

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 16 APRIL 2014 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 10.50 AM.

MEMBERS PRESENT

Mr T Butcher (Vice-Chairman)
Mr W Chapple OBE
Mr R Khan
Mr D Martin
Mr Z Mohammed (Chairman)
Mr R Scott

OTHERS IN ATTENDANCE

Mrs A Davies, Service Director, Legal and Democratic Services
Mr I Dyson, Chief Internal Auditor
Ms M Gibb, Risk and Insurance Manager
Mr I Murray, Manager - Assurance, Grant Thornton
Mr R Schmidt, Assistant Service Director (Strategic Finance)
Ms H Wailing, Democratic Services Officer

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies had been received from Warren Whyte.

Richard Ambrose (Service Director, Finance and Commercial Services) had sent apologies.
Richard Schmidt (Assistant Service Director, Strategic Finance) was in attendance.

2 DECLARATIONS OF INTEREST

Raj Khan declared an interest under Agenda item 14 as his family held contracts with Amey.

3 MINUTES

The Minutes of the meeting held on 28 January 2014 were agreed and signed as a correct record.



INVESTOR IN PEOPLE



David Martin apologised for not attending the meeting on 28 January and said that this was due to flooding in his electoral division.

Matters arising

Page 2 – public health staff pensions – Ian Dyson said that he had had a discussion with Public Health and would follow this up.

Page 2 – Fraud work – year end work had just been completed so a full picture for 2013-14 should be in place. This would be brought back to the next meeting.

Page 4 - glossary of acronyms – this could be done.

Page 14 – petitions referred to LAFs – Clare Gray to feed back.

4 CAPITAL PROGRAMME AUDIT - FEEDBACK ON RECOMMENDATIONS

Richard Schmidt (Assistant Director, Strategic Finance) referred members to his report.

Following the end of year report on the Capital programme for 2012-13 and the significant level of slippage reported, a special audit investigation had been commissioned.

The draft proposed process had been taken to the Business Investment Group (BIG) and the report showed the process which had been agreed by BIG on a trial basis.

The table on page 19 responded to the recommendations in the audit report.

Page 22 contained a flowchart showing the proposed gateway process. The first step in the flowchart was to register a project.

Gate 2 set out the broad thrust of why the project was important, to see if there was support for the project in principle.

There might also need to be a Gate 2b, at which there would be a feasibility study. This might be more appropriate for the Business Unit Boards under the Future Shape structure than for BIG.

Gate 3 (full business case) should have addressed key planning issues, design etc.

Gate 4 was a project review stage.

BIG had agreed this proposal on a trial basis, and project managers would therefore be notified to adopt this process. Existing projects would also be reviewed to see if in principle this gateway process should apply.

A member asked if there was a timescale for each gateway. Richard Schmidt said that this would be different for individual projects. Each stage should set out the envisaged timescale for the following stage.

Ian Dyson, Chief Internal Auditor, said that the outline business case should set out the timescale.

A member said that they would expect a gant chart of timescales and steps at Gateway 2.

A member said that they sat on BIG, and that in the past, projects had contained unrealistic timescales, and slippage had occurred. The member noted that it would take around six months for the new process to settle in.

A member asked how often BIG met. Richard Schmidt said that it was programmed to meet monthly but that meetings only took place when necessary, which meant that some were omitted.

The Chairman said that his company had encountered similar problems with deals in the property market, and had therefore set up two groups which met weekly, to increase the speed of decision-making.

Ian Dyson said that the new process also increased transparency as it allowed BIG to be systematically alerted sooner.

Members asked that an update report be brought to the Committee in six months' time.

The Committee noted the new process and provided comments and advice to the Business Investment Group.

5 2013/14 INTERNAL AUDIT PLAN PROGRESS REPORT

The Committee received the report of the Chief Internal Auditor. The report contained a summary of the audit reports issued since the previous meeting.

Two limited audit reports were being brought to the Committee's attention. These were the audit reports for:

- Adult Safeguarding
- Children's Safeguarding

The systems and processes around safeguarding were not providing assurance as they should be. There had been a good response from the Services and actions had been agreed. Service Directors would be invited to attend the next meeting of the Committee.

There had also been a limited opinion for the Vodafone Audit report, but this was to some extent expected as they had been aware of weaknesses in the system.

Other Audit Activity

The Purchase to Pay Project was now under the Finance and Commercial Services Future Shape Team, and they were working to reduce the number of imprest accounts.

The Finance Business Partner and the Chief Internal Auditor were currently reviewing the system of assurance to the Chief Finance Officer in relation to financial management in schools. The project had been delayed in completion due to a lack of resources.

This work remained a key element and was now being moved on. A new handbook would be going to the Schools Forum that week.

Following the audit of the Special Educational Needs Service, an initial follow-up review had been carried out. There was a strong improvement in the Service. There was a slight slippage of actions, but this was not of concern. Outstanding actions would be followed up during Quarter 1 of 2014/15, or during Quarter 2, to allow the new actions to bed in.

An internal audit had been carried out following a request from the Service Director, of a complex case regarding a direct payment process for a service user. This had been carried out as a 'walk-through' of the system and processes. No financial irregularity had been found, but a significant number of issues had been identified, which raised questions over the whole direct payments process, and on checks over whether care was being provided.

National Fraud Initiative (NFI) / Counter-fraud – There was one current investigation into a suspected financial irregularity of a sum under £10 000. The control issues had been shut down so that the irregularity could not continue.

There was a whistle-blowing issue ongoing regarding misappropriation of Council funds.

A member referred to the safeguarding audit reports with limited opinions, and asked how serious these were.

Ian Dyson said that they had not found any instances of children not being looked after. However the controls required were not in place. In the Children's Safeguarding Team, a lot of control sat with the professional staff. The controls in place were therefore in regard to proper training of staff. The supervision process was crucial. There would always be risk, but the question was about how well they were monitoring the risk, and doing everything possible to safeguard children in Buckinghamshire. The quality of the audit was excellent in a key area.

A member asked if resourcing was a potential issue. Ian Dyson said that auditors did not look at resourcing, but at whether systems were working effectively.

A member noted that risk would always be present in children's safeguarding teams, and also noted that there was no evidence that the Council was failing to safeguard any children. Actions were being taken to manage the process side of the work effectively. A recruitment process was ongoing. There had also been changes in senior management, including a new director.

The Chairman asked that final copies of the full safeguarding reports be circulated to Committee members before the next meeting.

The Committee noted the report

The Committee requested reports from the Service Directors to the next meeting, detailing the progress made on the improvement plans following the internal audits on safeguarding systems and processes.

6 2014/15 ANNUAL INTERNAL AUDIT STRATEGY

Ian Dyson, Chief Internal Auditor, referred members to his report.

The Internal Audit Strategy outlined how the resources of the Audit and Risk Management Service would be applied, and the methodology that would be adopted to ensure that Internal Audit activity was effective and enabled the Chief Internal Auditor to provide an annual opinion on the Council's Systems of Internal Control.

The Chief Internal Auditor drew members' attention to the following points:

- The Future Shape programme would be the major change for the organization. Changes needed to be ready by 2015-16. This would require a lot of work to look at the assurance framework.
- Maggie Gibb (Risk and Insurance Manager) would be seconded from the Internal Audit Team to work with the Assistant Service Director (Strategic Finance) on building the Assurance Framework. Ian Dyson was also involved in various governance groups.
- The outcome of Future Shape would determine the requirements of the Internal Audit Service.

- The priority for Ian Dyson in the meantime, as well as continuing with risk assurance work, was to put more emphasis on the financial management processes in the organisation. This was also being reflected in discussions being held with Service Directors.
- Another key area for assurance was contract management. The new application would be one of the assurance providers. The Internal Audit team would audit the application.
- In regard to resourcing overall, there would not be any reductions in the budget, but there would be some resourcing pressures due to Maggie Gibb's secondment.
- A senior auditor would also be going on a secondment to the Finance Service.
- Internal Audit would continue its collaboration with Oxfordshire County Council. The Internal Audit team would also be buying in 200 days of managed audit time.
- One omission was that Internal Audit would be commissioning external staff to audit the insurance services. This was due to a conflict in that Ian Dyson managed the insurance services, and would therefore stand away from this audit work. Neil Shovell, Audit Manager, would have oversight of the audit instead. Results would be reported directly to the Service Director for Finance and Commercial Services, and to the Regulatory and Audit Committee.
- Ian Dyson was happy that the Council was putting the right level of resource into the key audit areas required.
- Appendix 1 showed the proposed performance indicators for 2014/15.
- Appendix 2 set out the audit activity for Quarter 1 of 2014-15. This included ongoing activity to review the Section 151 Officer assurance process on Schools Financial Management, and Ian Dyson would assist in drafting new procedures.
- Ian Dyson had asked the IT Auditor to map out the assurances which could be relied upon. This mapping work should be ready for June 2014, and would be a basis for IT audit activity for 2014-15.

Risk Assurance

Risk Assurance work would continue to be managed by Maggie Gibb, Risk and Insurance Manager. Additional resource had been added to Risk Assurance, and Amy Wadsworth, Risk and Insurance Officer, would be increasing her activity on risk management, including looking at major projects. Her initial focus would be Bucks Law Plus, which was due to go live that year.

Andrew Capjon, Performance and Risk Officer, would focus on performance-related risks, and he would be looking at the implications of the Care Bill.

Counter Fraud / NFI

In terms of Counter-fraud, there would not be a formal separate plan in the current year, but fraud work might come out as a result of work on financial management. There was also the ongoing Section 151 work.

NFI work would start again in September / October 2014 for the next data review.

A member referred to the 200 extra days which would be bought from Mazars (previously Deloitte), and said that it would be helpful if the table on page 35 had another column

showing cost and how it compared with the previous year. Ian Dyson said that he could do this. He also said that the 200 days from Mazars came within the existing budget.

A member asked how the buying-in of internal audit work was managed, and how much was needed. Ian Dyson said that an assessment of the number of days needed was down to his judgment. The number of days they commissioned was an indicative number. It was down to estimation and was not an 'exact science.'

A member asked what would happen if they over-estimated the number of days needed. Ian Dyson said that they had scope for each internal audit carried out, and that they knew how many days each audit should take. When they actually went in for the audit, there might be changes needed in focus. To obtain extra days, the Audit Manager had to go back to the client and to the Chief Internal Auditor if necessary.

A member referred to page 35 and said that the figure for OCC / Contract staff (568) seemed high. Ian Dyson said that this figure reflected the number of days needed. The gross number of days would include 260 days of Maggie Gibb's time. The OCC / Contract staff figure only included audit days. There were currently four staff from Oxfordshire (including Ian Dyson himself) working on Buckinghamshire activity.

A member said that new areas such as Bucks Law Plus and the Local Authority Trading Company were being addressed, which was critical. Ian Dyson said that this was why they had increased Amy Wadsworth's time.

The Committee approved the Internal Audit Strategy and the Q1 Plan.

7 INTERNAL AUDIT SELF-ASSESSMENT

Ian Dyson, Chief Internal Auditor, told members that CIPFA had produced a new set of stringent standards for internal audit in 2013. These had been designed to support the Chief Audit Executive to enable them to carry out their job properly. Ian Dyson said that he did not have any current issues or concerns about his ability to do the job.

The Internal Audit Team at Buckinghamshire County Council was a small internal audit function, and focused on work and outcomes. They did not currently have an Audit Charter, and this would be drawn up as part of the new governance framework for Future Shape.

Ian Dyson said that he was not wholly independent as he managed both the risk management and insurance teams, and reported to the Section 151 Officer. However Ian Dyson confirmed that he did have freedom of reporting, directly to the Chairman of the Regulatory and Audit Committee, to the Leader of the Council and to the Chief Executive of the Council, and did not have to go through the Section 151 Officer to do this. In other words, there were no issues regarding Ian Dyson's reporting and his ability to report.

Ian Dyson showed members a local authority note checklist, which could be used as a self-assessment tool. This would be circulated to members.

Regarding CPD schemes, they did have various networking groups. CIPFA ran annual update sessions. However the Council did not have a formal means of recording training carried out, as this was not actively monitored.

Ian Dyson said that his appraisal was undertaken by the Section 151 Officer but was not counter-signed by the Chief Executive. Feedback was not currently sought from the Chairman of the Regulatory and Audit Committee on Ian Dyson's performance, but this would be a good idea and Ian Dyson would suggest this to the Section 151 Officer.

Regarding the Bribery Act, staff had received briefings but this needed to be formalised.

PC-assisted audit techniques were a method for giving assurance (not the only method). These were not currently widely used at the Council.

Re a Quality Assurance and Improvement Programme, there was a quality assurance mechanism in the Internal Audit Team. They were looking at revising the internal audit reporting mechanism, and they needed to develop an improvement plan.

A formal review process for Internal Audit was not in place at Buckinghamshire County Council. In Oxfordshire, the Monitoring Officer reported to the Audit Committee. Ian Dyson reported to the Regulatory and Audit Committee quarterly at Buckinghamshire County Council, and members of the Committee could challenge him at any time. An annual questionnaire could be commissioned by the Regulatory and Audit Committee.

A member asked if the audit officers needed to take part in CPD training to maintain their professional qualifications. Ian Dyson said that they did, but that this did not have to be reported to a professional body. Maggie Gibb said that there was a requirement for some audit staff to report back, and that she reported this back.

A member asked if the Audit Charter was a statutory requirement, and asked what was different about it. Ian Dyson said that he was required to comment in the Annual Governance Statement as to whether they maintained an effective system of internal audit. This linked back to statutory requirements. The Charter would not make a big difference in practice.

A member of Grant Thornton asked if the Audit Charter would be joint between Buckinghamshire and Oxfordshire Councils. Ian Dyson said that there would be a separate audit charter for each authority, as the Charter was organisation-based. The member of Grant Thornton said that Buckinghamshire County Council already had most of these things set out. Ian Dyson said that they did have these things, but that it was about whether he could access them easily.

A member of Grant Thornton said that Ian Dyson and his team could use the annual reporting process as a proxy for carrying out an effectiveness report.

In summary, Ian Dyson said that an Audit Plan, Action Plan and Audit Charter would be coming out of the new standards.

8 CIPFA GUIDANCE FOR AUDIT COMMITTEES

The Guidance which had been published for Audit Committees had been circulated to members.

The guidance set out the role of audit committees, and was good practice. The guidance was an update to the 2005 guidance.

The guidance included some self-assessment matrices. Ian Dyson said that his advice was that the Committee carry out a self-assessment of good practice and an effectiveness review.

The Chairman asked members to complete the matrices themselves and to bring to the July 2014 meeting. The matrices would be anonymised once completed.

9 WHISTLE-BLOWING POLICY

Anne Davies, Service Director for Legal Services & Monitoring Officer, said that this was an update to the previous Whistleblowing Policy, and conformed with national guidance. One update was that at Stage 3, a matter could go to a County Councillor.

Anne Davies also told members that best practice guidance stated that the identity of a whistleblower should always remain confidential, but that this could be very difficult.

Anne Davies confirmed that all the changes which had been made were minor changes.

The Regulatory and Audit Committee approved the revised Whistleblowing policy.

The process for Whistleblowing will be brought to employees' attention when the revised policy is launched.

10 UPDATE FROM GRANT THORNTON (VERBAL UPDATE)

Iain Murray (Grant Thornton) said that the External Audit Plans would be brought to the next meeting.

There would be some changes in the current year to the Accounts due to changes stemming from the Energy from Waste project. These changes had been discussed with managers.

The Value for Money work would include work on Future Shape.

11 FORWARD PLAN - STANDING ITEM

Members noted the Forward Plan.

The review of the various policies in June 2014 would be covered under the development of the new governance framework under Future Shape.

12 DATE AND TIME OF NEXT MEETING

~~Future Shape Workshop – 6 May 2014, 1pm to 3pm, Mezzanine Room 3, County Hall, Aylesbury~~

10 June 2014, 9am, Large Dining Room, Judges Lodgings, Aylesbury

13 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

14 CONFIDENTIAL MINUTES OF THE MEETING HELD ON 28 JANUARY 2014

The confidential Minutes of the meeting held on 28 January 2014 were agreed and signed as a correct record.

CHAIRMAN