

# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON TUESDAY 10 JUNE 2014 IN LARGE DINING ROOM, JUDGES LODGINGS, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.24 AM.**

### **MEMBERS PRESENT**

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

### **OTHERS IN ATTENDANCE**

Mr R Cook, Interim Highways Manager  
Mrs A Davies, Service Director, Legal Services  
Mr I Dyson, Chief Internal Auditor  
Ms M Gibb, Risk and Insurance Manager  
Mr P Grady, Grant Thornton  
Mr C Munday, Service Director, Learning, Skills and Prevention  
Mr I Murray, Manager - Assurance, Grant Thornton, Grant Thornton  
Mr A Oyerinde, Grant Thornton UK LLP  
Ms H Wailing, Democratic Services Officer

### **1 ELECTION OF CHAIRMAN**

Zahir Mohammed was elected as Chairman of the Regulatory and Audit Committee for the ensuing year.

### **2 APPOINTMENT OF VICE-CHAIRMAN**

Timothy Butcher was appointed as Vice-Chairman of the Regulatory and Audit Committee for the ensuing year.

### **3 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**

Apologies were received from Raj Khan and Alan Stevens.



INVESTOR IN PEOPLE



#### **4 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **5 MINUTES**

The Minutes of the meeting held on 16 April 2014 were agreed and signed as a correct record.

##### **Matters arising**

Page 2 – Public Health Staff Pensions – Ian Dyson reported that the Council did contribute to public health staff pensions. There had been a TUPE transfer of 70 staff, on four different pension schemes. The Council paid employer contributions for each of these.

Page 2 – Fraud work – Ian Dyson reported that Human Resources had run a SAP report looking at the take-up of leave by non-school employees. Of 2524 records, 775 had still had a balance of 25% left at the end of the last financial year. This could be due to people not being able to access SAP to update their leave. A further update would be brought in September 2014.

A member asked if they could benchmark how much leave was taken against other authorities. Ian Dyson said that he was not sure that this would serve any benefit.

A member asked if a report would also be run about sickness absence. Ian Dyson said that other measures would be used as well as the raw leave data.

A member said that the numbers suggested that the leave system was not working properly. It was unusual for staff not to take their leave, and this needed to be looked at. Staff in financial teams who did not use all their leave should raise a 'red flag.'

#### **6 UPDATE ON RISKS RELATING TO AMEY CONTRACT, ACADEMIES, SPECIAL EDUCATIONAL NEEDS AND THE BUCKINGHAMSHIRE LEARNING TRUST - VERBAL UPDATE**

Chris Munday, Service Director for Learning, Skills and Prevention, was welcomed to the meeting and updated members as follows.

##### **Special Educational Needs (SEN)**

Following the audit of the SEN Service in the previous year, there had been 26 high-level management actions. 13 of these had now been fully implemented.

The new national SEN Code of Practice needed to be in place by 1 September 2014.

A recent audit had shown that the Service was moving forward on progress with actions. The Service was working closely with parents on the changes, and also needed to work closely with schools.

The challenge was that SEN issues tended to be quite contextual. The Service needed to implement the new Code of Practice arrangements clearly, which should lead to a reduction in the number of SEN statements.

A member said that there was inconsistency with the implementation of training for the new system. Chris Munday said that the training had been contextual to individual schools. It was critical that they ensured that all schools were operating in the right framework. The Council was keeping an eye on what was going on and on how the new system would be embedded.

A member asked about the reduction in the number of SEN statements. Chris Munday said that they did not know how big the reduction would be, and that it was too early for an indication. It was critical that they brought parents along with them, to try and reduce challenge.

A member asked where they would see a difference in the future. Chris Munday said that in the current year they had seen a reduction in the number of SEN statements for the first time in seven years. As the funding mechanism reduced, they would see major changes in the number of new SEN statements. Schools would see little reason to go for statements, as they would not receive any extra resource.

### **Academies**

The Council continued to work well with academies, and there were no particular concerns.

The sponsor E-ACT had been criticised nationally. No schools in Buckinghamshire had moved from E-ACT to another sponsor, but one school (Little Spring School) now no longer had a sponsor for academy status.

Prospects had ceased to sponsor academies, but this would not raise any issues in Buckinghamshire.

Regarding school to school support, there were issues with Bourton Meadow Academy and The Wye Valley School, where transfers had not yet been made.

Regarding performance, the area with the biggest problem was convertor academies which had previously been upper schools. Ofsted findings for these schools were substantially worse since they had become academies.

Buckinghamshire's performance on the indicator of the number of schools being classed as 'good' or 'outstanding,' had dropped. Chris Munday was working with the Strategic Director for Children and Young People and with the Cabinet Member for Education and Skills, regarding the discussions which might be needed with Ofsted.

The Council was also analysing data on the new 11+ exam. They would need at least three years' data to see if the new test had made a difference to the cohort.

A member asked for the reasons for poor performance in ex-upper schools. Chris Munday said that the overall framework based the pupil position on national results. Comparative factors seemed to be causing the issue, as the drive of the new framework was outcomes. There was also less consistency about what inspectors said. Chris Munday said that the Council should always drive academic performance in its upper schools.

A member noted that Buckinghamshire was not the only county that had a selective system, and suggested that data from other selective authorities be looked at. Chris Munday said that they had been looking at data, and that some upper schools had not yet been inspected. If a pattern emerged, the Council would speak to Ofsted.

The member asked if the Council Leader should write to the Minister for Education. Chris Munday said that the Cabinet Member for Education and Skills was minded to write to Ofsted, but wanted a really coherent picture first.

The member noted that the Minister might not be aware of the issues as they obtained their reports directly from Ofsted.

A member referred to the risk that sponsors might pull out from schools, and asked how robust the support mechanism was so that this did not fall back on the Council.

Chris Munday said that they were putting together a package of support for Little Spring School, and had needed to extend a lot of arrangements. Some staff were leaving the School due to the uncertainty. The Learning Trust was pulling together a further package of support for September 2014. The Headteacher of Chesham Grammar School was also taking an interest. This type of situation left the Council with a large amount of risk, as well as vulnerable pupils.

There were not as many sponsors for academies as the Government had expected, and as time went by they were not seeing as many improvements through academies as expected.

A member asked if a school would come back to the care of the Council if a sponsor pulled out. Chris Munday said that it would not, but would go to another sponsor. There would be concern about a dip in performance between sponsors.

A member said that the transfer between schools in Buckingham had been delayed due to a land ownership issue. The member asked if there would be similar issues in the future. Chris Munday said that this was the only time this issue had arisen.

A member said that the Trustees of the School had agreed the transfer, so that hopefully the academy should be in place by September 2014. Chris Munday said that the Council was supposed to transfer schools quite quickly, and that this one had taken longer.

### **Buckinghamshire Learning Trust (BLT)**

Internal Audit was investigating one issue which had arisen, about financial management in a team which was now part of the BLT.

The Council continued to work well with the BLT. Primary performance had gone well. Secondary performance had experienced a dip, as referred to above. The BLT was working positively with academies to drive performance.

The progress with 'narrowing the gap' would not be clear until later in the year.

The BLT had experienced a large turnover of staff since the transfer, some of which had been expected. Chris Munday said that he was confident that the team in place could drive the improvement required. Chris Munday said that overall he was satisfied that progress was being made.

The Chairman thanked Chris Munday and asked for a further update after six months.

## **6A 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)**

## **6B UPDATE ON RISKS RELATING TO AMEY CONTRACT**

## **6C INCLUSION OF THE PRESS AND PUBLIC**

## **7 TRANSPORT FOR BUCKINGHAMSHIRE SUMMARY REPORT**

Bob Cook, Interim Highways Manager, was welcomed to the meeting.

Bob Cook referred members to the report in the papers, and said that it was an update on the streams of review of the Transport for Buckinghamshire (TfB) Service. Currently there were two reviews being undertaken. One of these was a wider review and one was an improvement plan.

The wider review was being carried out by Gate One. A joint COMT (Chief Officer Management Team) and Cabinet meeting had already been held on 19 May 2014.

The Improvement Plan was 75% complete. A few tasks had overlapped with Gate One, so had been delayed.

The Council had been working to address the actions from the previous Audit Report (from 2011), almost all of which had been addressed.

Ringway Jacobs had also undertaken its own audit and 12-14 actions had come out of that.

A member said that the report in the papers seemed to be a 'review of a review of a review.' The member asked if one of these reviews would be superior. Bob Cook said that each review had a slightly different focus. The improvement plan stemmed from July 2013. The Review carried out by the Select Committee had been separate. The Gate One Review was a healthcheck of the whole service. The reviews were seen to be joined up, and work was not being duplicated.

A member said that it was good to hear that value for money would be part of the Gate One Review, as it was six months since this had been agreed by Cabinet.

The member said that they were surprised that there was no update on the 2011 internal audit, and noted that these actions were now 3.5 years outstanding. Bob Cook said that there were discussions ongoing.

Ian Dyson said that the Council was trying to manage improvements as a whole instead of as separate issues. An explanation had been given to the Committee in January 2014 about the actions dating back to 2011.

The Chairman noted that the 2011 audit actions would be looked at in more detail at the Risk Management Group.

Bob Cook said that the outcome of the Gate One review might well have an impact on the 2011 audit actions.

Ian Dyson said that the Committee should be receiving a more detailed briefing, and asked if there was a possibility of a briefing being held for the Select Committee. Bob Cook said that such a briefing would broadly cover the same issues as this discussion.

Members agreed that a full report should be brought to the Regulatory and Audit Committee meeting in September 2014, or to 25 June meeting, if it was ready by then – **Action: BC**

Ian Dyson noted that the underlying theme in all the reviews was governance. The remit of the value for money review had been extended to include a forensic audit (including testing of open book aspects). Only one company had expressed interest in carrying out the value for money review. Grant Thornton had been invited to bid but had been unable to do so due to an internal conflict. A meeting was being held that day to discuss the one bid that had been received.

A member said that TfB work consumed everybody's attention disproportionately. The member suggested that all the reviews be drawn together. Bob Cook said that was the intention of the report which had been requested for the September meeting.

## 8 DRAFT ANNUAL GOVERNANCE STATEMENT

Ian Dyson, Chief Internal Auditor, circulated the draft Annual Governance Statement (AGS). The AGS would be brought to the next meeting for formal agreement, but was being presented at this meeting for members' information and comments.

The AGS contained key issues and governance matters that needed to be considered. Ian Dyson asked members to let him know if there were any other areas which should be covered in the AGS.

Ian Dyson also referred to a self-assessment checklist used to compile the AGS. The checklist was circulated to all services for completion and had demonstrated high levels of compliance.

The Data Protection Act (DPA) Training which was mandatory for all staff had still not been completed by all employees.

The Contract Management system was now live but the embedding of the system had been delayed. The Regulatory and Audit Committee would now start to receive reports from the new system.

A member said that it was good to hear that the Contract Management system was going ahead.

The member noted that the Children and Families Service had not responded to the self-assessment checklist.

Ian Dyson said that the Service Director was currently on sick leave, and that the Interim Director would not have all the information to complete the checklist.

Ian Dyson said that the audit activity they had undertaken did not indicate a broad problem in the Children and Families Service. The Internal Audit Plan for the following year would include some activity in that Service.

A member noted that some issues in the self-assessment checklist had not been included in the AGS (e.g. SAP use).

A member also referred to the issue of some managers not recording sick leave on SAP, and asked if this was acceptable.

Ian Dyson said that issues included in the AGS represented fundamental governance issues. However this did not mean that the Regulatory and Audit Committee should not monitor issues outside the AGS.

Ian Dyson said that reports on SAP use went to strategic directors.

A member referred to DPA training, and said that this was a management issue.

Ian Dyson said that he would take the issues in the AGS Action Plan, identify who would take ownership corporately for each action, and provide timescales (i.e. he would provide a more detailed action plan for the Committee) – **Action: ID**

Ian Dyson also said that the governance arrangements around the actions were about when something did not happen, how was this picked up and monitored.

Anne Davies (Service Director, Legal Services / Monitoring Officer) said that she chaired the Information Governance Board (IGB). The staff who had not completed the DPA training tended to be new staff, and tutors in Adult Learning. The IGB was discussing with Human Resources whether Per Temps should require DPA training from those applying for jobs.

A member asked about Section 2 on the self-assessment paper. Ian Dyson said that Section 2 contained 36 questions – **Action: ID to circulate**

Ian Dyson said that he would include debt management in the AGS. Future Shape was also in the AGS, in regard to the governance framework.

Members were asked to let the Chairman know if they had any other issues for inclusion in the AGS.

## **9 GRANT THORNTON AUDIT PLAN FOR BUCKINGHAMSHIRE COUNTY COUNCIL**

Paul Grady (Grant Thornton) presented the External Audit Plan for Buckinghamshire County Council. The Plan set out the proposed audit work for the Audit of financial statements 2013-14.

Page 12 showed the large business risks and challenges for the Council which had been identified, and how the Auditors would respond to these. The Future Shape programme was a significant and monumental change.

The Audit would also look at new delivery models, including Buckinghamshire Care Ltd, the Buckinghamshire Learning Trust and Transport for Buckinghamshire.

Page 13 narrowed the risks down to specific audit risks.

Significant risks were listed on page 15. These were inherent risks, rather than risks specific to the Council, and there was nothing which was specifically of concern.

Other risks identified were shown on pages 16-17. These included a risk around other revenues, as coding problems had been identified in the previous year. Discussions had been held about improving the coding accuracy of other income.

Results of interim audit work were on page 19 and following. This included:

- A review of information technology controls. Nothing had been found of concern. If any recommendations were needed, these would be included in the External Audit report later in the year.
- Journal entry controls.
- Initial discussions with management in respect of some areas of significant accounting judgement in the financial statements.

Previously Grant Thornton had certified the teachers' return, but this was no longer required by statute, so no charge would be made for this.

A member referred to page 20 and expressed concern about how the Council dealt with subsidiary accounts.

The member referred to the issue regarding pension costs and liabilities for staff transferred to Buckinghamshire Care Ltd, and said that one outstanding action from the Transport for Buckinghamshire Audit had been in regard to pensions and TUPE.

Ian Dyson said that this was a different pension issue, and that the issue raised in the Audit Plan was in regard to accounting.

Paul Grady said that this issue regarding Buckinghamshire Care Ltd had not arisen due to negligence or slackness, and would always be an issue in the first year of a new contract.

Paul Grady referred to the group accounting issue (the decision not to provide group accounts in 2013/14) and said that this was a key judgement area. Grant Thornton would form their view and share it with members. Regulatory and Audit Committee was able to over-ride a judgement made by [the Council?]. There needed to be a balance between the cost of enhanced reporting and the advantage to the public.

Iain Murray noted that the accounts for Buckinghamshire Care Ltd would still be visible in the financial statements even if they were not consolidated.

A member noted that a number of land assets had been transferred to Buckinghamshire Care Ltd.

Anne Davies said that the Buckinghamshire Care assets were on leases only. The member said that there needed to be transparency about what the Council owned and what had been transferred.

Ian Dyson said that he could request the Financial Accountancy Manager to include information about how the Council had presented its accounts in relation to other bodies. Ian Dyson said that they did not expect there to be issues with the external auditors about the way the Accounts were presented, as they had been having ongoing discussions.

A member said that the Children's Service was seriously overspent, and asked if Grant Thornton would look at that. Paul Grady said that they would look at this as part of the value for money work. The member noted that there had not been any evidence earlier in the year that there would be an overspend.

Ian Dyson said that a new Finance Director had been appointed in Children's Services. A member said that the new Finance Director had been charged with there being no financial surprises in future.

## **The Committee noted the 2013-14 Audit Plan for Buckinghamshire County Council**

### **10 GRANT THORNTON AUDIT PLAN FOR BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND**

Ade O Oyerinde (Grant Thornton) referred members to the Audit Plan, which detailed the planned audit of the Pension Fund.

The Audit Plan for the Pension Fund had a fairly similar approach to the Audit Plan for the Council, and close work had been carried out with the Council's Audit Team.

Significant risks which had been identified were described on page 32. There were two presumed significant risks which were applicable to all audits, in regard to revenue and management over-ride of controls.

Other risks were shown on page 33. There was nothing significant or unusual in these.

Interim audit work was shown on page 34.

In regard to the review of IT controls, there were no issues other than minor improvement work.

A member asked if the audit fee was charged back to the Pension Fund. Ian Dyson said that it was.

A member asked if the teachers' pension was certified. Iain Murray said that the Council was still required to have it certified, but that it fell outside Grant Thornton's agreement with the Audit Committee.

A member asked if the Council had a county teachers' scheme. Iain Murray said that there was a national scheme but that the Council needed to state its scheme.



**The Committee noted the Audit Plan for the Pension Scheme.**

## **11 RISK MANAGEMENT GROUP UPDATE**

The Committee received the report of Maggie Gibb, Risk and Insurance Manager.

Maggie Gibb noted that there was an error in the first line of the report, which should refer to the Risk Management Group meeting held on 27<sup>th</sup> May 2014.

### **Future Shape risks**

At the last meeting of the Risk Management Group, Sue Breese and Steven Rawlinson from the Future Shape Programme Team had spoken about the management of risks within the programme, programme governance and the structure for the detailed design phase.

There were 26 risks currently on the Future Shape programme risk register, of which two were scored as 'high.' Both of these related to staff engagement and change resistance.

The risk registers for the Business Units and Supports Services workstrands would be presented to the next Risk Management Group.

### **Local Authority Trading Company (LATC) risks**

At the meeting on 27 May, Graeme Finch (Contracts Manager for Adults and Family Wellbeing) had updated on the processes to manage LATC risks.

The latest risk register had been presented. The risks were monitored regularly by the Contracts Manager and were reviewed by the Stakeholder Commissioning Group quarterly. The high-level risks discussed were described on page 12.

### **New Risk Management System**

The Risk Management Group had received a demonstration of the new system. The first phase of training for the system had taken place the previous week.

The reporting from the new system would be aligned with the timetable for the wider integrated Performance Framework (Maggie Gibb was part of the Group overseeing this).

The project to develop an interim solution for audit action tracking was still in progress. Reports would come to the Committee from September 2014.

### **COMT Risk Register**

The Risk and Insurance Manager and Chief Auditor had met with all Strategic and Service Directors and the Chief Executive at the beginning of Quarter 1 to discuss key risks/areas of concern to feed into risk registers and the internal audit activity.

The risk register was on the COMT Forward Plan for June 2014 for a group discussion.

The Risk Team continued to review and challenge the risks for key projects, including the Care Bill, which would be presented at the next meeting.

Further risk management training had now been completed for Platinum and Gold Contract Managers. The remaining Gold Contract Managers and Silver Contract Managers would be included on the workshops to be undertaken at the beginning of July 2014.

A member asked how training for risk administrators was going. Maggie Gibb said that it was going well, and that those being trained were happy with how 'user-friendly' the system was. Six training sessions had now been booked for managers as well.

A member asked if the Committee should have visibility of all high-level risks, or if this should be delegated to the Risk Management Group (RMG). The member said that it appeared that six or seven high-level risks had not been reported in the Report.

Ian Dyson said that the role of the RMG was to act on behalf of the Regulatory and Audit Committee. The RMG received a summary of risk management reporting and focused on some specific reporting.

Maggie Gibb said that the LATC risks highlighted in the Report were the 'red' risks. Ian Dyson said that all RMG papers should be sent to Regulatory and Audit Committee members, who were welcome to attend RMG meetings.

Ian Dyson asked members to note that the Risk Management function at the Council was currently under pressure, due to the workload attached to the Future Shape project.

**The Committee noted the Report.**

## **12 SAFEGUARDING AUDIT PROGRESS WITH RECOMMENDATIONS - VERBAL UPDATE**

This item was deferred to the next meeting.

## **13 FORWARD PLAN - STANDING ITEM**

Members noted the Forward Plan and the following changes were also noted:

- Internal Audit Progress Report and Q2 Audit Plan to be moved to 23 September meeting.
- Children's Safeguarding Audit Update to be added to the 25 June meeting.
- 17 July and 3 September meetings were informal workshops.
- Constitutional Changes to go to 23 September meeting for approval.
- Transport for Buckinghamshire full report of reviews to go to 23 September meeting

## **14 DATE AND TIME OF NEXT MEETING**

25 June 2014, 9am, Room 84, Old County Offices, Aylesbury

**CHAIRMAN**