¹	Amber	↑
Capital Programme	Variance (£m)	£0.0m	£0.0m	Green	↔
Balance Sheet Health	Net borrowing activity (£m)	£414m	£414m	Green	↔

¹ The number of performance indicators on target reflects the current position.

- 2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end overspend of £1.7m, a net increase of +£0.4m on the overspend reported last month. The main movement has been in Children, Families and Adults (CFA), which is reporting an increase in its net overspend. This has been partially net out by increasing underspends in other areas. See section 3 for details.
- Key Performance Indicators; the corporate performance indicator set has been refreshed for 2016/17. There are 18 indicators in the Council's new basket, with data currently being available for 16 of these. Of these 16 indicators, 9 are on target. All three of the indicators rated Amber are now within 3% of their target values. See section 5 for details.
- The Capital Programme is forecasting a balanced budget at year end. Although all directorates except Corporate Services are all reporting in-year slippage on their capital programmes, totalling £18.4m, this is within the allowances made for capital programme variations, leading to a balanced outturn overall. See section 6 for details.
- Balance Sheet Health; the original forecast net borrowing position for 31st March 2017, as set out in the Treasury Management Strategy Statement (TMSS) is £479m. This

projection has now fallen to £414m; there has been no change since last month. See section 7 for details.

3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

Key to abbreviations

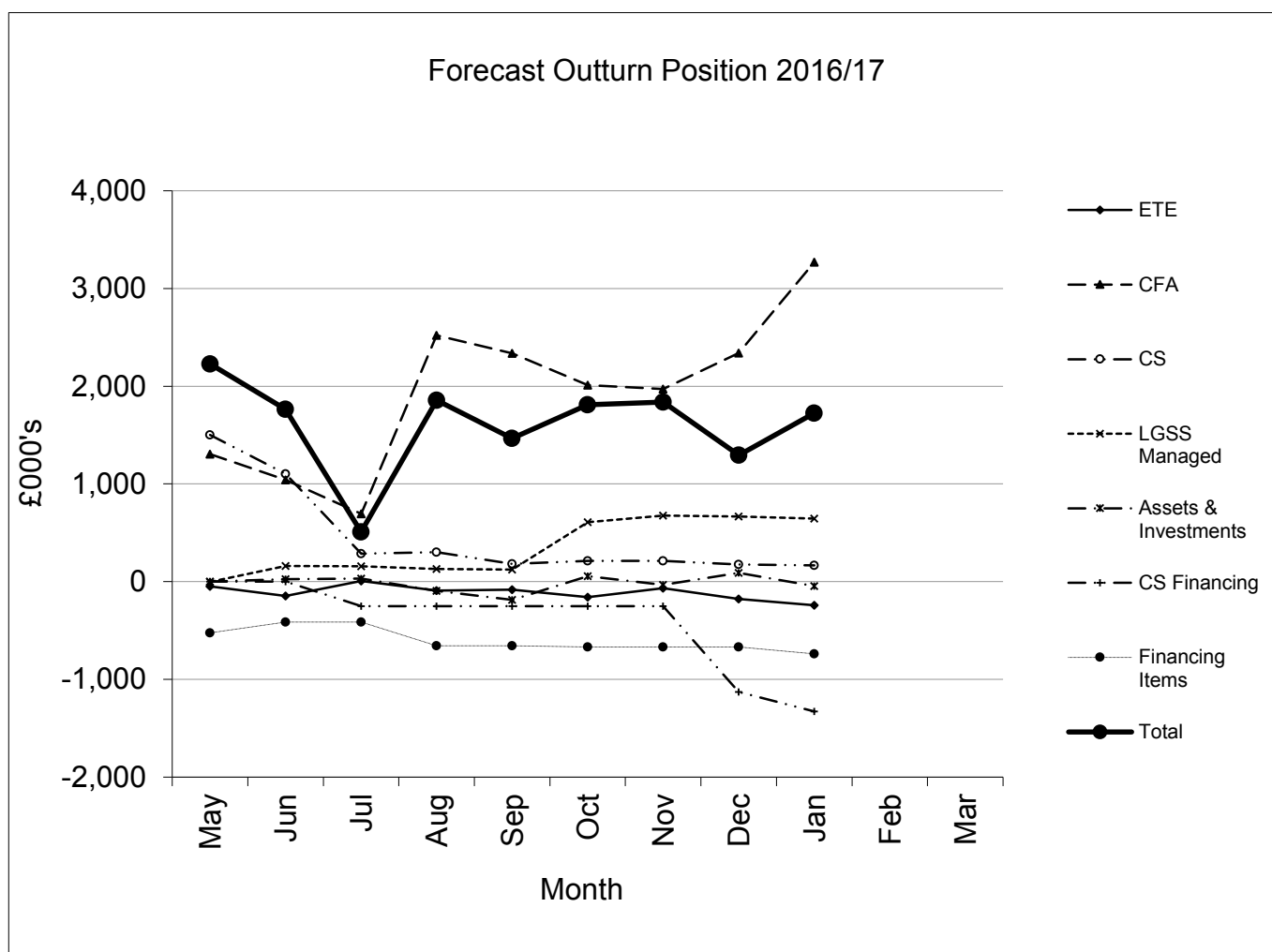
ETE – Economy, Transport and Environment
 CFA – Children, Families and Adults
 CS Financing – Corporate Services Financing
 DoT – Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per Business Plan £000	Service	Current Budget for 2016/17 £000	Forecast Variance - Outturn (Dec) £000	Forecast Variance - Outturn (Jan) £000	Forecast Variance - Outturn (Jan) %	Overall Status	DoT
59,952	ETE	61,811	-178	-243	-0.4%	Green	↑
242,563	CFA	241,645	2,340	3,271	1.4%	Red	↓
182	Public Health	182	0	0	0.0%	Green	↔
4,674	Corporate Services	5,576	176	166	3.0%	Amber	↑
6,006	LGSS Managed	6,004	666	646	10.8%	Amber	↑
2,714	Assets & Investments	4,204	88	-47	-1.1%	Green	↑
34,206	CS Financing	34,206	-1,130	-1,330	-3.9%	Green	↑
350,297	Service Net Spending	353,628	1,962	2,463	0.7%	Amber	↓
4,677	Financing Items	1,781	-668	-739	-41.5%	Green	↑
354,974	Total Net Spending	355,409	1,294	1,724	0.5%	Amber	↓
Memorandum items:							
9,589	LGSS Operational	8,393	22	-132	-1.6%	Green	↑
222,808	Schools	222,808					
587,371	Total Spending 2016/17	586,610					

¹ The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan for each respective Service.

² The forecast variance outturn does not include the £9.3m budget saving in 2016/17 following the change in Minimum Revenue Provision (MRP) policy, which was approved by Council on 16 February 2016.

³ For budget virements between Services throughout the year, please see [Appendix 1](#).



3.2 Key exceptions this month are identified below.

3.2.1 **Economy, Transport and Environment:** -£0.243m (-0.4%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [ETE Finance & Performance Report](#).

3.2.2 **Children, Families and Adults:** +£3.271m (+1.4%) overspend is forecast at year-end.

- **Older People's Localities** – an underspend of -£530k is forecast for year end, which is an adverse movement of +£674k on the position reported last month. This is largely due to the increased cost of new placements, with an increase in the number of nursing placements, which are the most costly. The main changes are in the following areas:

	£m	%
	-0.530	(-1%)

- Fenland Locality: movement of +£227k due to rising numbers of higher cost placements. Ended packages at care homes were fully replaced, at increased prices, by new clients, in addition to clients needing further support where previous provision at home or in settings without nursing care is no

longer sufficient. New residential and nursing placements this month cost £103 more per week on average than those placements which ended. A downwards adjustment on likely savings for the rest of this season has also been needed given this context.

- Huntingdonshire Locality: movement of +£194k as all forms of care excluding domiciliary support are showing an increased commitment this month; the number of nursing placements increased by 7 compared to the previous period. Savings expectations have been adjusted accordingly.
- City and South Locality: movement of +£174k. The number of nursing placements increased by 8 compared to the previous period, which has led to reduced savings expectations.
- **Catering and Cleaning Services** – a shortfall of +£269k on the budgeted contribution for this traded service is forecast for year-end. This is mainly caused by Northamptonshire County Council's closure of their school meals service and the subsequent loss of 3.1million meal orders on an annual basis. This necessitated the closure of the B4 Distribution Centre (October 16), and the mothballing of the C3 Cook Freeze Centre (December 16). Following redeployment of staff where possible, the cost of the redundancies is forecast to be £149k in 2016/17. Other service level agreements have been terminated during the year with a resulting loss of income, and in some areas the take up of school meals has been below expectations. +0.269 (+67%)

Additionally there are pressures relating to staff costs, both through maintaining service provision whilst covering sickness and vacancies, and increases in salary from the implementation of the national living wage.

- **Commissioning Services** – an overspend of +£266k is forecast for year-end. The out of school tuition budget is forecast to overspend by £300k due to a number of children with a Statement of Special Educational Needs (SEN) / Education, Health and Care Plan (EHCP) out of school and in receipt of alternative education (tuition) packages. The process of moving children with SEN/EHCP from one school to another generally takes longer and until the process is complete, the Council has a statutory duty to provide 25 hours per week of interim full-time education. Some small underspends have reduced the net overspend to £266k. +0.266 (+6%)
- For full and previously reported details see the [CFA Finance & Performance Report](#).

- 3.2.3 **Public Health:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [PH Finance & Performance Report](#).
- 3.2.4 **Corporate Services:** +£0.166m (+3.0%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.5 **LGSS Managed:** +£0.646m (+10.8%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.6 **CS Financing:** -£1.330m (-3.9%) underspend is currently forecast for Debt Charges, which is a favourable movement of -£0.2m on the position reported last month. This reflects the fall in the forecast for net interest payable following falling interest rates across all parts of the yield curve. For full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.7 **LGSS Operational:** -£0.132m (-1.6%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.8 **Assets & Investments:** -£0.047m (-1.1%) underspend is forecast at year-end. There are no new exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).

Note: exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k.

4. KEY ACTIVITY DATA

- 4.1 The latest key activity data for: Looked After Children (LAC); Special Educational Needs (SEN) Placements; Adult Social Care (ASC); Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest [CFA Finance & Performance Report](#) (section 2.5).

5. PERFORMANCE TARGETS

5.1 As previously reported to GPC the key performance indicators are currently under review and a new set of indicators will be considered as part of the Business Plan.

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
Developing our economy	Percentage of Cambridgeshire residents aged 16 - 64 in employment: 12-month rolling average	ETE	High	At-30-Sept-2016	%	78.1%	80.9% to 81.5%	Amber	↓
	Additional jobs created	ETE	High	To 30-Sep-2015	Number	+6,300 (provisional)	+ 3,500 (2015/16 target)	Green	↓
	'Out of work' benefits claimants – narrowing the gap between the most deprived areas (top 10%) and others ¹	ETE	Low	At-31-May-2016	%	Gap of 6.4 percentage points Most deprived areas (Top 10%) = 11.3% Others = 4.9%	Gap of <=6.5 percentage points Most deprived areas (Top 10%) <=11.5%	Green	↔
	The proportion of children in year 12 taking up a place in learning	CFA (Enhanced & Preventative – E&P)	High	December 2016	%	95.4%	96.5%	Amber	↓
	Percentage of 16-18 year olds not in education, employment or training (NEET) ²	CFA	Low	December 2016	%	3.7%	3.8%	Green	↔
	The proportion of pupils attending Cambridgeshire Primary schools judged good or outstanding by Ofsted	CFA (Learning)	High	December 2016	%	82.4%	82.0%	Green	↑

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
	The proportion of pupils attending Cambridgeshire Secondary schools judged good or outstanding by Ofsted	CFA (Learning)	High	December 2016	%	72.8%	75.0%	Amber	↔
	The proportion of pupils attending Cambridgeshire Special schools judged good or outstanding by Ofsted	CFA (Learning)	High	December 2016	%	100%	100%	Green	↑
	The proportion of Adult Social Care and Older People's Service users requiring no further service at end of re-ablement phase	CFA	High	December 2016	%	57.0%	57%	Green	↑
	Reduced proportion of Delayed Transfers of care from hospital, per 100,000 of population (aged 18+)	CFA	Low	November 2016	Number	589	429 per month (4874.5 per year)	Red	↓
	Number of ASC attributable bed-day delays per 100,000 population (aged 18+)	CFA	Low	November 2016	Number	145	114	Red	↓
	Healthy life expectancy at birth (males)	Public Health	High	2012 – 2014	Years	66.1	N/A – contextual indicator	Green (compared with England)	↓ (compared with previous year)
	Healthy life expectancy at birth (females)	Public Health	High	2012 – 2014	Years	67.6	N/A – contextual indicator	Green (compared with England)	↑ (compared with previous year)

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
	Absolute gap in life expectancy between the most deprived 20% of Cambridgeshire's population and the least deprived 80% (all persons)	Public Health	Low	2013-2015 (Q4 2015)	Years	2.6	N/A – contextual indicator	N/A – contextual indicator	↔
Supporting and protecting vulnerable people	The number of looked after children per 10,000 children	CFA (Children's Social Care)	Low	December 2016	Rate per 10,000	48.6	40	Red	↑
	No/ % of families who have not required statutory services within six months of have a Think Family involvement.	CFA (Enhanced & Preventative)	TBC	Following the recommendations from the Think Family evaluation report and the implementation of the Children's Change Programme, the Family CAF is being replaced with a new Early Help Assessment from December 2016. In addition, the Corporate Capacity Review has led to the development of the Business Intelligence and Transformation Teams, both of which are supporting the Council in reviewing how performance is monitored / measured. Considering these changes it is not currently possible or helpful to report on the current CAF / Think Family measure as this will be redefined.					
An efficient and effective organisation	The percentage of all transformed transaction types to be completed online	Customer Service & Transformation	High	1 October – 31 December 2016	%	64.9%.	75%	Red	↑
	The average number of days lost to sickness per full-time equivalent staff member	LGSS HR	Low	January 2017	Days (12 month rolling average)	7.67	7.8	Green	↓

Notes

1. 'Out of work' benefits claimants - narrowing the gap between the most deprived areas (top 10%) and others – the target of ≤12% is for the most deprived areas (top 10%). At 6.4 percentage points the gap is the same as last quarter, but is narrower than the baseline (in May 2014) of 7.2 percentage points.
2. From Sept 2016 - This indicator has changed from 16-19 to 16-18 and now includes unknowns, and therefore isn't comparable to previous years. Though performance remains within target, there is a high number of young people whose situation is currently unknown. Analysis of information about these young people gathered during the autumn term will give a clearer idea of our actual performance.

5.2 Key exceptions: there are no exceptions to report this month; for full and previously reported details go to the respective Service Finance & Performance Report:

- [ETE Finance & Performance Report](#)
- [CFA Finance & Performance Report](#)
- [PH Finance & Performance Report](#)
- [CS & LGSS Finance & Performance Report](#)
- [A&I Finance & Performance Report](#)

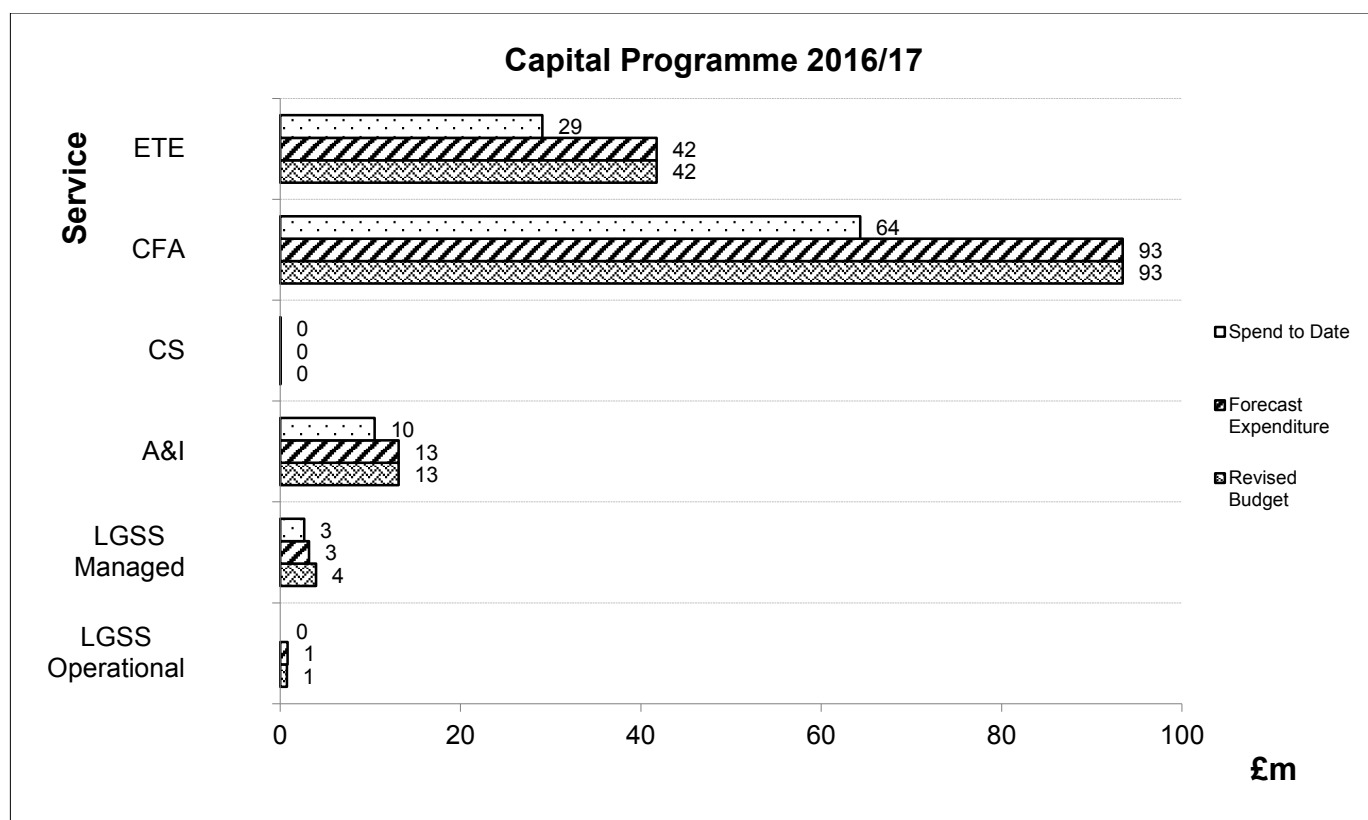
6. CAPITAL PROGRAMME

6.1 A summary of capital financial performance by service is shown below:

2016/17						TOTAL SCHEME	
Original 2016/17 Budget as per Business Plan £000	Service	Revised Budget for 2016/17 £000	Forecast Variance - Outturn (Dec) £000	Forecast Variance - Outturn (Jan) £000	Forecast Variance - Outturn (Jan) %	Total Scheme Revised Budget (Jan) £000	Total Scheme Forecast Variance (Jan) £000
71,699	ETE	41,743	-	-	0.0%	415,691	-
97,156	CFA	93,421	0	0	0.0%	543,722	31,825
33	Corporate Services	48	-	12	25.0%	300	-
4,405	LGSS Managed	3,996	-	-782	-19.6%	15,140	-0
11,397	A&I	13,132	0	0	0.0%	241,800	-3,483
1,104	LGSS Operational	758	-	55	7.3%	1,844	-
	Outturn adjustment			715		-	-
185,794	Total Spending	153,098	0	-0	0.0%	1,218,497	28,341

Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted, including the capital programme variations budget allocated to each service. A breakdown of the use of the capital programme variations budget by service is shown in section 6.2.
2. The reported ETE capital figures do not include City Deal, which has a budget for 2016/17 of £7.4m and is currently forecasting an in-year underspend of £2.25m.



Note: The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted.

6.2 A summary of the use of capital programme variations budgets by services is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

2016/17					
Service	Capital Programme Variations Budget	Forecast Variance - Outturn (Jan)	Capital Programme Variations Budget Used	Capital Programme Variations Budget Used	Revised Forecast Variance - Outturn (Jan)
	£000	£000	£000	%	£000
ETE	-10,500	-5,540	5,540	52.76%	0
CFA	-10,282	-9,911	9,911	96.39%	0
Corporate Services	-12	0	0	0.00%	12
LGSS Managed	-1,029	-1,811	1,029	100.00%	-782
A&I	-2,850	-1,058	1,058	37.11%	0
LGSS Operational	-155	-100	100	64.52%	55
Outturn adjustment	0	0	715		715
Total Spending	-24,828	-18,420	18,353	73.92%	-0

- 6.3 Slippage in the capital programme for LGSS Managed is forecast to exceed its capital programme variations budget allocation of £1m, while Corporate Services and LGSS Operational are forecasting that their capital programmes will not slip by their allocated variations budget. At this stage it is still anticipated that the total variations budget will be met across the overall capital programme, although it is not yet clear where the mitigating variances will arise. Thus a balancing line has been added to the outturn to reflect this.
- 6.4 A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.5m or greater are identified below.
- 6.4.1 **Economy, Transport and Environment:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [ETE Finance & Performance Report](#).
- 6.4.2 **Children, Families and Adults:** a balanced budget is forecast at year-end.
- | | £m | % |
|--|------|--------|
| <ul style="list-style-type: none"> • Basic Need – Secondary – a -£4.0m in-year underspend is forecast, which is a movement of -£1.8m on the position reported last month. This is mainly due to movement on the outturns for the following two schemes: <ul style="list-style-type: none"> ○ Littleport Secondary and Special School: -£1.9m (-6%) in-year underspend (a movement of -£1m since last month) due to revised estimates from the contractor for the cost of a six week delay, which has been caused by design changes following the appointment of a new academy sponsor for the schools. The slippage forecast has been revised to reflect this and it is estimated completion on site will now be in January 2018. ○ Cambourne Village College: -£1.3m (-21%) in-year underspend (a movement of £0.7m since last month). The contractors have provided a revised estimate of works to be completed by the end of March 2017. | -4.0 | (-10%) |
| <ul style="list-style-type: none"> • CFA Capital Variation – as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall. There has been a movement of +£1.4m in the outturn for CFA capital variation since last month. | +9.9 | (+96%) |
- For full and previously reported details see the [CFA Finance & Performance Report](#).
- 6.4.3 **Corporate Services:** an overspend of +£0.012m (+0.0%) is forecast at year-end, due to no anticipated slippage on the capital programme so the variations budget will not be utilised. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

- 6.4.4 **LGSS Managed:** an underspend of -£0.782m (-19.6%) is forecast at year-end, as forecast slippage on the capital programme has exceeded the allocated capital programme variations budget. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 6.4.5 **LGSS Operational:** an overspend of +£0.055m (+7.3%) is forecast at year-end, as slippage on the capital programme is not anticipated to utilise the full capital programme variations allocation. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 6.4.6 **Assets & Investments:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).
- 6.5 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.5m or greater are identified below:
- 6.5.1 **Economy, Transport and Environment:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [ETE Finance & Performance Report](#).
- 6.5.2 **Children, Families and Adults:** a +£31.8m (+6%) total scheme overspend is forecast. There are no exceptions to report this month; for full and previously reported details see the [CFA Finance & Performance Report](#).
- 6.5.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 6.5.4 **LGSS Managed:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 6.5.5 **LGSS Operational:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 6.5.6 **Assets & Investments:** -£3.5m (-1.4%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).

6.6 A breakdown of the changes to funding has been identified in the table below.

Funding Source	B'ness Plan Budget £m	Rolled Forward Funding¹ £m	Revised Phasing £m	Additional/Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	20.5	0.2	-1.7	1.0	20.0	20.0	-
Basic Need Grant	3.8	-	-	-	3.8	3.8	-0.0
Capital Maintenance Grant	4.6	-	-	0.1	4.7	4.7	-
Devolved Formula Capital	1.1	0.9	-	-0.0	1.9	1.9	-0.0
Specific Grants	21.1	3.6	-12.7	1.7	13.8	13.8	-
S106 Contributions & Community Infrastructure Levy	30.3	1.1	-3.7	0.2	27.9	27.9	-
Capital Receipts	10.3	-	-	-6.4	3.9	3.9	0.0
Other Contributions	10.7	0.2	-8.8	1.7	3.8	3.8	-
Revenue Contributions	-	-	-	0.1	0.1	0.1	-
Prudential Borrowing	83.4	10.2	-29.3	8.9	73.2	73.2	-0.0
TOTAL	185.8	16.3	-56.1	7.1	153.1	153.1	-0.0

¹ Reflects the difference between the anticipated 2015/16 year end position, as incorporated within the 2016/17 Business Plan, and the actual 2015/16 year end position.

6.7 Key funding changes (of greater than £0.5m or requiring approval):

Funding	Service	Amount (£m)	Reason for Change
Additional/Reduction in Funding (Other Contributions)	CFA	+£0.5	An insurance payment is due to be received in 2016/17 towards the cost of rectifying fire damage at St Bede's School in Cambridge. This is to be treated as additional funding and will increase the budget for this scheme in 2016/17, thus removing the in-year overspend that has previously been reported on this scheme as a result of these works.

			General Purposes Committee is asked to approve the allocation of the £0.5m additional funding from the insurance payment to CFA.
Additional/Reduction in Funding (Prudential Borrowing)	A&I	+£0.7	<p>The following schemes were not originally anticipated to begin until 2017/18 and therefore have no budget agreed for 2016/17. However, these schemes have progressed to the planning application stage ahead of the original schedule so budget is required this financial year.</p> <ul style="list-style-type: none"> • Belsar Farm, Willingham £55k • Soham Northern Gateway £100k • Clear Farm, Bassingbourn £70k • Wicken, Housing Allocation £30k • Management costs £240k <p>Additionally, increased resourcing on the East Barnwell project has brought forward work to the value of £194k that was due to be funded from the housing budget from 2017/18.</p> <p>The implications on future years' budgets are being addressed through the Business Plan.</p> <p>General Purposes Committee is asked to note the recommendation to A&I Committee to approve the in-year request for £0.734m re-phased budget for the housing schemes.</p>

- 6.8 Approval is also requested in advance of the first Report of 2017/18 for funding to support the procurement and delivery of a fourth phase of Superfast Broadband rollout. This will extend access to fibre broadband for Cambridgeshire businesses and provide access to high speed broadband connectivity to over 99% of homes and businesses across the County, following on from current rollout phases. Further information can be found in [Appendix 3](#).

General Purposes Committee is asked to approve the proposed funding mechanism to borrow up to £5m against the Broadband Investment Fund and bid for up to £2.4m European Regional Development Funds (ERDF) to support the procurement and delivery of a fourth phase of Superfast Broadband rollout.

7. FUNDING ALLOCATIONS

- 7.1 Where there has been a material change in 2016/17's grant allocations to that budgeted in the Business Plan (BP) i.e. +/- £160k, this will require SMT discussion in order to gain a clear and preferred view of how this additional/shortfall in funding should be treated. The

agreed approach for each grant will then be presented to the General Purposes Committee (GPC) for approval.

High Needs Strategic Planning Fund

The high needs funding system supports provision for pupils and students with special educational needs and disabilities from their early years to age 25. A High Needs Strategic Planning Fund has been provided to local authorities as a one-off, non-ring-fenced grant, in order to support a strategic review of services commissioned through the high needs block element of dedicated schools grant (DSG) funding. The current in-year DSG position shows there are significant pressures on the High Needs Block and the Department for Education (DfE)'s illustrative national funding formula data suggests that the proposed national formula for high needs funding would result in no additional funding for the High Needs Block for Cambridgeshire. Therefore this review is essential for managing provision within anticipated future levels of resource.

Cambridgeshire's allocation of the High Needs Strategic Planning Fund is £267,429 and it is proposed to utilise this to undertake a strategic review of existing provision and plan for future requirements of special provision. This fund will also provide capacity to support both the transition to and implementation of the recommendations of the review and as required by the DfE, to publish the outcomes of the review in a strategic plan for Cambridgeshire.

General Purposes Committee is therefore asked to approve that this funding is allocated in full to CFA.

Education Services Grant (ESG)

The ESG is a non-ring-fenced grant, which is allocated to local authorities and academies on a per-pupil basis that takes account of school type (mainstream/high needs) and status (academy/maintained). Funding will therefore reduce for local authorities if a school converts to an academy.

In the August report General Purposes Committee (GPC) were advised that based on the revised estimate for academy conversions in 2016/17 the forecast for ESG was c.£4.29m, c.£241k more than was budgeted. A number of expected academy conversions have been further delayed by some months since that report and the revised estimate for ESG is c.£4.36m, c.£312k more than was originally budgeted.

It is proposed that this additional income will be transferred to corporate reserves at year end, subject to GPC approval. Further updates to the current reported position will be provided if this projection changes and approval will be sought at year-end once the final figure is known.

- 7.2 General Purposes Committee approval is also required for any material virements of revenue budget (+/- £160k).

In May GPC approved the allocation of earmarked reserves funding to services for use on specific projects in 2016/17. The following projects will not use their allocated funding in

2016/17, so virements are required to return the budget to reserves. All projects will continue in 2017/18, so the funding is required to be carried forward to next year.

Child Sexual Exploitation Return Interviews

£250k of earmarked reserves funding was allocated for voluntary sector support to undertake missing interviews and to provide an intensive support service for young people at greatest risk of child sexual exploitation. This is a statutory expectation that is also monitored by OFSTED and has been a gap in our provision; at present social workers are performing this function in addition to their mainstream work, which is not sustainable. Attempts have been made to commission the service externally but there has been no or little interest from providers, so the funding has not been used in 2016/17.

There is a plan in place to use the funding to set up an internal unit to conduct return interviews for Looked After Children; there are 80-90 return interviews per month, which would otherwise be conducted by an external organisation at a cost of £250 per interview. The unit will also coordinate a multi-agency approach to Missing, Exploited and Trafficked Children with partner organisations including mental health services and the police.

Potential candidates have been identified to take up the 5 posts in this internal unit from April 2017, pending GPC approval of the funding. Therefore approval is requested in advance of the first Integrated Resources & Performance Report of 2017/18 to carry forward the funding into 2017/18. For 2016/17 this funding will return to earmarked reserves. Longer term resourcing of this activity will be addressed through the Children's Change Programme and in the 2018/19 business planning process.

Strategic Transport Feasibility Studies

£200k of earmarked reserves funding was allocated to undertake early stage feasibility studies in order to build on the Long Term Transport Strategy and identify options to address those parts of the strategic highway network where lack of capacity is restricting continued economic prosperity.

The funding has not been required in 2016/17 as originally planned because of a lack of capacity in the team that would deliver this work, so it will be returned to reserves in year. The work is still required and the team will have more capacity to deliver the work in 2017/18, therefore approval is requested in advance of the first Integrated Resources & Performance Report of 2017/18 to carry forward the funding into 2017/18.

LED Lighting

£200k of earmarked reserves funding was allocated to the development of LED lighting for street lighting, in order to deliver greater energy efficiency as the cost of LED technology has reduced and this now presents a cost effective option.

The funding has not been used in 2016/17 because the service is still looking at options with Balfour Beatty so it will be returned to reserves. However, the funding will be required to progress the project in 2017/18, therefore approval is requested in advance of the first

Integrated Resources & Performance Report of 2017/18 to carry forward the funding into 2017/18.

General Purposes Committee is therefore asked to approve the virements of the above funding back to reserves in 2016/17.

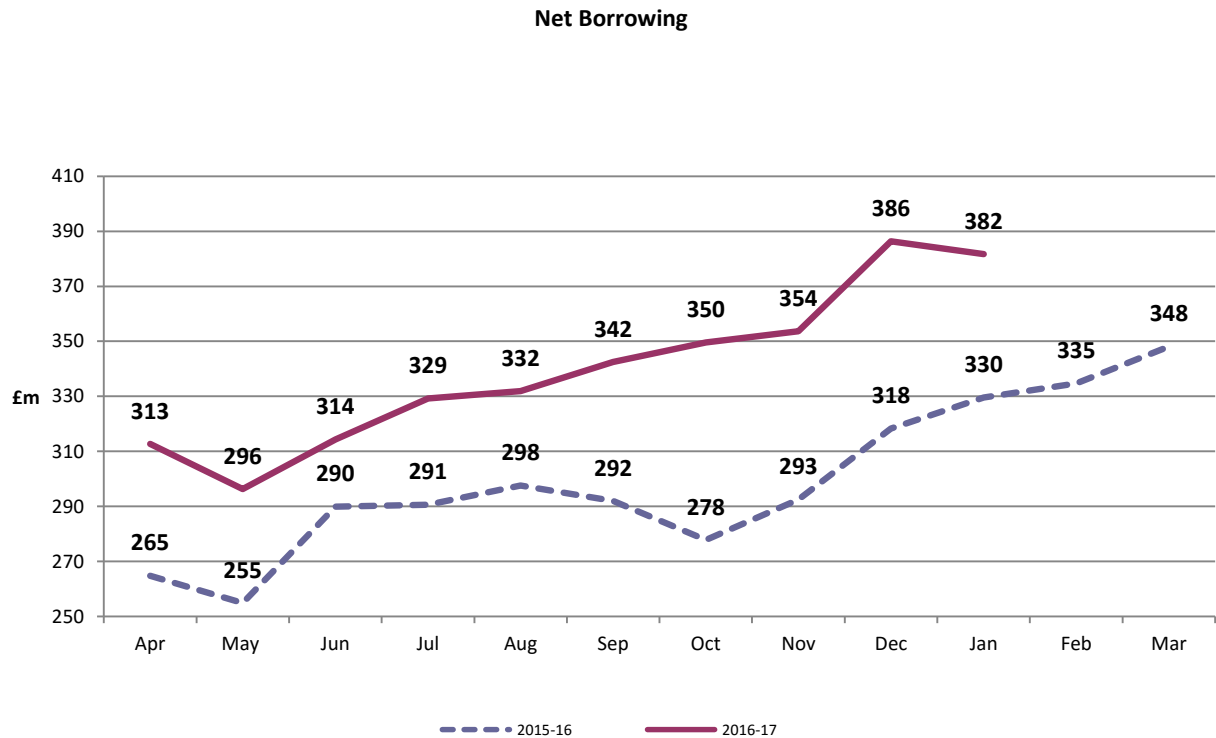
General Purposes Committee is also asked to approve virements to carryforward the above funding, already earmarked by the committee for specific projects, to the 2017/18 budget.

8. BALANCE SHEET

8.1 A more detailed analysis of balance sheet health issues is included below:

Measure	Year End Target	Actual as at the end of January
Level of debt outstanding (owed to the council) – 4-6 months, £m	£0.4m	£0.7m
Level of debt outstanding (owed to the council) – >6 months, £m	£1.0m	£2.1m
Invoices paid by due date (or sooner)	97.6%	99.6%

8.2 The graph below shows net borrowing (investments less borrowings) on a month by month basis and compares the position with the previous financial year. The levels of investments at the end of January were £14.3m (excluding 3rd party loans) and gross borrowing was £396.0m.



- 8.3 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2016-17 TMSS was set in February 2016, it was anticipated that net borrowing would reach £479m at the end of this financial year. Net borrowing at the beginning of this year (£348m) started at a lower base than originally set out in the TMSS (£417m). As a result the outturn projection is forecast to be substantially lower than originally expected, currently £414m.
- 8.4 The Council's cash flow profile varies considerably during the year as payrolls and payment to suppliers are made, and grants and income are received. Cash flow at the beginning of the year is typically stronger than at the end of the year as many grants are received in advance.
- 8.5 Key exceptions are identified below:

Key exceptions	Impacts and actions
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<p>Less borrowing activity than planned –original net borrowing forecast was £479m. Actual net borrowing at 31st January was £382m.</p>	<p>A £1.330m underspend is currently forecast for Debt Charges, an increase of £200k month on month. This reflects the fall in the forecast for net interest payable following falling interest rates across all parts of the yield curve. New loans have been raised on a short term basis (up to 3 months) to take advantage of cheaper rates of interest than originally budgeted. In addition £380k received in respect of interest on S106 for Clay Farm, which wasn't budgeted is included in the forecast.</p> <p>The impact of lower borrowing on the Debt Charges budget would normally result in a favourable forecast variance (due to lower interest payments). However the Debt Charges budget was reduced in anticipation of capital expenditure slippage during the budget setting process, so the magnitude of the variance reported is muted.</p> <p>The Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances (where possible) and undertaking short term borrowing which could potentially generate savings next year, subject to an assessment of the interest rate risks involved.</p>
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8.6 Further detail around the Treasury Management activities can be found in the latest [Treasury Management Report](#).

8.7 A schedule of the Council's reserves and provisions can be found in [appendix 2](#).

9. ALIGNMENT WITH CORPORATE PRIORITIES

9.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

9.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

9.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

10. SIGNIFICANT IMPLICATIONS

10.1 Resource Implications

This report provides the latest resources and performance information for the Council and so has a direct impact.

10.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

10.3 Equality and Diversity Implications

There are no significant implications within this category.

10.4 Engagement and Consultation Implications

No public engagement or consultation is required for the purpose of this report.

10.5 Localism and Local Member Involvement

There are no significant implications within this category.

10.6 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No Name of Legal Officer: Not applicable
Are there any Equality and Diversity implications?	No Name of Officer: Not applicable
Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Not applicable
Are there any Localism and Local Member involvement issues?	No Name of Officer: Not applicable
Have any Public Health implications been cleared by Public Health	No Name of Officer: Not applicable

Source Documents	Location
ETE Finance & Performance Report (January 17) CFA Finance & Performance Report (January 17) PH Finance & Performance Report (January 17) CS and LGSS Cambridge Office Finance & Performance Report (January 17) A&I Finance & Performance Report (January 17) Performance Management Report & Corporate Scorecard (January 17) Capital Monitoring Report (January 17) Report on Debt Outstanding (January 17) Payment Performance Report (January 17)	1 st Floor, Octagon, Shire Hall, Cambridge

APPENDIX 1 – transfers between Services throughout the year (only virements of £1k and above (total value) are shown below)

	CFA	Public Health	ETE	CS Financing	Corporate Services	LGSS Managed	Assets & Investments	LGSS Operational	Financing Items
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Cash Limits as per Business Plan	242,563	182	59,952	34,206	4,674	8,720	0	9,589	3,915
Adjustment LGSS Managed and Operational						10		-10	
LGSS property virement					10			-10	
Licenses budget from LGSS Op. to CS					17	-17			
Contact Centre budget from CFA to CS	-77				77				
CPFT NHS accommodation budget from CFA to LGSS Man.	-10					10			
Reablement budget from CFA to LGSS Op.	-113							113	
Pupil forecasting/demography budget to research group	-53				53				
ETE use of service reserves			2,015						-2,015
Disaggregation of Assets and Investments budgets						-2,714	2,714		
Centralised mobile phones budget	6					-6			
Strategic Assets and Property Services budgets returned to CCC following demerger							1,531	-1,531	
Advocacy contract budget from CS to CFA	45				-45				
ETE return of service reserves not needed in 16/17			-65						65
LGSS service reserves allocation for Citrix farm								78	-78
Corporate Capacity Review transfer of budgets	-716		-66		798		-17		
Transfer of LGSS cross-cutting savings to A&I							-24	24	
Transfer from reserves to fund extra gritter routes			570						-570
ETE return of service reserves not needed in 16/17			-604						604
Corporate Capacity Review transfer of budgets			8		-8				
LGSS use of service reserves for Agresso								140	-140
Current budget	241,645	182	61,811	34,206	5,576	6,004	4,204	8,393	1,781
Rounding	0	0	1	0	0	0	0	0	0

APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 January 17		
	£000s	£000s	£000s	£000s	
<u>General Reserves</u>					
- County Fund Balance	18,921	-2,509	16,413	17,883	
- Services					
1 CFA	1,623	-1,062	561	-2,711	
2 PH	1,138	-176	962	638	
3 ETE	3,386	-1,950	1,436	0	
4 CS	1,218	0	1,218	0	
5 LGSS Operational	1,013	-218	795	343	
subtotal	27,299	-5,915	21,385	16,153	
<u>Earmarked</u>					
- Specific Reserves					
6 Insurance	2,864	0	2,864	2,864	
subtotal	2,864	0	2,864	2,864	
- Equipment Reserves					
7 CFA	782	-80	702	702	
8 ETE	218	0	218	250	
9 CS	57	0	57	57	
subtotal	1,057	-80	977	1,009	
<u>Other Earmarked Funds</u>					
10 CFA	4,097	-2,249	1,848	900	Includes liquidated damages in respect of the Guided Busway - current balance £2.4m.
11 PH	2,020	0	2,020	1,445	
12 ETE	6,631	-925	5,706	4,919	
13 CS	1,274	0	1,274	1,178	
14 LGSS Managed	149	43	192	192	
15 Assets & Investments	233	103	336	336	
16 LGSS Operational	130	0	130	130	
17 Transformation Fund	11,853	-497	11,356	20,607	Savings realised through change in MRP policy
subtotal	26,387	-3,525	22,862	29,707	
SUB TOTAL	57,607	-9,520	48,088	49,733	
<u>Capital Reserves</u>					
- Services					
18 CFA	2,428	11,968	14,396	425	Section 106 and Community Infrastructure Levy balances.
19 ETE	11,703	20,037	31,740	10,200	
20 LGSS Managed	422	-350	72	72	
21 Assets & Investments	230	-17	213	0	
22 Corporate	39,388	6,423	45,811	24,477	
subtotal	54,171	38,061	92,232	35,174	
GRAND TOTAL	111,778	28,541	140,320	84,907	

Notes:

1. The figures do not include City Deal reserves, which have a current balance of £37.8m and are anticipated to have a year-end balance of £30.4m.

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Fund Description	Balance at 31 March 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 January 17		
	£000s	£000s	£000s	£000s	
- Short Term Provisions					
1 ETE	712	-33	679	0	
2 CS	350	0	350	100	
3 LGSS Managed	4,545	0	4,545	4,545	
4 Assets & Investments	50	0	50	50	
subtotal	5,657	-33	5,624	4,695	
- Long Term Provisions					
5 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	9,270	-33	9,237	8,308	

APPENDIX 3 – Connecting Cambridgeshire Plan to 2020

Background

The Connecting Cambridgeshire programme was set up in late 2011 to secure a 21st century digital infrastructure (including broadband, mobile and Wi-fi access) across Cambridgeshire to:

- Drive forward economic growth
- Help build and sustain thriving, connected communities across the county
- Facilitate streamlined public service delivery.

The programme is jointly funded by Cambridgeshire County Council and Peterborough City Council, with additional investment drawn from government, EU and private funding.

Introduction

Although the current plans for 97% Superfast broadband coverage in Cambridgeshire represents a significant achievement, as demand for connectivity continues to increase there is ongoing pressure from businesses and communities in Cambridgeshire to continue to improve all aspects of the digital infrastructure.

Plans to continue to improve the digital connectivity infrastructure for Cambridgeshire through to 2020 have been set out in detail in a [report](#) to the Economy and Environment Committee; the Committee agreed the recommendations set out in the report on 9th March 2017.

Proposed targets include:

1. Superfast broadband coverage > 99%
2. Mobile 3G & 4G services at least equalling national targets (currently below)
3. Further 50 public access Wi-fi hotspots
4. Cambridgeshire as 5G test-bed/pilot location

These will be delivered in four work streams, three of which can be financed within the existing funding envelope. A fourth phase superfast broadband rollout will require borrowing against future income, as set out below.

Finance/contract overview

In 2011 the Council allocated a capital sum of up to £20m to deliver the Connecting Cambridgeshire Programme and Peterborough City Council committed £3m funding. This was to complement an initial allocation of £6.75m government funding.

Over the life of the project the programme has been successful in using the Council's investment to leverage a range of additional external funding streams. This includes around £18m private investment, £12m central government funding and over £2m EU funding to date.

Programme running costs have also been partially offset by taking on consultancy and support work from other local authorities and administering the SCCP voucher scheme for the East & Midlands on behalf of BDUK.

The contract for delivery of Superfast Broadband access in Cambridgeshire and Peterborough was awarded to BT in 2013, following a competitive procurement process. Delivery of the contract so far has been in three phases, with progress summarised below:

- Phase One - completed end 2015 (from ~ 60% to 93% Superfast broadband coverage).
- Phase Two - underway. Supported by additional government and EU funding (target 95% by end 2017).
- Phase Three - currently being planned (target 97% by end 2018).

The gap funding contract with BT incorporates a “claw-back” clause which requires them to contribute a proportion of any higher than anticipated profits (generated via take-up) into a joint investment fund during the life of the contract . This has phased payments which will conclude at the end of the 10 year contract term in 2023. The clawback clause requires that the Council and BT work together to utilise the joint investment fund to provide greater coverage. Any remaining funds post-2023 are subject to UK Government clawback (at approximately 30%) but thereafter any remaining amount will revert to Cambridgeshire County Council and Peterborough City Council.

Take-up to date in Cambridgeshire has exceeded original expectations. At 41% at the end of 2016, it is amongst the highest in the country and continues to increase.

Based on take-up to date, a relatively pessimistic calculation estimates the total gainshare investment fund would total £10.5m by the contract end date in 2023. A more optimistic estimation projects a fund of £12.6m. For the purposes of this proposal the lower figure has been assumed, and includes any associated interest charges for borrowing.

£5.3m gainshare investment funding has already been pulled forward by BT at their risk, and together with contract underspends this is providing the funding for the Phase Three rollout currently being planned. This approach was approved by the E&E Committee in March 2016. This means the projected remaining gainshare fund will range from £5.2m to £6.3m at 2023.

It is proposed that Phase Four broadband rollout, targeting the remaining 2-3% premises is funded by a combination of ERDF (European Regional Development Fund - £2.4m) and borrowing up to £5m against the joint investment fund - which is otherwise not available until 2023. This provides matched funding to enable an ERDF bid to be made. Whilst rollout Phases 1-3 have been undertaken as part of the original contract procured in 2013, Phase 4 rollout will require a separate procurement to be undertaken in order to comply with state aid rules.

5G test-bed/pilot costs are unknown at present. Government has announced a very substantial funding stream to support global competitiveness in 5G. However, the process for areas to bid for inclusion will not be known until later this year. This funding allocation is proposed in the event that local match is required in order to participate. Funding for the proposed work streams to improve mobile coverage and public access Wi-fi is available within the programme budget.

A table of the budgetary requirements to meet the proposed connectivity targets, along with proposed funding sources as outlined above are as follows:

Connectivity	Target	Funding	Funding source
Fixed (Phase 4)	>99%	Up to £7.4m	Up to £5m borrowing against joint investment fund £2.4m ERDF bid
Mobile	>=National coverage	-	No capital investment – requires programme support
Public Access Wi-fi	+50 locations	£25k	Programme contingency – within original funding allocation
Future Digital (5G)	Test-bed location	£250k	Programme contingency – within original funding allocation

Recommendation

GPC are recommended to:

- 1) Approve the proposed funding mechanism to borrow up to £5m against the Broadband Investment Fund and bid for up to £2.4m European Regional Development Funds (ERDF) to support the procurement and delivery of a fourth phase of Superfast Broadband rollout. This will extend access to fibre broadband for Cambridgeshire businesses and provide access to high speed broadband connectivity to over 99% of homes and businesses across the County, following on from current rollout phases.

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

MEETING DATE REPORT DEADLINES AND REPORT TITLES	Frequency of report	Corporate/Service Director /external officer responsible	Report author
Committee Date 2.00 P.M. 30th MAY 2017			
Deadline for reports to be with Democratic Services : Mid-day Tuesday 16th May 2017			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Workforce Strategy and Model - Update Report	Regular update until final Strategy agreed and implemented	Human Resources – Head of People	Martin Cox /Lynsey Fulcher

Progress report on the implementation of revised Project Management Processes from the CLEC Report Recommendations and the Council's Transformation Programme	One-off	Head of Transformation	Amanda Askham
Progress Report on the Ely Archive Recommendations and results of random tests undertaken of other Capital Projects	Monitoring	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit / Mairead Kelly
Annual Report of the Internal Auditor	Annual Report on the Internal Control Environment.	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Draft Annual Governance Statement	Annual Report	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Annual Risk Management Report	Annual	Director, Customer Services and Transformation	Sue Grace / Tom Barden / Sue Norman
Review of Terms of Reference	Once a year	Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Integrated Resources and Performance Report	Each Cycle (previously except July as when the Committee was in June it was too early)	Chief Finance Officer	C Malyon / Rebecca Bartram S Heywood

COMMITTEE DATE 2.00 P.M. TUESDAY 25th JULY 2017			
Deadline for reports to be with Democratic Services : Mid-day Tuesday 11th July 2017			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
2017-18 Fee Letter	Annual	External Audit	David Eagles / Barry Pryke
Draft Statement of Accounts: 2016-17 (last year for the draft accounts as the 2017-18 set are required to be agreed by June 2018)	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Chris Malyon / Iain Jenkins
LGSS Draft Accounts (for information only)	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Code of Corporate Governance - updated document	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Transformation Fund Update – Savings Update against projects undertaken	One off request	Strategic Finance Manager / Head of Business Intelligence	Sarah Heywood / Dan Thorp
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress)	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

<i>Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date</i>			
Integrated Resources and Performance Report	Each Cycle (previously except for the July meeting as when the Committee was in June it was too early)	Chief Finance Officer	C Malyon / Rebecca Bartram S Heywood
Audit and Accounts Committee Training Plan. <i>This may have to be rescheduled to an earlier meeting as there will be elections in May 2017 which will inevitably result in changes of membership.</i>	Once a year	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
COMMITTEE DATE 2.00 P.M. TUESDAY 19th SEPTEMBER 2017			
Deadline for reports to be with Democratic Services: Mid-day Tuesday 6th September			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Annual Report to Council	Once a year presented to the October full council meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher
<i>Note: The Workforce Strategy was originally scheduled for the May Audit and Accounts Committee meeting at the request of the Chairman on the basis that it was going to General Purposes Committee on 21st March and Full Council on 28th March. It has now been rescheduled for the 6th June and 28th July meetings and has therefore been re-scheduled for the September Committee meeting.</i>			
Accounts: <ul style="list-style-type: none"> Revised Statement of Accounts ISA 260 Report and Letter of Representation and ISA 260 Report – Pension Fund 	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant External Audit BDO LLP	Chris Malyon /Iain Jenkins Lisa Clampin, and Barry Pryke David Eagles
Annual Report of the Audit and Accounts Committee (The Chairman / woman presents the report at the same time with other Annual Reports from Service Committees to the Full Council meeting in October)	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit / Mairead Kelly in consultation with the Chairman / woman
Internal Audit Progress Report	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson / Mairead Kelly
Risk Updates Report	Regular	Director, Customer Services and Transformation	Sue Grace / Sue Norman
Resources and Performance Update Report	Each Cycle	Chief Finance Officer	Chris Malyon / Sarah Heywood / Rebecca

			Bartram
Update on Unspent Section 106 Monies (this might be via e-mail)	Twice a year	Chief Finance Officer	S Heywood

COMMITTEE DATE 2.00P.M. TUESDAY 21ST NOVEMBER 2017 Deadline for reports to be with Democratic Services: Mid-day Tuesday 8TH NOVEMBER 2017			
Minutes and Minutes Log Update	Each meeting	<i>Democratic Services</i>	Rob Sanderson
Safe Recruitment in Schools Update - to also include assurance on safeguarding DBS checks on drivers employed on Home to School Transport runs and update explanation on Histon Early Years safe recruitment failures identified by Internal Audit safeguarding review	Regular update	<i>Children and Young People with input from Toby Parsons and Internal Audit</i>	Keith Grimwade / Chris Meddle / Sara Rogers / Mairead Kelly
Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram Sarah Heywood

External Audit - Annual Audit Letter 2016/17	Annual	External Audit BDO	BDO Lisa Clampin
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress, Galileo and whistleblowing and the outstanding library till issue)	Each meeting except June as this is too close to the July meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
<i>Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date</i>			

COMMITTEE DATE: 2.00 p.m. Tuesday 23rd JANUARY 2018 Deadline for reports to be with Democratic Services: Mid-day Tuesday 9th January 2018			
Minute Log	Each meeting	Democratic Services	Rob Sanderson
Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations reported to the July Committee meeting on Information Security and Social Care IT System and an update on the Domiciliary care audit)	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
<i>Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date</i>			
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / T Barden / S Norman
COMMITTEE DATE: 2.00 P.M. Tuesday 27TH March 2018 Deadline for reports to be with Democratic Services : Mid-day Tuesday 13TH March 2018			
Cambridgeshire County Council External Audit Plan 2017-18 including Pensions Work Plan to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree	Annual Report to March meeting	BDO LLP	Lisa Clampin, David Eagles / Barry Pryke
Internal Audit Plan 2017/18	Annual to the March meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / Tom Barden / Sue Norman

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update) <i>Relevant officers to attend the Committee to be invited by D Wilkinson where management actions have gone beyond the next agreed target date</i>	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram
Update on Unspent Section 106 Monies (this might be via e-mail)	Twice a year	Chief Finance Officer	S Heywood
Committee Date 2.00 P.M. Tuesday 29th MAY 2018			
Deadline for reports to be with Democratic Services : Mid-day Tuesday 15th May 2018			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Cambridgeshire Council Workforce Strategy – Review of Action Plan – Quarterly Update	Quarterly	Head of HR	Martin Cox / Lynsey Fulcher

Annual Report of the Internal Auditor	Annual Report on the Internal Control Environment.	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Draft Annual Governance Statement	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Annual Risk Management Report	Annual	Director, Customer Services and Transformation	Sue Grace / Tom Barden / Sue Norman
Review of Terms of Reference	Once a year	Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Integrated Resources and Performance Report	Each Cycle (Except July)	Chief Finance Officer	C Malyon / Rebecca Bartram S Heywood
COMMITTEE DATE 2.00 P.M. TUESDAY 25th JULY 2018			
Deadline for reports to be with Democratic Services : Mid-day Tuesday 11th July 2017			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
2017-18 Fee Letter	Annual	External Audit	David Eagles / Barry Pryke
Draft Statement of Accounts: 2016-17 (last year for the draft accounts as the 2017-18 set are required to be agreed by June	Annual	Chief Finance Officer / Strategic Finance Manager	Chris Malyon / Iain Jenkins

2018		/ Group Accountant	
LGSS Draft Accounts (for information only)	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Code of Corporate Governance - updated document	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Transformation Fund Update – Savings Update against projects undertaken	One off request	Strategic Finance Manager / Head of Business Intelligence	Sarah Heywood / Dan Thorp
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress) <i>Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date</i>	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Audit and Accounts Committee Training Plan. <i>This may have to be rescheduled to an earlier meeting as there will be elections in May 2017 which will inevitably result in changes of membership.</i>	Once a year	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Notes

Risk Management Update reports normally to March, June (now May), September and January.

The June report will also be the Annual Risk Management Report

2016/17 cycle was as follows:

- Jan, following SMT November review of corp risk
- March, following SMT February
- June following SMT May review
- September, following SMT August review

Integrated Resources and Performance Report every cycle except July as the meeting is too near the June meeting and General Purposes Committee is later in July and would always be one that had already been through General Purposes Committee or was going to General Purposes Committee in advance of this Committee as the appropriate decision making Committee

Update 8th March 2017