

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

**Date:** 17<sup>th</sup> March 2015.

**Time:** 14.00 -17.10 p.m.

**Place:** Room 128, Shire Hall, Cambridge

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

**Apologies:** None

**Action**

### **116. DECLARATIONS OF INTEREST**

None

### **117. MINUTES**

The minutes of the meeting held on 20<sup>th</sup> January 2015 were confirmed as a correct record and signed by the Chairman.

Arising:

Minute 108 Risk Management Report Risk 22 - Cambridgeshire Future Transport Programme

It was noted that the reconvened Cambridgeshire Future Transport Member Steering Group was to report to the Economy and Environment Committee. There was however currently no firm end date for a final report. Audit and Accounts Committee requested that they would wish to see the final review report. **Action: Joseph Whelan**

**RVS  
contact  
JW**

### **118. ACTION LOG FROM MINUTES**

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

Arising:

**1a) Capital Funding Update** – The update was noted with the correction that the reference to Bridge Primary should read 'Bewick Bridge'. (*Note: Bewick Bridge Community Primary School is its full title with the school located in Cherry Hinton*)

**2) Internal Audit Progress report - October - Safe Recruitment in Schools** – The Chairman reported that he had received an e-mail from the Service Director of Learning stating that there had still been 46 non-returners to the self assessment audit: 3 Nursery, 39 Primary, 2 Secondary and 2 Special. The Service Director accepted that the overall return rate of 82%, was not good enough, with the Nursery / Primary figure being particularly disappointing.

Some of the non-returners had been included in the current year's audit sample. The remainder were being written to by the Executive Director Children, Families and Adults with the aim of still achieving 100%. The Officer would provide to the Chairman a further update at the end of term.

It was resolved unanimously:

That an update should be included in the Minute Action Log for the next meeting in June. **Action: Democratic Services to request information from Service Director: Learning**

**R. Sander-son (RVS) to inform K Grim-wade**

**3a) Home to School Transport** – The Deputy Leader clarified that the Cambridgeshire Future Transport Member Steering Group had been re-convened through a decision by Full Council at their meeting in December, rather than by General Purposes Committee. However, the latter Committee at their meeting in January had requested that the Steering Group's scope should also include Home to School Transport. *(Note: This Committee had already indicated that they would also wish to receive the final report, having expressed concerns at the scale of the budget overspend on Home to School Transport)*

**4d) Risk 26 – Increasing Manifestation of Busway Defects** It was suggested that the Economy and Environment Committee should, as part of their regular review report, consider whether this risk was at the appropriate level. However, having received cautionary advice from External Audit on the need to ensure information was not disclosed which would prejudice future negotiations, **the Chairman indicated he would raise the issue directly with the Chairman of the Economy and Environment Committee. (Action)**

**Cllr Shellens**

**5. Closure of Accounts Property, Plant and Equipment accounts (PPE) Asset Management System** - There was a query on what the impact would be in relation to the end of year workload as the PPE Asset Management System not going live until later in 2015. It was explained this had already been taken into account when planning workloads.

**6. Assurance Framework Update - a) AF1b) Business Plan 14/15 Delivery** – There was further discussion on the frequency of peer reviews. After explanation was provided by the Deputy Leader, it was accepted that a corporate peer review every four years (as recommended by the Local Government Association) was about the right interval. This was on the basis that other service specific peer reviews were also carried out during the period.

**8c) Children's Social Care Directorate – forecast overspend due to continuing need to use agency staff - the Chairman asked for more detail on whether the number of permanent staff recruited outweighed those being lost through redundancy, natural wastage etc. (Action)**

**RVS to seek reply**

## **Performance Indicators – previous action to prepare a formal reference to General Purposes Committee**

The reference had been prepared by Democratic Services. However, it had been agreed in consultation with the Chairman not to take it forward, as it would have been commenting on old performance indicators which were currently being revised. **Instead, the Chairman had agreed with Sue Grace Director, Customer Services and Transformation that he would meet with her and the lead officer to influence the report which would go forward to General Purposes Committee. (Action)**

**Cllr  
Shellens**

### **119. RISK MANAGEMENT REPORT**

This report provided the profile of Corporate Risk faced by the Council highlighting any significant changes to the Corporate Risk Register since the report to the January meeting.

The table in paragraph 3.2 provided an analysis of Directorate Residual Risks as at March 2015. Appendix 1 illustrated the profile of Corporate Risk against the Council's risk scoring matrix. There were two red residual risks: one being 'Residual Risk 9 'Failure to Secure Funding for Infrastructure' which remained unchanged. The other Risk 1a) 'Failure to effectively plan how the Council will deliver services over the 5 Year Business Plan' also remained unchanged since the last report, but had been re-worded as requested by the Committee at the previous meeting.

The Temporary Head of Internal Audit explained that any comments from the Committee would be taken back to the Corporate Risk Group and then presented to Strategic Management Team (SMT) for further review. Any further amendments would then be presented to General Purposes Committee for their final decision.

Issues raised in relation to the Corporate Risk Register included the following (where action is recorded, officers are to report them to the Corporate Risk Group):

- Risk 3 'The Council does not have appropriate staff resources with the rights skills and experience to deliver the Council's Priorities at a time of significant demand'. The Chairman suggested a major trigger was lack of trained staff / lack of training at a national level. **(Action)**
- In relation to the Red, Amber, Green, (RAG) rating system the status shown was against the action not the substantive risk. This was why in some cases action was shown as green, and the progress was on track, but had not yet been delivered.
- On risk 1b The Chairman reiterated comments he had made at previous meetings that an additional trigger could be "serious difficulties in recruiting" - e.g. social workers stemming from lower wages than in some other areas and the higher cost of living (accommodation) in Cambridgeshire). On the sixth control, it was suggested that key ones such as this, should have a time target. **(Action)**

**D Thorp  
(DT)**

On Key Risk 4 'The Council does not achieve the best value from its procurement contracts' it was highlighted that under 'key controls' there was nothing to demonstrate 'Value for Money' was being

**DT**

achieved. <b>It was further suggested that the risk owner should be invited to the next meeting to explain this risk. (Action)</b>	<b>DT to contact Q. Baker</b>
<ul style="list-style-type: none"> <li>Risk 9 'Failure to secure funding for Infrastructure' - the reference to 'recession' in the trigger column was no longer appropriate and officers should consider replacing with other text e.g. austerity measures' <b>(Action)</b></li> </ul>	<b>DT</b>
<ul style="list-style-type: none"> <li>On the action owner column it was suggested that the name of the responsible officer should also be included rather than just the post for transparency purposes. In response officers highlighted that it was important that a role not a person owns a risk, as people moved around / left the Authority. <b>Action to look further on how this request could be actioned</b> <i>(note: this might be by way of a footnote glossary)</i></li> </ul>	<b>DT</b>
<ul style="list-style-type: none"> <li>The Chairman queried whether Risk 25 – 'Failure to effectively implement the Council's new governance arrangements' was still appropriate. It was explained that the six month review was still live. The Chairman suggested that if it was still required as a risk going forward it require updated wording. <b>Action</b></li> </ul>	<b>DT</b>

The report was noted.

## 120. INTERNAL AUDIT PROGRESS REPORT

The report set out the main areas of audit coverage for the period 1<sup>st</sup> January to 28<sup>th</sup> February 2015 and the key control issues arising.

Table 1 of the report set out a proposed change to the Audit Plan to carry forward from the LGSS – People Performance and Transactions Directorate the 'Self Performance Management Assignment'.

Table 2 provided details of the final assignments and the assurance opinion given relating to the following:

a) Business Continuity – Moderate Assurance provided.

b) Personal Budgets for Children - Substantial Assurance provided

**Action: The Chairman requested details outside of the meeting on the follow up to be taken to ensure the actions were undertaken to address the minor issues which had been identified.**

**Acting Head of Internal Audit**

c) Financial Governance in Schools / Schools Financial Value Standards - Moderate assurance provided.

d) Pupil Premium – Substantial Assurance provided

e) Information Governance in Public Health –Substantial assurance provided.

f) Programme and Project Management - Moderate Assurance provided.

**It was agreed that there should be an update to this Committee in six months' time to check progress on prioritisation of projects as there**

**Acting Head of**

was concern with the text reading “Through discussions with the Transformation Manager it was confirmed that projects were not being prioritised or sequenced on the portfolio of projects to enable effective use of resources”

**Internal  
Audit**

g) ECOOP European Grant Digital Co-operatives – Certification provided

h) Troubled Families Grant Verification Certification provided

i) Capital Programme – Substantial assurance provided.

Summaries of the finalised reports were included in Appendix 3 of the report.

- Table 3 listed audit assignments which were at the planning stage, were work in progress or at a draft report stage. Table 2 provided details of completed assignments / reviews with the headline assurance opinion. The numbers in brackets against some of the work in progress column being the size of sample e.g. number of schools.
- Section 4 provided details of the Fraud and Corruption update and included progress on the setting up of the Counter Fraud Team.  
**Action: The Chairman requested details of the case referred to in paragraph 4.4 outside of the meeting.**
- Section 5 highlighted that there had been a continued improved position with the ‘Implementation of Management Actions’. The overall implementation rate had improved marginally from 87% to 88%. At the last meeting it had been agreed that where actions were more than three months over the target date for implementation, explanation should be provided in full. The Committee would then be able to decide if they wished the responsible officer to be invited to attend the Committee.. The Temporary LGSS Head of Internal Audit confirmed none required this action to be undertaken on this occasion. The Chairman suggested, and it was agreed, **that it would be useful to give a brief one line explanation of the reasons where implementation targets had not been achieved. (Action)**

**Acting  
Head of  
Internal  
Audit**

**Acting  
Head of  
Internal  
Audit**

It was resolved to:

- a) note the progress being made against the approved Internal Audit Plan.
- b) Approve the in-year changes to the Internal Audit Plan.
- c) Note the material findings and themes identified by Internal Audit.
- d) Request one line explanations where implementation was more than three months overdue.
- e) Note the Audit reviews completed in the period.

## 121. INTERNAL AUDIT PLAN 2015-16

This report presented the 2015/16 Internal Audit Plan for approval and comments. The Plan has been prepared by reference to the Corporate and Directorate Risk Registers, the Assurance Framework and followed consultation with members of the Strategic Management Team and Service Directors. Internal Audit had also drawn upon an “audit universe” to highlight further potential areas for coverage. As far as possible, the Plan had also taken account of national and local developments and initiatives as well as requests from the Committee to ensure that audit coverage was being directed towards the areas of highest risk/current importance to the Council.

A contingency element had been included within the Plan to ensure that the Section remained able to conduct special investigations. The intention was to keep the Committee informed of any significant changes to and progress against the 2015/16 Internal Audit Plan through the quarterly reporting process.

As the Council continued to face a changing environment and as service transformation was at the core of the Business Plan, the Audit Plan included a number of embedded assurance reviews relating to the design and delivery of key projects. In reply to a query on whether enough days had been allocated to the City Deal, it was explained that this was ongoing and this and other areas could have additional days allocated if more risk was identified at a later point **(note: In discussion of the Forward Plan included later on in the meeting, it was agreed that the Internal Audit Plan update should be presented to every Committee).**

RVS to  
add

It was resolved to:

Endorse the Audit Plan as presented at Appendix 1 of the report.

## JONATHAN IDLE

As it was the Interim Head of Internal Audit, Jonathan Idle’s, last meeting before taking up a new post nearer his home in Leeds, the Chairman on behalf of the Committee wished him well for the future. He thanked him for the energy and intelligence which he had brought to the Committee’s meetings.

## CHANGE OF RUNNING ORDER

With the agreement of the meeting, the Chairman altered the agenda running order and took the items the Workforce Strategy and the Delayed Transfers of Care update reports as the next items of business.

## 122. INTERIM REPORT ON THE WORKFORCE STRATEGY

This report provided an update on the plans to develop a Workforce Strategy since the last update on progress in September 2014. Since that report, Strategic Management Team (SMT) had been working on proposals for the new, ‘Target Operating Model’ for the Council. This work related to risk 1a) to identify new ways of planning services to meet

the budget challenges ahead and was linked to the 20/20 work. The intention was to ensure that it was clearly aligned with the emerging Workforce Strategy. Employee Focus Groups had been set up, meeting across the County and running until early April, to facilitate employee engagement and inform the Strategy and Action Plan.

The report set out the types of questions being asked. Management Teams would then review the feedback during April and May with the target of producing a first draft for discussion at SMT by the end of June with a target of having the Workforce Strategy and resulting Plan in place for 1<sup>st</sup> September 2015.

It was resolved:

To note the update and to agree that this Committee should receive a further progress report on both the Strategy and Model at its July Meeting, including details of any emerging challenges.

### **123. DELAYED TRANSFERS OF CARE UPDATE**

The Committee received a report on the progress being made to improve the numbers of hospital bed days lost, as a result of Delayed Transfers of Care (DTC) attributable to Adult Social Care. It set out the actions taken to continue the improvement made in 2013/14 which included:

- More robust reporting and monitoring arrangements and the role of internal audit in supporting these arrangements.
- Sharing of best practice.
- Joint working with the NHS and other partners.

The Service Director for Older People's Services and Mental Health Charlotte Black highlighted that there had been a significant improvement in relation to reducing Social Care delays. However, as a result of the increase in NHS delays, the 9% Best Care reduction target would not be achieved. She also provided details of the £0.5m Grant Funding that needed to be spent by the end of April provided by Central Government. She offered to send the Grant Funding Plan to Members following the meeting.

The difference between delays attributable to Social Care (most as a result of home care not being available) and those attributable to NHS delays (normally very advanced health issues, requiring further detailed assessments to identify the continued health care needs) was explained.

Questions raised included /issues discussed included:

- As Addenbrooke's Hospital was no longer imposing fines, how much funding was saved and what was being done with it? It was indicated that the amount equated to £474k, With half being re-invested in providing 7 day working, more home carers, moving to the discharge to assess model, purchasing interim beds, increasing two carer capacity, as well as using some of the money to contribute to the savings target.

- Was a lack of home care supply an issue for social care delays? In response it was indicated that there were enough places being provided by the market, but the Council had to monitor quality carefully and ensure that it did not place service users in any setting that did not meet required quality standards. Some care homes preferred to provide places to people who paid for their own care and who might be prepared to pay a higher rate than the Council.
- In response to a question on whether there WAS anything else that could be done to help people continue to live independently, details were provided of initiatives such as the Falls Strategy. Members were however cautioned that there were no easy solutions.
- Confirming that families were encouraged to look after parents and many were doing this from their own finances.

It was resolved to:

- a) note the progress to date.
- b) To receive the DTOC Grant Funding Action Plan details outside of the meeting. **(Action)**

**C. Black**

#### **124. EXTERNAL AUDIT PLAN 2014/15 FOR THE STATEMENT OF ACCOUNTS AND PENSION FUND ACCOUNTS AUDITS**

This report provided the Audit and Accounts Committee with information regarding PwC's responsibilities as the County Council's external auditors and how they planned to discharge them for the audit of the financial year ended 31<sup>st</sup> April 2015. The report had been agreed with SMT but was now for comment by the Committee.

The report set out the framework for the audit, the approach to be undertaken and listed the main areas of audit review in relation to the following significant and elevated risks identified:

- Management override of controls
- Risk of fraud in revenue and expenditure recognition
- Fixed asset accounting
- Change in accounting policy in schools
- Value for money

For the pension fund audit, the main areas of audit review were in relation to the following significant risks categories:

- Management override of controls
- Risk of fraud in revenue recognition (contribution and investment income)
- Valuation of unquoted investments

Details were also provided about the proposed response to other pension related risks identified during the planning phases of the audit which were



not significant or elevated in relation to the risk areas within contributions, benefit and membership, investments assets and returns.

Details were provided of the following thresholds:

Overall materiality for the Council accounts £19,000, 000

Overall materiality of the Pension Fund £20,500,000

Clearly trivial reporting de Minimis £500,000.

The Committee was content to confirm the above thresholds.

The report set out details of the robust testing regime as detailed on pages 15 and 16 of the report.

The Chairman expressed some concern regarding bullet 2 reading “Consider the robustness of the control environment including the governance structure, the operating environment the information system and processes etc.” and was not confident the Committee had covered everything in all material areas. In reply, External Audit clarified that, as in the reporting of fraud, Members had to rely heavily on officers. This should involve undertaking benchmark comparisons on service quality as well as the need to explain what the Council was doing well and not doing so well in the most important areas of Council activity. The Chairman saw this as an area where more guidance was required. External Audit agreed that they might need to meet with Members to look at areas such as major savings plans etc.

In relation to the risk of fraud, Page 17 set out the Auditors, Management and this Committee’s responsibilities with page 18 illustrating the conditions under which fraud may occur. The Audit and Accounts Committee was required to confirm:

- Whether it had knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) were in place in the entity?
- The Committee’s role in relation to fraud?
- What protocols / procedures had been established between those charged with governance and management to keep the Committee informed of instances of fraud, either actual, suspected or alleged?

On page 18 the Chairman requested an explanation of the heading ‘Rationalisation of committing fraud’. The example given was where an organisation which either had to meet targets, or spend all its money in a year or lose it, then amended the accounts to show they had been achieved, when they had not.

It was clarified in relation to a question raised on bullet 4 above, that this was the role of Internal Audit.

Page 19 set out details of the team with page 20 setting out the details of the actual fees paid in 2013/14 and the indicative fees for 2014/15.

The Deputy Section 151 Officer explained the costs under the heading

“Planned non-audit work”. It was confirmed that they were considered to be value for money.

Comments from Members included:

- Page 6 - under the heading ‘Risk on fixed asset accounting’ asking for more explanation regarding the Audit approach for the line “Review accounting treatment of any impairments”. An example given was in relation to the Castle Court offices being let out for student accommodation, which would change the value of the asset.
- There was discussion around the financial impact of 41 voluntary controlled schools being removed from the balance sheet (note: they would be taken out as a cost on the balance sheet) while 7 foundation schools would be added onto the balance sheet. It was clarified that these changes were nothing that the Council had recorded incorrectly, but resulted from changes in Government guidelines. These would require prior year adjustment when the next set of accounts were presented. **In relation to the Value for Money risk, the Committee requested more detail to be provided on the approach that would be undertaken to identify value for money (page 8). The External Auditor undertook to provide this detail in the report on its findings to come back to Committee. (Action)**

Claire  
Peacock  
(CP)  
PwC

It was resolved to:

- a) Note the report.
- b) Confirm the materiality levels included on page 14.
- c) Agree the levels of fees set out on page 20 of the report.
- d) **Agree that officers liaise with the Chairman outside the meeting to receive and consider minor grammatical changes to the text.**

CP / Cllr  
Shellens

## **125. 2014-15 CLOSURE OF ACCOUNTS IMPROVEMENT PLAN / ACTION PLAN UPDATES**

This report provided a further update on progress with the closedown improvement / action plan, ahead of the 2014-15 closure of accounts. The updates on the Main Accounts were in relation to:

- Property, Plant and Equipment accounts preparation
- Segregation of duties within the Accounts Payable and Payroll systems in Oracle
- General Ledger to Payroll reconciliation and delays in obtaining payroll data

In relation to Pension Fund Accounts there were updates in relation to:

- Pension Fund Bank Account
- Use of suspense accounts and posting between Pension Fund and County Council General Ledgers

- Cambridge and Counties Bank valuation.

Making reference to the heading in Appendix 1 'Reconciliation of Investment Manager confirmation to custodian reports', **there was a request to find out from Pensions the frequency this would take place, as the entry just referred to it "occurring on a regular basis. Action.**

C Yates

It was resolved to note the report.

## 126. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 30 JANUARY 2015

The Committee received the above report which had been received and agreed by General Purposes Committee on 12<sup>th</sup> March 2015.

The Vice Chairman challenged the wording on the cover report tabled for 11a) which set out General Purposes Committee's role as being "to make decisions and approve virements" while Audit and Accounts Committee's overview role was "limited to consider whether effective processes are in place for financial management". It was explained that this was taken from the terms of reference of both Committees and reflected the different roles, with Audit and Accounts Committee not empowered to make decisions which were the remit of the relevant service committee. Any proposed changes suggested by Audit and Accounts Committee not included within its terms of reference, could only be via a reference to a Service Committee. Any proposed changes to terms of reference would require to be agreed initially by Constitution and Ethics Committee, who would then prepare a report for approval by Full Council.

Issues raised by Members included:

- Making reference to the Revenue Budget table on page 3 of the report, the Vice Chairman expressed concern regarding how General Purposes Committee could effectively monitor budget spend when there was only one line included for the Children, Families and Adults (CFA) Budget, although this represented 70% of the overall budget. He expressed the view that as the largest part of the Council spend, it should be broken down into different elements and did not believe it was currently sufficiently transparent. It was explained that both the Adults and Children and Young People's Committees received on a regular basis their own service specific detailed 'Finance and Performance' reports and that General Purposes Committee operated in an overview capacity. **Action: It was agreed that the issue would be further considered with officers outside of the meeting**
- In respect of the table on page 9 and 10 titled 'Performance Targets' **Officers were asked to look at separating those the Council had specific responsibility for / could directly influence, from those targets it was required to report on by Central Government. (Action)** In response it was explained that the table format was currently being reviewed and would include looking into this point.

RVS /  
Chair  
and Vice  
Chair  
man

Ian  
Smith /  
Mike  
Soper

- With reference to paragraph 6.4 'Changes to Capital Funding' it was suggested that the table would be further enhanced by making clear, in respect of the underutilisation of specific grants / Section 106 Resources, whether this was the result of not receiving those funding streams, or of expenditure not having been incurred against which to match the funding received. (Action)

Ian  
Smith

The report was noted.

## 127. DRAFT AGENDA PLAN

The Draft Agenda Plan was noted which would be updated for those additional reports requested during the current meeting.

In addition, the Chairman reported that the Leader of the Labour Group, Councillor Sales had brought to his attention his concerns that General Purposes Committee on 27<sup>th</sup> January had made decisions to grant a lease to an organisation to manage the land as a community sports facility on the March Estover Road Site without having adequate information.

It was unanimously resolved:

- To ask the new Head of Internal Audit (HIA) once in post to undertake a review as part of the Internal Audit Work Programme / Future item on the Committee work plan
- To agree to receive updates on the Internal Audit Plan at each Committee meeting.

**RVS to  
alert HIA**

**RVS**

## 128. DATE OF NEXT MEETING 2.00 p.m. 9<sup>th</sup> JUNE 2015

External Audit sent their apologies in advance as they would not have any reports for the meeting.

Chairman  
9<sup>th</sup> June 2015