

# Agenda

## REGULATORY AND AUDIT COMMITTEE

**Date:** Wednesday 24 June 2015  
**Time:** 9.00 am  
**Venue:** Mezzanine Room 2, County Hall, Aylesbury

Agenda Item	Time	Page No
1 <b>APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP</b>	09.00	
2 <b>DECLARATIONS OF INTEREST</b> To disclose any Personal or Disclosable Pecuniary Interests		
3 <b>MINUTES</b> of the meeting held on 10 <sup>th</sup> June 2015 to be confirmed as a correct record.		3 - 12
4 <b>CONSTITUTIONAL CHANGE DOCUMENT</b> to be presented by Sarah Ashmead, Sara Turnbull	09.05	13 - 16
5 <b>ANNUAL GOVERNANCE STATEMENT</b> Report to be presented by Ian Dyson.	09.20	17 - 32
6 <b>INTERNAL AUDIT ANNUAL REPORT AND ACTION TRACKER</b> Report to be presented by Ian Dyson.	09.35	33 - 64
7 <b>RESPONSE TO AUDIT ANNUAL REPORT BY THE CHIEF EXECUTIVE</b>	09.50	To Follow
8 <b>TREASURY MANAGEMENT ANNUAL REPORT</b> Report to be presented by Julie Edwards.	10.05	65 - 80
9 <b>EXTERNAL AUDIT PROGRESS REPORT</b> Report to be presented by Grant Thornton Auditors.	10.25	81 - 90
10 <b>COMPARATIVE INFORMATION REPORT ON PENSION FUNDS</b> Report provided by Mr Oyerinde.	10.40	91 - 92



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11	<b>FORWARD PLAN - STANDING ITEM</b>	10.45	93 - 96
12	<b>EXCLUSION OF THE PRESS AND PUBLIC</b> 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).	10.55	
13	<b>CONFIDENTIAL MINUTES</b> of the meeting held on 10 <sup>th</sup> June to be confirmed as a correct record.		97 - 100
14	<b>DATE AND TIME OF NEXT MEETING</b> 23 September 2015, 09.00 – 11.00am, Mezzanine Room 2, NCO.		

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If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

*For further information please contact: Nichola Beagle on 01296 382662, email: njbeagle@buckscc.gov.uk*

#### **Members**

Mr T Butcher (VC)	Mr P Hardy
Mr W Chapple OBE	Mr D Martin
Mrs A Davies	Mr R Scott
Mr T Egleton	Mr A Stevens

# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 10 JUNE 2015 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.05 AM.**

### **MEMBERS PRESENT**

Mr T Butcher (Vice-Chairman)  
Mr W Chapple OBE  
Mrs A Davies  
Mr D Martin  
Mr R Scott  
Mr A Stevens

### **OTHERS IN ATTENDANCE**

Mrs S Ashmead, Director of Strategy and Policy  
Ms N Beagle, Committee Assistant  
Ms A Bulman, Service Director (Service Provision ASC)  
Mr I Dyson, Chief Internal Auditor  
Ms M Gibb, Risk and Insurance Manager  
Mr P Grady, Grant Thornton  
Ms M Granat, Head of Innovation and Commercialisation  
Ms E O'Neill, Projects and Financial Accountancy Lead  
Mrs M Smith, Service Manager Performance  
Mr M Ward, Assistant Manager - Audit, Grant Thornton  
Mrs S Yapp, Service Director (Commissioning and Service Improvement)

### **1 ELECTION OF CHAIRMAN**

Tim Butcher nominated Richard Scott to be Chairman for the ensuing year, seconded by David Martin. Alan Stevens and the rest of the committee agreed.

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

Richard Scott appointed Tim Butcher to continue as Vice Chairman.

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



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Apologies were received from Peter Hardy.

The Chairman confirmed that the new membership details for the committee could be found at the end of the agenda.

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

There were no declarations of interest for this meeting.

#### **5 MINUTES**

The minutes of the meeting held on 15<sup>th</sup> April 2015 were agreed as a correct record.

Comments were made as follows:

- Page 3 – Richard Schmidt advised that he had been present at this meeting, but this was not recorded under the attendee list.
- Page 4, Item 6 – Action for Ian Dyson to present a paper to the next meeting in June. Ian Dyson confirmed that this item will no longer be an item for the June meeting and instead will rollover to the September meeting.
- Page 5, Item 8 – Action for Richard Schmidt to respond to Mr Whyte regarding the Transport for Buckinghamshire Issue – Richard Schmidt advised has not supplied an update to Mr Warren Whyte but is happy to verbally following this meeting. A verbal update was also supplied to the committee. It was advised that following the incident of TUPE transferred bodies being omitted from the pension fund, lessons have been learnt. It is difficult to say that this will never happen again, as the initial error occurred due to human error rather than an issue with the system. There are now a number of arrangements in place to support such staff transfers, as under TUPE Regulations staff have to have an equivalent scheme when transferring over and if they do not they are automatically put onto our pension scheme. Variations will be made on a case by case basis.
- Page 6, Item 14 – Action – the action plan from the Payments to Providers report to be reported at the 10<sup>th</sup> June Meeting – is on the agenda for today's meeting.
- Page 7, Item 15 – Action – Lee Ferman del to provide the Chairman with the results of the peer review once available – the review is expected to commence in September 2015

#### **6 CONSTITUTIONAL CHANGES**

Sarah Ashmead attended the meeting to advise that a report will presented at the 24th of June meeting advising the amendments to the constitution.

- These changes have come about following the recent changes in legislation, as well as retrospectively following the 2011 Localism Act.
- David Martin requested that the report be circulated a week or two if possible prior to the next meeting to ensure that all members are able to read in time for the meeting.
- Sarah Ashmead confirmed the paper would be circulated in advance.

#### **7 CONTRACT MANAGEMENT APPLICATION**

Michelle Granat attended the meeting to provide an update to the Contract Management Application (CMA).

- From 1<sup>st</sup> April 2015 accountability for the CMA transferred to the Innovation and Commercialisation Team.
- The current status has highlighted significant gaps which need action, in particular regarding compliance and managing of information.
- The team are establishing a work programme for the SRM Lead to follow (Supplier Relationship Manager).
- In May 2015 the technical review was completed for the CMA to determine whether CMA was fit for purpose from an organisation perspective- it was recognised that work needs to be done to improve compliance.
- Although there has been some negativity around the audit findings, contract managers are still actively using the CMA to record contract details. To date: :
  - I. A total of 1650 “Live” contracts have been entered onto the CMA
  - II. The total annual contract value of the remaining 1328 contracts is £289,908,172.
  - III. There are 56 suppliers with an annual contract value of £750,000 or more.
  - IV. Platinum providers, an estimated 60% have been uploaded on the CMA.
- Michelle confirmed that the intention today was to report back on the progress of the CMF and CMA.
- There is a plan in place.
- Historically the SRM Lead has been a challenge to recruit. A workshop is being held today with the Business Unit Leads to identify the needs of the SRM post. The plan is to have this embedded by October 2015.

## **Members Questions / Comments**

### **Question 1**

- A member thanked Michelle for the detailed report.
- On page 11 of the agenda pack (page 3 of the report), regarding the SRM, reference is made to there being “Member involvement in contract and supplier relationships to enable effective knowledge share, support and challenge”. How do the team plan to achieve this?
- Michelle advised that the team have not identified a way how this will be achieved at present, but this is part of the review. Michelle confirmed that the team want to ensure that members are involved but also that they are protected against any commercially sensitive details. This will be a work in progress following the review. The review will be completed by the end of this year and the team will engage with the members throughout the process.

### **Question 2**

- A member asked for clarification on what exactly the “Technical Review” entailed?
- Michelle confirmed that the technical review had been undertaken by James Mansfield Sturgess, Technical Architect within the team. The review has confirmed that functionality is there within the system, however it is not at present being used to its full potential. The review has highlighted significant issues to be rectified to enable better usage of the system;
  - I. Criticality Matrix (outlining suppliers and where they fall in terms of risk and value)

- II. At present some business units are overriding this matrix with suppliers being moved into incorrect areas within this matrix – which is potentially presenting an incorrect overall picture.
- Ian Dyson advised members that the Regulatory and Audit Committee are key stakeholders in this review process. The technical review related to the functionality of the programme but also need to enhance and define the reporting. Following the review it is expected that all reports will be accessible by members. Further feedback will be provided to the Regulatory and Audit Committee as the project progresses.

#### **Question 3**

- The Chairman asked for clarification on the figures in the report, with 65% being Platinum contracts, how many suppliers will this equate to?
- Michelle advised that originally this equated to 49 suppliers, however a few more have since been added.

#### **Question 4**

- Does the one council board support?
- Michelle confirmed that they do.

#### **Question 5**

- A member queried how to process will work in the future. There have been instances in the past where contractors have under-performed, however their contracts have still been renewed. Would this new revised process enable the council to re-work or change contracts if the existing suppliers were seen to be under performing?
- Michelle advised that once the data is fit for purpose, performance data will be able to be shared with business units as well as the Regulation and Audit Committee and discussions around under-performing contractors can take place.
- Ian Dyson also advised that the new process should also make the role of the contract manager transparent.
- The system will also flag up when contracts are due to be renewed, which will proactively ensure Business Units are aware of.
- Michelle advised that due to the new EU Regulations we are now in a better position and can score based on past performance.

#### **Comment 1**

- A member suggested perhaps a RAG rating / traffic light system would work well to highlight those underperforming.
- Michelle confirmed that a RAG rating status is already in use- the review will help to determine if this is being used correctly.
- A member suggested that it would be helpful for the RAG rating data to be brought back to the Regulatory and Audit Committee on a regular basis for oversight.
- Ian Dyson agreed that although this is not currently on the forward plan, it would be a productive step.
- Members also confirmed that this confidential report, will be helpful if a history on those rated as Red could also be supplied.
- Ian Dyson agreed, and as well as this contracts that are due for renewal and the action that is being taken to renew should be included in the report.

**ACTION: Michelle Granat to present the RAG rated status report, highlighting in particular those contracts in RED as well as contracts due for renewal, on a quarterly**

**basis. Michelle advised that the report capability will need to be tested within members and colleagues to ascertain whether this meets expectations. There are ongoing concerns that information may not drive the reports Members are seeking, however this will form part of the CMA Review. Michelle advised she will bring the first report to the November 2015 meeting.**

The chairman thanked Michelle for her detailed report and update.

## **8 DRAFT STATEMENT OF ACCOUNTS**

Members of the finance team attended to present the draft statement of accounts, including the Pension Fund.

- Richard Schmidt passed on the apologies of Richard Ambrose for this meeting.
- Richard Schmidt confirmed that this will have been the earliest point in the year that these reports have even been made available. They had been brought forward in line with changes in the national timetable. By the end of June 2015 Richard Ambrose will have signed off the report in preparation for the report to be sent to the Auditors. *(Following the meeting RA signed off the report 10 June 2015.)*
- The Chairman thanked Richard and the finance team for providing the accounts to the committee at this time.
- Richard Schmidt also confirmed that the government are intending on bringing forward the account deadline within the next 2 years, so we are now working ahead of this plan which is good practice.

A detailed discussion took place regarding the account papers presented. A further report outlining updated figures (balance sheet etc) was distributed at the meeting (these figures had not previously been available before today).

### **Schools Assets**

- There has been a recent change in guidance. Voluntary Controlled schools have been removed and Foundation schools have been added, which has had an implication on the accounts, as outlined on the balance sheet.
- With regard to academy schools, those academy schools that are on council land, the land remains in our balance sheet but the buildings themselves do not.

### **Valuations of Property, Plant and Equipment**

- Not compliant with the 2014/15 code of practice
- Rolling programme of asset valuations, under the Code should look at each class of asset in any given year
- The rolling programme looks at 20% of all classes of assets each year over 5 years, which we believe gives a better reflection
- CIPFA are about to change the 2015/16 code to reflect this practice

### **Outstanding Information**

- A further account information sheet relating to the third balance sheet was distributed, to include the previous year comparative table.
- The assessment with foundation schools on the balance sheet, and voluntary controlled schools off the balance sheet was £2.6m less as at 1 April 2013 which is reflected in the reserves.
- Changes impact on the income & expenditure statement total.

- Elspeth O’Neil advised the members that the finance team can circulate a fresh full set of accounts showing the adjustments if required.
- Richard Schmidt advised that to reflect the adjustment there will be a technical restatement of the previous year, which the auditors are aware of as they have been included on the discussions throughout.
- Paul Grady from Grant Thornton confirmed that they have been aware of this adjustment and agreed with the treatment.

### **Financial results for the year**

- The Movement in Reserves statement, records a loss of £42m this year on an accounting basis.
- A £47m credit, then reflects items charged to income & expenditure statement relating to capital items which are adjusted under statute to get to the surplus or deficit chargeable to Council tax.
- The overall surplus against the General Fund is £4.5m
- Of the £4.5m increase, £3m relates to schools.
- A transfer to the earmarked reserves of £11.5m (has resulted in a decrease of £10m in the general fund).
- General Fund balance is now £21m
- Richard Schmidt confirmed the level of reserves, are in line with guidance and will continue to be reviewed.
- Although we are now finding ourselves in a slightly more risk position, it is within acceptable guidelines.

### **Member Questions / Comments**

#### **Question 1**

- A member asked, will there be a plan to stop moving funds from the general fund reserve, the current contribution having been £10m.
- Richard Schmidt confirmed that there may be a reduction in future contributions.
- The main contribution relates to money being set aside to fund the Energy from Waste Plant. At the end of this financial year and the beginning of next financial year, payment of £180m is required for the Energy from Waste Plant, the reserves strategy is in place to reduce the amount we have to borrow. Figures can be flexible if need be.

#### **Question 2**

- A member had a query around the earmarked reserves. Are these reserves ever looked at in detail, as a huge amount has been earmarked, is this amount balanced or unbalanced?
- Richard Schmidt confirmed that the reserves do have a review, some are more necessary than others. There is no perfect answer as to whether the balance is correct or not. However having a large reserve does allow us more flexibility.
- The members agreed however that a careful look at the earmarked reserves would not do any harm.
- The Chairman suggested that perhaps the details of the reserve funds should go to One Council Board or Cabinet for oversight.
- Richard Schmidt advised that he is not aware that these figures go to One Council Board however Richard Ambrose does circulate the details to all Directors.



- Ian Dyson also advised that within the new structure, each Business Unit has a Finance Director who will have regular meetings with RS and RA and so therefore should be able to flag up any issues.
- The Chairman suggested that a formal review of the reserve fund should still be brought back to this committee at a future meeting.
- The Chairman thanked the finance team for their comprehensive report and complex, detailed accounts.

### **Pension Fund Accounts – Julie Edwards**

- Attention of the committee was drawn to the table of accounts on P 86 of the report.
- Showed the net assets of the Fund are £2.2bn, an increase of £264m
- £112m contributions from scheme employers and members
- £102m benefits/ staff leavers
- £269m net return on investments

### **Member Questions/Comments**

#### **Question 1**

- A member thanked the finance team for the report. Referring to the Scheme membership table, the member asked why has the number of contributors gone up?
- Julie advised that this could be due to staff turnover, possibly more part time staff.
- The Chairman suggested that it could also be due to compulsory enrolment into the system, which Julie agreed with.
- The Chairman asked for clarification of this figure to be circulated to the committee following the meeting, which Julie confirmed would do.

#### **Question 2**

- A member asked how often are fund managers reviewed and how can easily can they be changed?
- Julie advised fund managers' performance is reviewed every quarter; the fund manager contracts have a one month termination clause. Appointing new managers is subject to European tendering processes and can be a long process.

**Recommendation: To review the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2015 and to note the timing and requirements for completion and authorisation of the draft and final Statement of Accounts.**

**Recommendation was Agreed by all members of the Committee.**

## **9 DRAFT RISK AND ASSURANCE STRATEGY - FOR APPROVAL**

Maggie Gibb attended to discuss the Draft Risk and Assurance Strategy (the full report had been included in the papers circulated prior to the meeting).

- The draft strategy supports the new operating framework.
- It focusses on a creating a robust assurance framework across the organisation.
- Reports advising its effectiveness and compliance will be brought back to this committee regularly.

## **Members Questions/Comments**

### **Question 1**

- The Chairman thanked Maggie for the very comprehensive report. He also queried whether there are major changes to the previous structure or does it work on the same principles?
- Maggie confirmed that this assurance framework is a new element that is being built into the risk management framework .
- Regular updates will be brought to this committee.
- Risk Management Group will continue to be review and challenge key risks and report to this committee

### **Question 2**

- A member advised that the Risk Register throughout the previous year had been up for a lot of scrutiny. It appeared that some departments were putting items on the Risk Register under the Red RAG rating in error, at others were putting items as Green in error. The member asked what type of “triaging”, if any, is done regarding the Risk Register?
- Maggie advised that previous comments have been taken on board regarding this issue. It is difficult as there are so many complex services, and each feel that their risk is a major one.
- A programme of training is carried out, and once this strategy is launched further training will be offered.
- This will also continue to develop as we move forward.
- The training will be rolled out to officers as well as members as there is a need for uniformity of knowledge.
- Details of the strategy once launched will also be publicised online.
- Ian Dyson also advised that the strategy will merely be the tool, and although as much training can be offered as possible, it is then up to each officer and member to take back to their area and implement. We are only able to provide the information and training.

### **Question 3**

- A member thanked Maggie for the comprehensive report, however wanted further assurance that this report was not just a very well written document and how would the principles be implemented?
- Maggie advised that this will be part of the Business Assurance Team’s roll to ensure the document is implemented. Also there will be regular reviews of the process and Risk Registers, compliance monitoring and a more detailed procedure document written to support the implementation.
- Ian Dyson also commended the report, as it brings alive the fundamental new way of monitoring assurance which BCC are keen to implement. Ian advised that this committee are ultimately responsible for holding to account Ian and the Director of Assurance to insure that the principles are being implemented.
- Ian confirmed that the team have begun to meet with various business leads, including TEE to ensure that the organisation is buying into this new way of monitoring assurance. Once the strategy is implemented this committee will then receive regular assurance reports. If more detailed information is then required this needs to be flagged

up by the committee, as this committee is the ultimate control for the assurance framework being embedded.

- The new framework also makes managers more accountable.

#### **Question 4**

- A member asked whether potentially, if this framework had been in place previously, would the issue around children services earlier on in the year have been highlighted sooner?
- Ian advised that it was difficult to say, however potentially yes.
- Ian also advised that the area of children's services inherently has been high on the risk register and it is likely it will remain high for some time, however the assurance framework in part is checking the internal processes and mechanisms of the risk register so that issues are flagged in advance.
- The framework will be developing once launched and over the next 12 months.

#### **Comment 1**

- A member suggested that the training and development programme be updated also alongside this.
- Maggie confirmed that the team have been meeting with the OD team to identify needs. Once the framework has been launched the team will also be developing an E-learning programme with the OD team to build into the training.
- 1-1 training on the new system will be offered.
- The programme will be comprehensive.
- Contract Managers will also be made aware of the new framework, with workshops being offered, ongoing drop in sessions, review of actual risks being captured.
- The team will also ensure that people in new posts will also be offered training.

**Recommendation: That the draft strategy be approved.  
The Recommendation was agreed by the committee.**

## **10 FORWARD PLAN - STANDING ITEM**

The draft Forward Plan was presented to the committee by Ian Dyson.

- 18<sup>th</sup> November 2015 Meeting – 1 item to be added following today's meeting, Contract Management Application Performance Report to be supplied by Michelle Granat.
- Dates for 2016 to be confirmed – Ian wanted to advise the committee that the timings of the meetings are likely to change. From 2017 the required dates for submitting accounts are being brought forward to 31<sup>st</sup> May and 31<sup>st</sup> July, which will require the dates for this meeting to change to approve the accounts in time for the deadlines. This has been discussed with Richard Ambrose and the plan is to bring forward all the dates from 2016.
- **Therefore there will be a meeting at the end of May 2016 for the submission of accounts and a meeting at the end of July 2016 to receive the final accounts and the Audit report.**

## **11 EXCLUSION OF THE PRESS & PUBLIC**

## **12 CONFIDENTIAL MINUTES**

**13 AFW PAYMENTS REPORT**

**14 DATE AND TIME OF NEXT MEETING**

The details of the next meeting were confirmed and agreed, 24<sup>th</sup> June 2015, 9am Mezzanine Room 2.

**CHAIRMAN**

# Regulatory and Audit Committee

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<b>Title:</b>	<b>Constitution Updates</b>
<b>Date:</b>	16 June 2015
<b>Author:</b>	Sarah Ashmead, Monitoring Officer
<b>Contact officer:</b>	Sara Turnbull, Head of Member Services
<b>Local members affected:</b>	All

*For press enquiries concerning this report, please contact the media office on 01296 382444*

## Summary

This paper sets out an overview of updates proposed to the Council's Constitution.

It is good practice to regularly review the Constitution to ensure it is updated in line with new legal requirements and best practice. The Regulatory & Audit Committee is responsible for making any recommendations on substantive changes to the Constitution to the County Council for its agreement. The Monitoring Officer is able to make minor changes to the Constitution under delegated powers to meet legal requirements and report those changes to the Regulatory & Audit Committee and Leader of the Council.

## Recommendation

1. That the Committee *note* the minor changes approved by the Monitoring Officer made under delegated powers from Council. These changes are those which are shown as underlined tracked changes (with no highlighted text in bold) in Appendix 1.
2. That the Committee *agree* to recommend to County Council for approval the proposed tracked changes which are highlighted in yellow in Appendix 1.



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## Key Changes

Appendix 1 sets out a copy of the Constitution with all tracked changes shown. Those changes highlighted in yellow are those proposed to go forward to County Council on 16 July and those not highlighted are minor editing changes approved by the Monitoring Officer.

A number of the changes are proposed to reflect recent changes to legislation – most significantly:

- **The Localism Act 2011** – amendments to the Council's Code of Conduct, procedures for handling complaints against Members, amendments to the terms of reference for Regulatory and Audit Committee and incorporation of the definition of disclosable pecuniary interest were approved by the County Council on 19 July 2012. These amendments were not however incorporated into the Constitution at the time. These amendments are intended to resolve that issue.
- **The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015** – Councils are required to amend the disciplinary process for the Head of Paid Service, the S151 officer and the Monitoring Officer. The Regulations remove the requirement to appoint a designated independent person to investigate and make a binding recommendation. In its place, Councils are required to form a Panel, with two or more independent persons, to undertake an investigation and make recommendations to full Council.

The amendments also incorporate the Scheme of Delegation to officers. This scheme sets out those circumstances under which Council functions and executive functions may be delegated by officers, and the requirements placed on those officers.

The table below sets out the details of the page references for changes proposed for Regulatory & Audit Committee approval:

<b>Constitution Page No. Reference</b>	<b>Description of Change</b>
11	Legal change update – Member Interests wording
15	Legal change update – Role of Council
22	Legal change update – Decision-making
27	Legal change update – Statutory Officers Dismissal
29	Legal change update – Role change between MO and CEO
32	Legal change update – Wording clarification
35 & 36	Legal change update – Decision-making
37	Legal change update – Openness Regulations
38	Wording clarification to match that in Contract Standing Orders
45	Legal change update – Statutory Officers Dismissal
47 & 49	Legal change update – Code of Conduct
67	Wording Clarification on role of Leader – executive appointments
74	Legal change update – Decision-making
74-88	Clarification – Incorporation of Scheme of Delegations into Constitution
105	Legal change update – Regulations 2012
109,114, 209	Legal change update - Statutory Officers Dismissal
225-229	Clarification – removal of outdated form to replace with new single form for Members to register Interests & gifts
230	Inclusion of process for handling standards allegations. In line with policy agreed by Council in July 2012
242 & 245	Legal change updates – Localism Act 2011

### **Resource implications**

There are no resource implications.

### **Legal implications**

Legal advice on the changes proposed has been taken from the Head of Legal Services, Hugh Peart, and Bevan Brittan.

### **Other implications/issues**

None.

### **Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

N/A

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### **Background Papers**

The Council's Current Constitution can be viewed here:

<http://www.buckscc.gov.uk/about-your-council/council-structure/constitution/>

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# Regulatory & Audit Committee

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<b>Title:</b>	<b>Draft Annual Governance Statement</b>
<b>Date:</b>	24 June 2015
<b>Author:</b>	Chief Internal Auditor
<b>Contact officer:</b>	Ian Dyson, 01296 383070
<b>Local members affected:</b>	n/a

*For press enquiries concerning this report, please contact the media office on 01296 382444*

## Summary

This report contains the Draft Annual Governance Statement for 2014/15. The Annual Governance Statement (AGS) has been drafted by giving due consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance.

The role of the Regulatory and Audit Committee is to review the AGS to provide assurance that it reflects the evidence considered by the Committee over the year, and that the actions identified are appropriate. Once the Committee has approved the statement it will be presented to the Chief Executive and Leader of the Council for signing, and published on the Buckinghamshire County Council website.

## Recommendation

The Committee is **RECOMMENDED** to approve the Annual Governance Statement 2014/15.

### Resource implications

None

### Legal implications

There are no new legal implications. The Accounts and Audit Regulations 2011 refer to the requirements for an Annual Governance Statement. These regulations have been



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amended in 2015, to be effective for the financial year 2015/16; however the amendments do not change the requirement for an Annual Governance Statement.

**Other implications/issues**

None

**Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

Not applicable

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**Background Papers**

None

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## **Annual Governance Statement 2014/2015**

### **1. Scope of responsibility**

- 1.1 Buckinghamshire County Council (BCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. BCC 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, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, BCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Constitution, and an internal Operating Framework and Procedure Report, which sets out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Buckinghamshire County Council Constitution is on the BCC website, [www.buckscc.gov.uk](http://www.buckscc.gov.uk).
- 1.4 This statement explains how BCC has complied with the governance framework and also meets the requirements of the Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 During 2014/15 the Council transformed its management structures and operating framework; including changes to the Constitution, under a major programme called “Future Shape”. The changes became effective

from 1 April 2015. The Governance Framework set out in the following sections reflects the current position as at 30 June 2015. Between 1 April 2014 and 30 March 2015, the framework remained unchanged from that reported in the 2013/14 AGS, presented to the Regulatory and Audit Committee on 25 June 2014.

### **3. The governance framework**

- 3.1 BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

#### **Policy, Planning and Decision Making**

- 3.2 The Council has eight priorities which are set out in the Strategic Plan. The priorities are as follows:
- A Thriving Economy;
  - Value for Money;
  - Our Special Environment;
  - Getting Involved:
  - Reaching Potential;
  - A Safety Net;
  - Our Transport Links; and,
  - Speaking up for Residents.
- 3.3 The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are four Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives. The Strategy and Policy team facilitates delivery of the Strategic Plan working closely with Business Units and Partners to spread best practice, track performance and create links with budget and risk data whilst also strengthening performance against local targets.
- 3.4 Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. In addition to the Council and Cabinet, there are seven statutory committees and 18 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Assurance, to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision are identified. Cross-organisation joint committees are established where it is appropriate.
- 3.5 The Council has a statutory Regulatory and Audit Committee which oversees the regulatory and governance functions of the Council such as reviewing the work of the Business Assurance Team (including

Internal Audit and Risk Management) and External Audit. This Committee are the custodians of the Councils Constitution and provide independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters. This Committee also provides overview to the financial reporting process. The Committee meets at least quarterly and seeks to strengthen the assurance framework of the Council and also receives quarterly progress reports on internal control and risk management. There is a Risk Management Group which operates under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprises of members of the Committee, the Chief Internal Auditor, S151 Officer, Monitoring Officer, and the Business Assurance Manager. This Group is responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reports to the Regulatory and Audit Committee.

- 3.6 The Council operates a Code of Conduct. The Regulatory and Audit Committee has the responsibility for ensuring that the Council continues to uphold high standards of behaviour and oversee standards policy and strategy development and member training, while hearings relating to standards complaints will be heard by members of the Appeal and Complaints Committee, that will be formed as required from the group of members on the Regulatory and Audit Committee.
- 3.7 The Council operates a scrutiny function through four Select Committees: Children's Social Care and Learning Select Committee; Transport, Environment and Communities Select Committee; Finance, Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee.
- 3.8 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by the Strategy and Policy. Stakeholder views are considered as part of standard reporting that underpins decision-making.

### **Monitoring of performance and compliance**

- 3.9 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Contracts Manual, Local Management in Schools Handbook and service procedure documentation.
- 3.10 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and

attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.

- 3.11 The Council has established an Operating Framework which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The operating framework co-ordinates the various strands of governance across the organisation. A system of assurance has been developed to monitor the compliance with the Operating Framework across the organisation, and the effectiveness of the governance arrangements; risk management; and, the system of internal control. The Business Assurance Team is responsible for monitoring the assurance framework, and for the routine reporting to the One Council Board (OCB) and the Regulatory and Audit Committee.
- 3.12 A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the OCB. Progress with Business Unit Plans is monitored by the Business Unit Management Boards, comprising of the Managing Directors, their Service Managers, the Finance Director and Cabinet Members. The Strategic Commission service within Headquarters provides the corporate oversight of the progress with the Business Unit Plans and their alignment with the aims set out in the Strategic Plan. Members play a regular role in performance management, providing challenge to officers. The Select Committees monitor performance through the regular review of performance information and make recommendations for the improvement of services. All staff, with guidance from their line managers, set objectives in line with the Business Plans and performance is reviewed twice a year as part of the Delivering Successful Performance program. All employees also receive a series of one to ones throughout the year to ensure performance is consistent.
- 3.13 The OCB have executive responsibilities for overview in ensuring that services are delivered in accordance with Council policy and procedures.
- 3.14 The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the OCB. The Risk Management Group considers significant service risks to the authority, and reviews the consistency with which the risk management process is being applied across the Council. The Group also has the responsibility for annually reviewing the adequacy of the existing Assurance and Risk Management Strategy. The Chief Executive, via the Director for Assurance, and the Chief Auditor, is responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.
- 3.15 The Business Assurance Team includes the Internal Audit Service, and provides assurance to the Council and the Director of Assurance/ s151 Officer as to the adequacy of the Council's financial and operational systems. The Chief Auditor attends all Regulatory and Audit Committees, reporting quarterly on the outcomes from internal audit reviews. Where material weaknesses are identified by Internal Audit, the Service Director provides a formal response to the Regulatory and Audit

Committee detailing the action being taken. The Chief Auditor monitors the progress in implementing agreed management actions and reports on this quarterly to the Committee. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-

- The Chief Auditor has operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Business Assurance Manager reports directly to the Director of Assurance (S151 Officer);
- An Internal Audit Charter is to be drafted as part of the governance framework being developed under the Future Shape Programme; and,
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter

3.16 The Internal Audit Annual Report was presented to the Regulatory and Audit Committee on 24 June 2015. In that report the Chief Auditor concluded that overall the system of internal control facilitates the effective exercise of the Council's functions. There were five "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met:

- Marlow School
- Contract Management Application
- Business Continuity
- AFW Payments to Providers
- AFW Debt Management.

Actions plans are in place to address the issues raised by the audits.

3.17 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Internal Auditor objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Chief Internal Auditor is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee;

- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

### **Financial Management of the Council**

3.18 The Council has a statutory responsibility under the Accounts and Audit Regulations 2015 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council's functions. The Director of Assurance has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.19 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self – assessment confirms that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Financial Officer (Director of Assurance) is a member of the County Council Management Team, (One Council Board), helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives. The Officer reports directly.
- The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
- The Chief Financial Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Chief Financial Officer leads and directs a finance function that is adequately resourced to be fit for purpose.
- The Chief Financial Officer is professionally qualified and suitably experienced.



- 3.20 The Council currently has a three year medium term financial strategy, under which it plans its finances. This is considered by the Cabinet and OCB and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by the Finance, Performance and Resources Select Committee. Budgets are monitored throughout the year.
- 3.21 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Managing Directors are required to maintain systems and processes within their Business Unit ensure they keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There is a Finance Director within each Business Unit with responsibility for ensuring that financial management and financial control is operating effectively.
- 3.22 Under the management structures within each Business Unit, accountable to the Managing Directors, Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Managing Director and by the Director of Assurance / S151 Officer.
- 3.23 Finance staff collate financial information provide financial advice to the managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations are kept under regular review to ensure that guidance is up to date and relevant.
- 3.24 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.
- 3.25 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are considered by the Regulatory and Audit Committee, and reported for approval by full Council.

### **Economic, Effective and Efficient Use of Resources and Continuous Improvement**

- 3.26 Service Managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. Finance

Directors in each Business Unit provide monitoring and scrutiny of the financial management processes. The Procurement Team work with all Business Units to ensure purchasing decisions maximise the economic, effective and efficient use of resources.

#### **4. Review of effectiveness**

- 4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.
- 4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Assurance/S151, the Monitoring Officer, and the Business Assurance Team. We have also used the assurances provided by our Service Directors through their signing of the "Certificate of Assurance over Internal Controls" self-assessment document. The key structures and processes that have been used during 2014/15 to maintain and review the effectiveness of internal control are described below:

##### **The Council:**

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

##### **The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

##### **The Regulatory and Audit Committee:**

- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

##### **Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

##### **Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

##### **Management Teams:**

- OCB receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management (Business Assurance Team):**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Managing Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Control Risk Self-Assessment:**

- All Service Directors sign off the “Certificate of Assurance over the Internal Control Framework”; and

**External Audit and Inspectorates:**

- The Director of Assurance meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;
- The External Auditor’s reports are considered by the Regulatory and Audit Committee.
- The External Auditor, Director of Assurance, and the Chief Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.
- As referred to in the 2013/14 AGS, In June 2014Ofsted undertook an inspection of Children’s Social Care, reporting their findings in August 2014.

**5. Significant governance issues**

5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following are the key matters arising from the review of 14/15, including the outcome of the actions set out in last year’s AGS:

5.2 The 2013/14 annual governance statement identified eight key actions to improve the governance framework, the outcome of the action plan is as follows:

**Ofsted Inspection of Children’s Social Care**

- The inspection report was published in August 2014, and the Council was required to provide an improvement plan within 70 days, setting out detailed actions to be taken and the timescale, to address the unsatisfactory areas identified in the report.

The improvement plan was produced and an improvement board comprising of senior managers, members and stakeholders, has been managing the delivery of the improvement plan. The effectiveness of the Board and the delivery of the Improvement Plan are subject to external monitoring and reporting to Central Government; and internally to the Select Committee, and Regulatory and Audit Committee.

#### **Data Protection e-learning**

- All staff to have completed the training by October 2014. The Regulatory and Audit Committee to receive a quarterly performance report on the level of compliance.

The action was implemented; however the governance audits completed by Internal Audit, and the recently completed controls self-assessment by Service Directors has identified that the action taken has not fully embedded. The quarterly performance reporting to the Regulatory and Audit Committee was not routinely completed, and will be restated in 2015/16.

#### **Non-conformance with the Public Sector Internal Audit Standards**

- There were two areas of non-conformance requiring action; the preparation of a continuous improvement plan; and, the production of an Internal Audit Charter. This action has not been completed so have been restated in the 14/15 AGS action plan.

#### **Contract Management Framework**

- The Contract Management software was to be implemented and embedded across the council; to include all platinum and gold contracts. Routine management reporting established to provide assurance over the performance and effectiveness of contract management for all major contracts

This action has been progressed; however, a recent internal audit concluded limited assurance on compliance with the contract management application; in addition the routine assurance reporting as a key management control has not been completed. The Regulatory and Audit Committee have received a management update following the audit; will be monitoring progress through 15/16. The action is restated in the 2014/15 AGS action plan

- **Strengthening of the Governance Arrangements within the Transport for Buckinghamshire Contract, including quality assurance and contract monitoring.**

A detailed improvement plan has been produced and implemented throughout 14/15, with regular updates to the Select Committee and the Regulatory and Audit Committee. The resources for quality assurance and contract monitoring have been increased.

- **Debt Management Strategy to be reviewed**

The Debt Management strategy was revised and approved by Council after consideration by the Regulatory and Audit Committee. The Committee will be receiving a report on the performance of debt

management on January 2016 to consider whether the new strategy has been effective

- **Implementation of the Audit Action Tracking System**

This action has been completed and quarterly updates on the implementation of actions arising from internal audit reports are reported to the Regulatory and Audit Committee.

- **Change to the governance and operating framework for the Council**

The governance and assurance framework to underpin the new operating framework has recently been approved by the Regulatory and Audit Committee. The action as originally stated has been completed. The embedding of the assurance framework and the new operating framework remain a key governance objective for 15/16, and therefore is included as an action.

- 5.3 In 2014/15 Internal Audit issued five audit reports with a conclusion of 'Limited' assurance over the system of internal control. Management actions have been agreed, and positive assurance received from the Managers that actions are being taken, either through the Audit Action Tracking system, or directly through managers reporting progress to the Regulatory and Audit Committee. Follow up audits will be undertaken in 2015/16 to provide assurance to the Committee that the actions are complete and the improved controls are operating effectively.
- 5.4 One of the Limited Assurance audits was Business Continuity. Further to the audit report being issued, the dashboard performance report produced by the Resilience Team has also confirmed limited assurance on the adequacy of the business continuity plans maintained. Business continuity is a key governance process and is therefore included as an action for the AGS.
- 5.5 A key feature of the Future Shape strategy is the development of alternative delivery vehicles (ADV's), as part of the move towards a more commissioning organisation. During 14/15 new ADV's became operational, including Trusts and Companies where BCC is the major shareholder. With the experience of a number of ADV's being operational, a review is being undertaken to look at the governance arrangements which the Council has in place to oversee its interest in these bodies, and the assurance that can be taken.
- 5.6 The annual Certificate of Assurance procedure has overall identified that strong governance is applied across the Services. There are some service specific issues that have been identified for action, but no material weaknesses. The actions to address local issues will be monitored by Internal Audit.

## **6 Declaration**

- 6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed .....  
Chief Executive

Signed .....  
Leader of the Council

## Appendix 1 – AGS ACTION PLAN

<b>Governance Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>
Non-conformance with the Public Sector Internal Audit Standards (PSIAS).	Action plan implemented to address the areas of non-conformance with the PSIAS, reporting to the R&A Committee.	Chief Internal Auditor	December 2015
On-going development of the Contract Management Framework	Compliance with the use of the Contract Management Application software, and routine management reporting established to provide assurance over the performance and effectiveness of contract management for all major contracts	Head of Innovation and Commercialisation	March 2016
Business Continuity Plans	Business Continuity Plans to be maintained with reasonable assurance over completeness and application.	Director of Assurance/Resilience Manager	March 2016
Governance over Alternative Delivery Vehicles	Review of the governance of ADV's and the effectiveness in providing assurance over the interests of the Council in those bodies.	Director of Assurance/Director of Strategy & Policy	December 2015
Embedding the Operating Framework and system of assurance	Implementing the Assurance Framework with routine reporting to the OCB and the Regulatory and Audit Committee.	Director of Assurance	March 2016





# Regulatory & Audit Committee

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<b>Title:</b>	<b>Annual Report of the Chief Auditor</b>
<b>Date:</b>	24 June 2015
<b>Author:</b>	Chief Internal Auditor
<b>Contact officer:</b>	Ian Dyson, 01296 383070
<b>Local members affected:</b>	n/a

*For press enquiries concerning this report, please contact the media office on 01296 382444*

## Summary

This report sets out the Chief Auditors opinion on the Council's system of internal control, based on the internal audits undertaken, and other available assurance mechanisms.

The opinion positively concludes the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the Council's functions

The report summarises the conclusions from all the internal audits completed, and more detailed summaries of the audits completed since the last Internal Audit progress report in April 2015.

## Recommendation

The Committee is **RECOMMENDED** to note the report.

### Resource implications

None

### Legal implications

There are no new legal implications.

### Other implications/issues



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None

**Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

Not applicable

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**Background Papers**

None

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# **Buckinghamshire County Council**

## **Audit & Risk Management Service Annual Report of the Chief Internal Auditor 2014/15**

## **1 Background**

- 1.1 The Account and Audit Regulations 2011 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2013 (the Code), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

## **2 Responsibilities**

- 2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
- 2.2 The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
- The Council can establish the extent to which they can rely on the whole system; and
  - Individual managers can establish how reliable the systems and controls for which they are responsible are.

## **3. Basis of Audit Opinion**

- 3.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-
- The Chief Auditor has operational management responsibility for the Business Assurance Team, including Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Audit Manager reports directly to the Director of Assurance;

- An Internal Audit Charter is to be drafted as part of the governance framework; and,
  - A Quality Assurance and Improvement Programme is to be drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter
- 3.2 The strategy for delivery of the Internal Audit Service is reviewed annually and subject to the approval of the Regulatory and Audit Committee. Internal Audit is required to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 3.3 The Regulatory & Audit Committee agreed the quarterly Internal Audit Plans, which focussed specifically on financial management, and corporate processes. There were no constraints placed on the scope of audit work.
- 3.4 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in Appendix 1. Summaries of the outcomes of each audit have been presented to the Regulatory and Audit Committee on a quarterly basis. Summaries of the audits completed since the last report are attached in Appendix 2.
- 3.5 The system for the reporting and monitoring of risk management is well embedded into the business management process. The strategic risk register was regularly reviewed by COMT throughout 2014/15, and this process continues with the One Council Board into 2015/16. The risk management system is a key part of the Council's Assurance Framework, which has been developed through the Future Shape Programme and on-going into 15/16. The profile of the Risk Management Service is good, with strong engagement on major change programmes such as Future Shape, and increasingly projects setting up new delivery vehicles, or implementation of new legislative requirements, for examples establishing Bucks Law Plus, and impact of the Care Act. It is routinely reporting to the Regulatory and Audit Committee through the Risk Management Group, which it also supports with agenda setting to ensure focus is on key risk areas, including major projects. The risk management system is used to inform the work of Internal Audit.
- 3.6 The Internal Audit activity in relation to schools has been limited in 2014/15 to one audit. The development of a clear assurance framework over the financial management in schools has not yet been concluded, and was delayed in part due to the change in personnel at Finance Business Partner. This is now close to being concluded. Going forward, Internal Audit will continue to work closely with the Finance Director and the Finance Teams supporting schools, to maintain oversight of the assurance process, and to identify emerging issues where an internal audit should be undertaken.

- 3.7 Contract management is a key control process for the Council. The main source of management assurance was to be the Contract Management Application. A recent audit concluded only limited assurance that the system is meeting its objective. The audit plan originally set out a small number of contract audits to be undertaken, including follow up on Highways and Amey audits undertaken in 13/14. Unfortunately as previously reported to the Regulatory and Audit Committee these audits had to be withdrawn from the plan; however, the Committee has received updates from Senior Managers during the year with regards to those contracts. The main source of assurance for contracts has to be the corporate management system, the Contract Management Application. This has been highlighted as a key action in the 14/15 Annual Governance Statement.
- 3.8 Reliance has been placed on the monitoring of procurement activity by the Commercial Services Team, who report six monthly to the Regulatory and Audit Committee, on compliance with the Contract Standing Orders. Internal Audit has also supported the Procure to Pay project, with the CIA being on the Project Board. The Accounts Payable audit has also focussed on the main purchasing controls with regards to vendor management, and areas for improvement have been identified for addressing through the procure to pay project.
- 3.9 A key part of the audit plan for 2014/15 was the governance audits. A review of the key control processes was undertaken, with testing at a directorate level. In addition the annual governance statement assurance checklist was completed by all Service Managers, as a self-assessment of compliance with the key governance processes.
- 3.10 The audit of IT systems has been limited in 2014/15. An exercise has been undertaken to map the management assurance processes across the key IT risk areas, and this will be followed up in 2015/16 with the Professional Lead, as part of their regular assurance monitoring and reporting.
- 3.11 Where internal audits identify weaknesses in control, or areas for improvement, management action is agreed. The implementation of management actions is tracked by Internal Audit and reported to the Regulatory and Audit Committee. This relies on receiving positive assurance from the responsible officer reporting that actions have been completed. A new action tracking system was introduced during the first quarter of 2014/15. Managers are using the new system, and implementation of actions is generally good.
- 3.12 In addition to the planned audits, the Audit and Risk Management Team has supported the development of the system of internal control, through providing ad-hoc advice and guidance, and through work on specific projects, including:
- Procure to Pay Project
  - Contract Management Framework

- Contract Management Application
- Future Shape Programme
- Annual Governance Statement
- Planning Applications

3.13 There is a demand on internal audit to provide assurance on the use of external grants. In 2014/15 the CIA has certified without qualification all three grants referred to audit.

3.14 In arriving at our opinion on the system of internal control, we have taken into account:

- The results of all audits completed in 2014/15
- Whether or not management actions have been agreed for all material areas of weakness identified.
- The effects of any material changes in the Authority's objectives or activities or risk profile.
- Whether any limitations have been placed on the scope of audit.
- The scope of internal control environment - which comprises the whole network of systems and controls established to manage BCC to ensure that its objectives are met.

3.10 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers and Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

#### 4. Opinion on the Council's Internal Control Environment Summary

In my opinion Buckinghamshire County Council's overall system of internal control continues to facilitate the effective exercise of the Council's functions and provides a **reasonable** assurance regarding the effective, efficient and economic exercise of the Council's functions.

There is no doubt that the Senior Officers in the organisation take governance and internal control very seriously, evidenced through the new structure and operating framework resulting from the Future Shape Programme. Assurance and risk is a prominent feature in the framework, but also in management meetings, projects and business as usual activity. The development of the Business Assurance Team, which incorporates Risk Management and Internal Audit functions, reporting to a Director of Assurance provides accountability and responsibility for the management and reporting on the effectiveness of the governance system. The introduction of an Assurance framework, with clearly defined three lines of assurance, will significantly improve the evidence base to the Regulatory and Audit Committee, and the One Council Board; it will also ensure that going forward, the independent Internal Audit assurance is focussed in the key areas, making best use of the resource.

- 4.2 This opinion is consistent with the outcomes of the individual audits, in which of the 24 opinion based audits completed 80% had opinions of "reasonable" or "substantial" assurance, and all three grant claims reviewed were acceptable. There have been five audits with opinions of "limited" assurance; management have responded positively to these audits and have initiated appropriate action plans to address the issues raised.

#### 5. Anti-Fraud

- 5.1 The Anti-fraud and corruption strategy remains current and relevant. The internal audit team is notified of instances of suspected fraud, and maintains oversight of the investigations being undertaken, or directly undertakes investigations. There has been no increase in this activity in 2014/15, which would suggest the control environment is operating effectively in preventing fraud; however, this is not consistent with the national picture, and therefore fraud risk is an area that needs to be focussed on going forward.

#### 6. The Audit Team

- 6.1 During 2014/15 the Internal Audit Team continued to be resourced jointly with resources shared through the collaboration with Oxfordshire County Council. The structure is reviewed at least annually to ensure the right



balance of skills is maintained. There was a significant pressure on resources in 2014/15 through impact of the future shape programme; sickness, and extended audits. The structure has been reviewed for 2015/16, with the majority of the internal audit staff now internal, with the exception of the Chief Auditor who remains working across the two authorities.

- 6.2 It is a requirement to notify the Regulatory and Audit Committee of any conflicts of interest that may exist in discharging the internal audit activity. There is only one matter to report. The Chief Internal Auditor and the Senior Auditor who led on counter-fraud in the team are related. To manage that conflict, the CIA has no direct management of the Senior Auditor, and their line manager reports directly to the CIA's line manager on all personnel and performance matters.

*Ian Dyson, Chief Internal Auditor June 2015.*

## Appendix 1 - Summary of audit outcomes for year.

### Audit Methodology

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. An opinion on the quality of risk management in place is also provided. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of overall audit opinions is:-

- **Substantial** - All controls are in place to give assurance that the system's objectives will be met.
- **Reasonable** - Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.
- **Limited** - There are not the necessary controls in place to give assurance that the system's objectives will be met.

The following table sets out the range of opinions for risk management and the framework of controls for each audit.

	Type / Area	Audit (If highlighted, the summary has not previously been reported and is in Appendix 2)	2013/14 Overall Opinion	2014/15 Overall Opinion
1	Key Financial System	General Ledger	Reasonable	Reasonable
2	Key Financial System	Accounts Payable	Reasonable	Reasonable
3	Key Financial System	Accounts Receivable inc. Income Management	Reasonable	Reasonable
4	Key Financial System	Pensions	Reasonable	Reasonable
5	Key Financial System	Treasury Management	Substantial	Substantial
6	Key Financial System	Payroll	Reasonable	Reasonable
7	Key Financial System	Feeder Systems		Reasonable
8	Governance	Annual Governance Statement	N/a	N/a

9	Governance	Contract Management Application		Limited
10	Governance	Business Continuity Management		Limited
11	Governance	S106 Agreements and CILS		Draft report
12	Governance	AFW – Direct Payments		Reasonable
13	Governance	AFW – Payments to Providers		Limited
14	Governance	AFW – Debt Management		Limited
15	Governance	RBT - Payments to Foster Carers		Substantial
16	Governance	CBE Governance and Financial Management	Reasonable	Reasonable
17	Governance	AFW Governance and Financial Management	Reasonable	Reasonable
18	Governance	PPC Governance and Financial Management	Reasonable	Reasonable
19	Governance	RBT Governance and Financial Management	Reasonable	Reasonable
20	Governance	CYP Governance and Financial Management	Reasonable	Reasonable
21	Contract Audit	PLACE – Property Contract process and procedures		DRAFT
22	Risk	SVA – management controls – care management processes, case file management, supervision	Limited	Reasonable
23	Risk	CYP – Safeguarding Management Controls	Limited	Reasonable
24	Schools	Meadows School		Limited
25	Grant Certification	Joint Waste Committee Return	No opinion	No opinion
26	Grant Certification	ADEPT Accounts	No opinion	No opinion
27	Grant Certification	Families First	No opinion	No opinion

## APPENDIX 2 - SUMMARY OF COMPLETED AUDITS NOT PREVIOUSLY REPORTED TO THE REGULATORY AND AUDIT COMMITTEE

### Note for information:

We categorise our management actions according to their level of priority:

High	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Medium	Significant issue that requires prompt action and improvement by the local manager.

### GENERAL LEDGER – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Risk Management	Reasonable	1	0
Procedures & Data Security	Reasonable	0	2
Financial Information & Reporting	Substantial	0	0
Coding Structures	Substantial	0	0
Feeder Systems	Substantial	0	0
Journals & Internal Transactions	Reasonable	0	1
Suspense and Holding Accounts	Substantial	0	0
Bank Reconciliations	Substantial	0	0
Final Accounts	Reasonable	0	1
		1	4

As a result of our work, one High Priority action has been raised regarding the need to update and evidence progress on risks recorded in the Finance & Commercial Risk Register. It was confirmed by management that the splitting of the Finance & Commercial Risk Register to HQ and Business units is in progress. Risks will be updated and closed if necessary. A new Risk and Assurance Strategy is due to go to Regularity and Audit Committee on 10 June 2015.

Four Medium Priority actions have also been raised which include: confirming that appropriate segregation of duties exists within the SAP system; confirming whether access rights to Feeder system are correct and provide appropriate segregation of duties; the need for Journal Transfer templates to be completed to evidence that journals have been authorised; and for outstanding external auditor action points to be addressed and completed.

No low priority issues were raised.

## ACCOUNTS PAYABLE - REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Risk Management	<b>Substantial</b>	<b>0</b>	<b>0</b>
Accounts Payable Framework	<b>Substantial</b>	<b>0</b>	<b>0</b>
IT Systems and Data Accuracy	<b>Reasonable</b>	<b>1</b>	<b>1</b>
Vendor Creation and Amendments	<b>Reasonable</b>	<b>1</b>	<b>1</b>
Purchase Order Creation and Invoice Processing	<b>Reasonable</b>	<b>0</b>	<b>1</b>
Payments	<b>Substantial</b>	<b>0</b>	<b>0</b>
Supplier Credit / Refunds	<b>Substantial</b>	<b>0</b>	<b>0</b>
Control Account Reconciliation	<b>Substantial</b>	<b>0</b>	<b>0</b>
		<b>2</b>	<b>3</b>

As a result of our work, two High Priority actions have been raised which include the need to review SAP access rights and critical transactions to confirm segregation of duties are enforced and for a vendor data cleaning exercise to be completed. Both of these issues were raised during the 2013/14 audit.

Three Medium Priority actions have also been raised which include the creation of a framework template setting out the required actions before vendor updates are made, increased oversight of any access permission changes and work to gain more visibility and reduce the use of Retrospective Orders. This will include dashboard reporting highlighting the number of retrospective orders and which Business Units are raising them. This issue was raised as part of the 2013/14 audit.

In addition, two Low Priority actions have been raised.

## ACCOUNTS RECEIVABLE – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Risk Management	Reasonable	0	2
Income Management Framework	Reasonable	0	1
IT Systems and Data Accuracy	Reasonable	0	1
Customer Creation and Invoice Collection	Substantial	0	0
Cash Receipting	Substantial	0	0
Debt Recovery and Enforcement	Reasonable	0	1
Debit and Credit Card Payments	Substantial	0	0
Control Account Reconciliation	Substantial	0	0
Bank Reconciliations	Substantial	0	0
		0	5

Risks are being mitigated to acceptable levels, however as a result of our work, five Medium Priority actions have been raised. These relate to: the inclusion of debt management risks in the Council's risk registers; the review and dissemination of the Financial Instructions; the regular review of system access rights; and details of debt monitoring and training requirements should be recorded. In addition, a separate review has recently been issued to senior management identifying issues around Aged Debt reporting. 12 actions were identified as a result of the work and this has been reported under separate cover to senior management at the Council. The issue of the report is acknowledged here for completeness.

The actions raised during the previous audits of Accounts Receivable have been followed up as part of our review and where appropriate have been included within our findings. These relate to the inclusion of debt management risks in the Council's risk registers; review of Financial Instructions; review of access rights on the SAP system; and debt monitoring and recording staff training.

## PAYROLL – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policy and Procedures	Reasonable	0	1
Starters	Reasonable	0	2
Leavers	Substantial	0	0
Variations	Reasonable *	0	0
Overpayments	Reasonable *	0	0
Monthly Pay Run Controls	Substantial	0	0
Reconciliations and Suspense Account	Reasonable	0	1
Deductions	Reasonable *	0	0
Master Data	Substantial	0	0
Services to Other Organisations	Reasonable	0	1
		0	5

Risks are being mitigated to acceptable levels; however as a result of our work, five Medium Priority actions have been raised. These relate to the maintenance of policies and procedures for the use of staff; retention of starter documentation to support the recruitment process; and the creation of a signatory list to check that payroll documentation had been correctly authorised. In addition an independent review of reconciliations should be evidenced; and service level agreements signed for organisations where the Council provides payroll services.

No low priority issues were identified as part of our audit work.



## FEEDER SYSTEMS - REASONABLE

The audit of Feeder Systems included testing of a sample of transactions processed to the General Ledger. Testing focused on a sample of Feeder Systems detailed below:

The overall conclusion for Feeder Systems is **Reasonable**. There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls. The opinions on each area tested are as follows:

FEEDER SYSTEM RISK AREAS	AREA CONCLUSION
Overview to Feeder Systems	Reasonable
K2 to SAP AP – Property Maintenance	Reasonable
SystemsLink to SAP AP – Property Energy Bills	Reasonable
Civica/Spydus (ALS) to SAP AP – Library Management	Reasonable
Pay Online to SAP AR – E Commerce	Substantial
E-payments/e-Commerce to SAP GL – Shop On-Line	Reasonable
Routewise to SAP AP – Client Transport	Reasonable
Altair (AXISe) to SAP GL Interface – Pensioner Payroll	Reasonable
SWIFT to SAP Commitments – Adult Social Care	Substantial
School Reimbursement – Accounts Payable – Petty Cash	Substantial
SIMS to SAP AP – Invoice Authorisation	Substantial
SIMS VAT Claims to SAP AP/GL – VAT Reimbursement	Substantial
SIMS Reconciliation Interface – Schools Reconciliation Data	Reasonable
SWIFT to SAP AP - Supporting People	Reasonable

Feeder Systems are an integral part of Buckinghamshire County Council (BCC) accounting system. Information recorded feeds through to the General Ledger, thereby providing financial data that is used in preparing the annual accounts. The audit

reviewed 13 separate feeder system processes and included transactional testing to ensure data from feeder systems was being fed through to SAP correctly and on a timely basis. As a result of the audit, two High Priority actions have been raised which include: the K2 interface file formats to Capital & Revenue will be designed to align with SAP imported alignments and a reconciliation process will be introduced between SystemsLink and SAP.

13 Medium Priority actions have also been raised. These include: updating the diagrammatic overview of SAP feeder systems, documenting the terms of reference for the K2 IT Consultant, updating the Scheme of Delegation in K2 to align with BCC's Scheme of Delegation, reviewing the SystemsLink export file format and access controls, enhancing the process for authorising energy bills, resolving the VAT rounding issues within the Civica/Spydus system, reviewing the e-Payments / e-Commerce control account on a regular basis, enhancing the duplicate payment controls within Routewise, improving the Altair reconciliation process and updating of the Pensions reconciliation log on a monthly basis, a central log/register for SIMS school queries will be introduced and maintained and SWIFT Supporting People to SAP payment spreadsheet will be kept up to date.

Three Low Priority actions have been raised.

## Business Continuity Management – LIMITED

Our overall conclusion is **Limited**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Roles and Responsibilities	Reasonable	1	2
Business Continuity Management	Limited	4	1
Staff Training and Awareness	Reasonable	3	0
Rehearsing the Plan	Limited	5	0
Management Information	Reasonable *	0	0
Contract Management	Limited	4	0
		<b>17</b>	<b>3</b>

BCM is a holistic management system that establishes a strategic, tactical and operational BCM framework and whose purpose is to ensure that the Council is able to continue to provide its identified mission critical activities in the event of a disruption to normal service delivery and be able to rapidly restore all activities as quickly as possible. Testing of BCM arrangements for services was undertaken from across the Council. The services that replied to requests during the audit were Localities Service, Trading Standards, Adult Learning, Safe Communities, Support Services Centre, Adult Social Care (Service Provision and Commissioning), Youth Service, Finance Service Centre, Service Transformation (ICT), Resilience (Corporate) and Libraries, Archives, Registrars & Coroners.

The services who did not reply to requests during the audit were Community Cohesion & Equality, Democratic Services, Regeneration & Infrastructure, Environment, Service Transformation (Service Improvement), Health & Safety, Public Health and Growth & Strategy. Testing identified the following issues:

- The Council's BCM Policy will need to be updated to align with Future Shape and the organisation's reporting and assurance process will be reviewed and agreed.
- Three out of the eleven BCPs reviewed had not been updated in the last 12 months.
- One out of the eleven teams sample tested did not have a BCP held off site.
- Five out of the eleven teams sample tested did not know of, or have undertaken a BCM training exercise in the last 12 months.
- Six out of the eleven teams sample tested had not tested their BCP in the last 12 months.
- From a sample of eleven areas reviewed, six stated that they had limited or no assurance that external service providers have effective BCM arrangements.

The Resilience Team currently maintains a snapshot of service area compliance with BCM requirements that is updated at the end of each Financial Year in accordance with the BCM Policy and in support of HQ Assurance's Annual Governance process. As the name suggests, the spreadsheet provides a snapshot of the current state of BCM preparedness in each of the Service / Teams that hold a BCP. It is derived from a more detailed spreadsheet that assesses the overall status of each phase of BCM documentation. The snapshot details a RAG status of each service's arrangements. As at April 2015, of the 69 services / teams that require a BCP, the following status was noted:

- Green: 4 (6%). (completed).
- Amber / Green: 14 (20%). (almost complete – BCP provided, though some minor work required).
- Amber: 20 (29%). (started but significant action still required – if a BCP is provided it is not yet fit for purpose).
- Red / Amber: 8 (12%). (started / made contact with the Resilience Team, but no effective planning undertaken).
- Red: 23 (33%). (not yet started / not made contact with the Resilience Team despite requests made).

The snapshot of performance is currently reported annually to the Chief Executive, as well as to the Director of Assurance, although this is not requested via a formal process.

## DIRECT PAYMENTS – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
New control processes and extent of issues established resulting from case review	Reasonable	0	3
Funding through POhWER	Substantial	0	1
		0	4

A case review was conducted by audit in 2013/14; the review found a number of weaknesses in processes or processes not followed correctly. The review was conducted on one individual, as such control weaknesses and process issues could have related solely to this one case, however could also indicate wider poor practice. The results of the case review have not been picked up and reviewed in any detail to ascertain the extent of the issues. It was established however, that some of the issues have been resolved through positive steps introduced, such as training for staff and care managers in how the direct payments process works and key responsibilities. An internal working group, which meet on a regular basis, pick up issues with processes (including the issue with POhWER retaining funds) and sets to resolve those issues, as such some of the issues within the review will have also been resolved in this forum. However, there is insufficient evidence to show that the issues in the report have been formally acknowledged and followed up to ensure they are all resolved.

The audit case review highlighted areas within the Feb 2014 version of the Direct Payments Policy where additional clarification was needed in certain areas to address gaps and potential issues. The DP Policy has been revised to accommodate the new Care Act implementation, and is currently in draft format. The draft policy was reviewed in line with the issues highlighted in the case review and it was found that they were still evident in the policy.

The controls BCC have introduced to monitor client accounts held by POhWER appear to be an effective way to ensure funds do not build up or fall to a level where the client is in debt. Any funds that are over or under around eight weeks' worth of care could potentially indicate a number of things, such as the care needs of the individual and support need reviewing, the client may have deceased, or the care

provider may not be providing care in line with the agreed care plan. Effective implementation of the controls is reliant on BCC sufficiently undertaking the checks and quickly ascertaining why there are variations in client accounts. Failing to do so, could potentially have financial implications for BCC or the client, if they are contributing to their own care. More importantly though, there could also be safeguarding risks to the clients.

BCC have managed to recover around £340k of surplus funds from POHWER, having undertaken a review of client accounts where there were extremes in what would be expected. A further £300k is due to be returned imminently.

## AFW Debt Management – LIMITED

Our overall conclusion is **Limited**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Framework	Reasonable		2
Management of Debt	Limited	9	5
Management Information	Limited	1	1
Write offs	Reasonable	1	1
		11	9

It was found that there are numerous anomalies and inconsistencies in the various coding systems for client debts in SAP that have resulted in management reports showing an incorrect debt position.

SAP is not currently utilised to record when debt recovery letters are issued but this is recorded on a spreadsheet maintained by the Financial Assessments Team. However this spreadsheet is not shared with AFW senior managers who are therefore unable to get an oversight of the debt numbers and amounts of debt at each stage of the debt recovery process. As part of the audit, aged debt reports from SAP were run to enable a sample to be taken. From these it was found that there were numerous instances of inconsistencies within SAP that have resulted in the senior management aged debt reports being inaccurate. These are detailed below:

- On SAP dunning codes are applied to an invoice to indicate the status and type of the debt. It was found that dunning codes have not been applied consistently; in some cases debt secured by property did not have the correct dunning code applied, some customers had two different dunning codes when there should be one.
- Each customer is assigned a customer number based on the type of customer e.g. residential care secured by property. It was found that Customer Types on SAP are not always consistent with the type of debt i.e. secured or unsecured.
- When customer invoices are raised on SAP the officer selects the relevant sales reference based on Sales Office and Sales Group. It was found that some customers had two different sales references

i.e. sales reference for secured debt and sales reference for unsecured when there should be one.

There is a backlog of older unsecured debt, of which £83,469 is over 5 years old, that the Financial Assessments Team has been unable to recover. However it was found that these have not been resolved by being referred to Legal to take action or written off. It was found that there were inconsistencies between SAP and the records maintained by Legal for secured and unsecured debts. For example cases that are closed according to Legal have not been closed/written off on SAP.

The findings above have resulted in poor data quality in senior management aged debt reports and there was no evidence that the data has been validated. The Debt Management Strategy documents three performance measures that should be included in monthly monitoring reporting to Finance Assessment Team Leader. There is currently no debt management performance reporting to the Finance Director, Communities, Health and Adult Social Care. Within the report the designations Service User, Client and Customer are interchangeable.



## PAYMENTS TO FOSTER CARERS - SUBSTANTIAL

Our overall conclusion is **Substantial**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
1. Payment Accuracy and Completeness	Reasonable	0	1
2. Timeliness of Payments	Substantial	0	0
3. Processing of Payments	Substantial	0	0
		0	1

### Payment Accuracy and Completeness

There are written procedures and guidance in place, although some work could be done to consolidate the number of documents. Despite users of the Foster Carer database noting that the system is very old and not fully automated in some of the areas required, the controls in place do not indicate that this is a risk area, although any improvements to the Foster Carer database would add to the efficiency of the current processes in place. However the Foster Carer database has no owner and is currently unsupported. This poses a risk to the Foster Care System and therefore the organisation should consider exploring other options.

Payments can be traced back to supporting paperwork that has been approved by Children Services. Likewise paperwork approved can be followed through to payments made on SAP and what was stored on the Foster Carer database. There are checks put in place to ensure the accuracy of the payments being processed in line with Foster Carer allowances and all payments are authorised before being processed. There are also controls in place in relation to the set-up of Foster Carers as vendors in SAP. During the audit, it was noted that there was a change in process; the Finance Service Desk no longer verifies bank details with Foster Carers. The emphasis is therefore with Children Services to ensure that the Foster Carers' details are correct ahead of any payment made.

Access to the relevant parts of the Foster Carer database and SAP is restricted to those users that require access and there is segregation of duties on the systems used for the processing of payments to Foster Carers. It was highlighted that once payments for Foster Carer main allowances are set up, regular payments continue to be made unless instructed otherwise from Children Services. There are controls in

place to ensure that any regular payment continues to be the correct amount. However there are examples where there have been overpayments and underpayments to carers, giving rise to some concerns around the adequacy and effectiveness of the management controls currently in operation.

#### Timeliness of Payments

Payments due are paid promptly and all relevant staff are aware of the deadline for submitting payment documents.

#### Processing of Payments

Reconciliation between SAP and the Foster Carer database does take place to ensure that payments due to Foster Carers are processed. If there are any discrepancies, these are investigated, resolved and escalated, if appropriate.

## GOVERNANCE AND FINANCIAL MANAGEMENT

These audits were undertaken across all the Directorates. The scope included testing compliance with financial and governance policies and procedures at Service area level on the areas detailed below:

- AUTHORITY AND GOVERNANCE.
- FINANCIAL MANAGEMENT.
- PERFORMANCE MANAGEMENT.
- LEGISLATION.
- INFORMATION GOVERNANCE.
- PROJECT MANAGEMENT.

The overall conclusions by Directorate are as follows:

### RBT – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Substantial
Legislation	Reasonable
Information Governance	Reasonable
Project Management	Reasonable

The overall conclusion for Resources and Business Transformation is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The RBT Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- Financial Instructions are being reviewed to ensure that they remain valid and fit for purpose under the new operating environment.
- Quarterly Reporting from Corporate Complaints has not been undertaken during 2014/15. Additionally, with increased commissioning of services to external providers, it was not clear as to how the external providers' complaints process is set up,

monitored or fed back to the Council. Testing also identified differences between the Intranet & Website Feedback and Complaints Form.

- There is a lack of visibility to underlying budget figures and that they may not reflect current cost centre financing. It was also reported that some budgets are managed from the bottom line. The Future Shape profile moving to Business Units seeks to address some inherency to the current process through improved performance management to cost centre profiles.
- A lack of assurance as to how staff is being trained to fulfil their budget responsibilities.
- A sample of budgets was not being reviewed on a timely basis and the details not being accurately updated and reflected on SAP.
- The audit identified an inconsistent approach to communicating legislative changes, with some department managing this well, whilst others identified areas for improvement.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within RBT had completed the training.
- The Project Management Toolkit has not been updated in 2014/15, but is available to staff on the Intranet.
- There is currently no up to date central Project Register.

## AFW – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Limited*
Performance Management	Substantial
Legislation	Substantial
Information Governance	Reasonable
Project Management	Substantial

The overall conclusion for Adults and Family Wellbeing is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The AFW Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all

SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.

- The Caldicott Officer confirmed that she was unaware of what governance arrangements exists within partner organisations and contracted out agency Services (Per Temps) for them to meet the data protection requirements.
- Caldicott guidelines are no longer available on the Intranet. These have been moved to the N: Drive, AFW Dashboard Driver, with restricted access rights.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within AFW had completed the training.

## CYP – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Substantial
Legislation	Substantial
Information Governance	Substantial
Project Management	Substantial

The overall conclusion for Children and Young People is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The CYP Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- A sample of budgets were examined within the monitoring reporting to confirm that budgets are reviewed on a timely basis and the details are accurately updated and reflected on SAP. Testing confirmed certain records had not been updated.
- There were also some budget difficulties noted which make it harder for the budgets to be completely accurate. For example for placement budgets, because the coding in ICS does not match SAP, it makes it difficult to make accurate accruals. It is also acknowledged that presently, the data within SAP and ICS does not currently reconcile.
- A list at 31 December 2014 was obtained of completions of the

mandatory data protection E-Learning training. Not all staff within CYP had completed the training.

### CBE – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Reasonable
Legislation	Substantial
Information Governance	Reasonable
Project Management	Substantial

The overall conclusion for Communities and Built Environment is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The CBE Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- A sample of budgets was not being reviewed on a timely basis and the details not being accurately updated and reflected on SAP.
- The Environment and The Planning & Transport Portfolio Plans were not updated with Key Projects Activities to achieve Objectives, Performance Indicators and Risks.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within CBE had completed the training.

### PPC – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Substantial
Performance Management	Reasonable
Legislation	Substantial
Information Governance	Reasonable

Area	Opinion
Project Management	Reviewed within the R&BT Service Area.

The overall conclusion for Policy, Performance & Communications is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The PPC Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- Consideration will be given to centrally recording gifts, hospitality and interests, as well as an approach to reminding staff of their responsibility in reporting gifts, hospitality and interests.
- Review of the Service Area registers noted that the deadline to review certain policy documents had expired and with some comments either noted as 'blank' or referenced as 'up-to-date' or 'out of date' making it unclear as to the policy documents actual status.
- The Data Protection Officer highlighted that some guidelines were out of date and no longer applicable, and that commissioned out service contracts will need to have data protection included in their Terms & Conditions. There was also insufficient guidance to links to connecting sites, for example the Information Commissioner's site.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within PPC had completed the training.





# Regulatory & Audit Committee

**Title:** Treasury Management Annual Report 2014/15

**Date:** 24 June 2015

**Author:** Pensions & Investments Manager

**Contact officer:** Julie Edwards 01296 383910

**Electoral divisions affected:** n/a

## Summary

The Council is required to report to members on the previous year's treasury management activity. It was agreed at County Council that an annual treasury management report, reporting on treasury management activity in the previous financial year would be reported to Regulatory and Audit Committee in June.

## Recommendation

**The Committee are asked to RECOMMEND to Council the Treasury Management Annual Report and the actual Prudential Indicators for 2014/15.**

**The Committee are asked to RECOMMEND to Council changes to the estimates of capital expenditure within Prudential Indicator 2.1 to £129.979m in 2015/16, £53.053m in 2016/17 and £30.100m in 2017/18.**

**The Committee are asked to RECOMMEND to Council changes to the Capital Financing Requirement within Prudential Indicator 2.2 to £325.887m in 2015/16, £317.505m in 2016/17 and £307.013m in 2017/18.**

## A Supporting information

### Background

- 1 In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management, revised in 2011, and the Council's Financial Regulations (A3.2), this Council is required to provide Regulatory and Audit Committee with a report on the previous year's treasury management activity.
- 2 The Code of Practice defines Treasury Management as:



INVESTOR IN PEOPLE



*The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

### **Treasury Management Strategy**

- 3 The Council approved the 2014/15 treasury management strategy at its meeting on 13 February 2014. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The effective management and control of risk are prime objectives of the Council's treasury management activities.
- 4 All treasury management activity undertaken during the period complied with the approved strategy, the CIPFA Code of Practice and the relevant legislative provisions.

### **Borrowing Strategy**

- 5 The Council's borrowing objectives are:
- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio.
  - To manage the Council's debt maturity profile, leaving no one future year with a disproportionate level of repayments.
  - To maintain a view on current and possible future interest rate movements and borrow accordingly.
  - To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and the Prudential Indicators.
  - The strategy for new borrowing in 2014/15 was to potentially borrow £10m in advance of need for the Energy from Waste (EfW) Project and £16m as the accountable body on behalf of the Local Enterprise Partnership (LEP), in 2014/15 the Council decided not to borrow in advance of need for the EfW project and the LEP decided not to borrow; therefore no new borrowing was arranged in 2014/15. Paragraph 11 provides more detail of the Council's borrowing activities in 2014/15.

### **Investment Performance in 2014/15**

- 6 Internal monitoring procedures of the Treasury Management function included:
- A monthly management review of relative investment performance against Key Performance Indicators target to achieve the LIBID weighted average interest on treasury income, the weighted average is a composite of investment returns for 7 days, 1 month, 3 months, 6 months and 1 year maturities;
  - Periodic internal and external audit scrutiny, no significant findings were reported;
  - Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking to monitor performance compared to other local authorities; and
  - Proactive management – acting on Arlingclose's (the Council's treasury advisor) advice and liaising with other Council's treasury functions regarding best practice and new initiatives.
- 7 The average rate of return on investments was 0.88%, exceeding the weighted average LIBID for the year by 0.56%. During 2014/15 Buckinghamshire County Council (BCC) invested cash balances not required on a day-to-day basis for periods up to 4 years. The total of these investments at any one time varied between £180m and £280m at interest rates between 0.44% and 1.55%. The Director of Assurance approves and monitors the institution lending list in line with a predetermined set of criteria (approved by County Council as part of the Treasury Management Strategy) and, with one exception, investments were made within the agreed list of lenders and associated lending limits and maturity periods. As reported in the mid-year report, there was one

investment placed which resulted in a breach of the investment strategy. An investment was made with OCBC bank which resulted in the Singapore national investment limit of £30m being exceeded by £5m. On discovering the breach, the investment was repaid with interest to the Council for the period that the £5m was invested. In order to reduce the chances of a similar occurrence, we have made the national limit warnings much more noticeable and changed the summary sheet so that the 'Can't Do' checkbox only appears when a term deposit is being made, rather than being a static feature.

- 8 The interest earned and credited to the Council's revenue account was £2.19m overachieving income by £0.55m compared to the £1.64m budget. The difference between the actual income received and the budget is due to additional interest income being achieved since average cash balances during the year were higher than expected and the CCLA property investment achieving higher than anticipated returns. The base interest rate has been 0.5% since March 2009 and is forecast by Arlingclose, the Council's treasury advisors, to remain at 0.5% until the second quarter of 2016. The Bank of England's MPC members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.
- 9 The principal of sums invested as at 31 March 2015 totalled £189.8m. These investments were placed with 19 institutions in sums of between £0.31m and £25m at interest rates of between 0.47% and 1.55%. Of the 19 institutions, 5 are local authorities, 4 are UK banks or building societies, 2 are AAA rated money market funds operated by financial institutions, 1 is a UK property fund and 7 are foreign institutions.

### Prudential Indicators

- 10 Each year, the Council agrees Prudential Indicators under the Local Government Act 2003 which are affordable, prudent and sustainable. The actual Prudential Indicators for 2014/15 and the Indicators for 2015/16 to 2017/18 are shown in Appendix 1.
- 11 The estimates of capital expenditure (2.1) to be incurred for the current and future years is summarised below:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Approved Capital programme	£000	88,491	71,294	65,654	233,053	30,100
EfW technical adjustment	£000	-	79,618	64,325	-180,000	-
Estimates of capital expenditure	£000	88,491	150,912	129,979	53,053	30,100

- 12 Actual expenditure and future year's budgets are presented after a technical adjustment for the EfW plant as an asset under construction. As a result the estimate of capital

expenditure is different to the Council approved capital programme which incorporates the EfW plant on the basis of when payment falls due. £36,057k has previously been reported in 2013/14 giving an overall total estimated expenditure of £180m. It is proposed that the estimate of capital expenditure adjusted for the EfW technical adjustment is taken to full Council for approval.

- 13 The Capital Financing Requirement (2.2) measures the Council's underlying need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. Estimates of the end of year Capital Financing Requirement for the Council for 2015/15 to 2017/18 have been updated to reflect the expenditure incurred in respect of the EfW, net of repayments are:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Estimates of capital financing requirement (CFR)	£000	317,161	319,334	325,887	317,505	307,013

- 14 The actual in 2014/15 is higher than the revised estimate for 2014/15 which has resulted in a decrease in 2015/16 from £328.189m to £325.887m, in 2016/17 the estimate of CFR has increased from £317.449m to £317.505m and for 2017/18 the estimate of CFR has increased from £307.066m to £307.103m. It is proposed that the revised estimate of capital financing requirement is taken to full Council for approval.

#### **Borrowing in 2014/15**

- 15 Loans outstanding totalled £190.7m at 31 March 2015; £92.2m was from the Public Works Loan Board (PWLB), £82m Lenders Option Borrowers Option (LOBOs) from the money markets, £15m short term borrowing for cash flow purposes from the money markets and £1.5m accrued interest. The provisional outturn for interest on external borrowing is £11.0m, an underspend of £0.3m compared to the £11.3m budget due to the anticipated borrowing in advance of need for the Energy from Waste project slipping into 2015/16, see paragraph 5. £1.732m was repaid to the PWLB as part of scheduled instalments and £10m upon maturity of a loan, there has been no new long term borrowing during the period although the Council actively monitors debt restructuring options. The PWLB Certainty Rate allows the authority to borrow at a reduction of 20bps on the Standard Rate.
- 16 During 2014/15 there was one occasion when the Council borrowed £15m for 7 days at 0.28% from the money markets for short term cash flow purposes.

#### **B Resource implications**

There are no additional costs associated with the recommendation.

#### **C Legal implications**

The publication of annual strategy, a mid year treasury report and an annual strategy conforms to best practice as required by the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.

#### **D Other implications/issues**

There are none.

**E Feedback from consultation, Local Area Forums and Local Member views (if relevant)**

Not applicable.

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**Background Papers**

Treasury Management Strategy Report to County Council 13 February 2014

<https://democracy.buckscc.gov.uk/documents/g5662/Public%20reports%20pack%2013th-Feb-2014%2009.30%20County%20Council.pdf?T=10>

Treasury Management Annual Report to County Council 17 July 2014

<https://democracy.buckscc.gov.uk/documents/g5665/Public%20reports%20pack%2017th-Jul-2014%2009.30%20County%20Council.pdf?T=10>

Treasury Management Update to County Council 20 November 2014

<https://democracy.buckscc.gov.uk/documents/g5667/Public%20reports%20pack%2020th-Nov-2014%2009.30%20County%20Council.pdf?T=10>

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**Appendix 1****PRUDENTIAL INDICATORS FOR MTP 2015/16 to 2017/18****1. BACKGROUND**

**1.1.** The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management decisions are taken in accordance with good professional practice.

**1.2.** Local Authorities are required to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. To demonstrate compliance the Code sets prudential indicators designed to support and record local decision making.

**1.3.** The purpose of this report is to update and revise the indicators approved by Council last year contained within the proposed MTP for 2015/16 to 2017/18. The report describes the purpose of each of the indicators and the proposed values and parameters for Buckinghamshire County Council. Monitoring of the Prudential Indicators takes place throughout the year and a mid-year and annual report are reported to Regulatory & Audit Committee and Council.

## 2. CAPITAL EXPENDITURE INDICATORS

### 2.1. CAPITAL EXPENDITURE

This indicator is required to inform the Council of capital spending plans for the next three years. It is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure.

The estimates of capital expenditure to be incurred for the current and future years is summarised below:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Approved Capital programme	£000	88,491	71,294	65,654	233,053	30,100
EfW technical adjustment*	£000	-	79,618	64,325	-180,000	-
Estimates of capital expenditure	£000	88,491	150,912	129,979	53,053	30,100

\*Actual expenditure and future year's budgets are presented after a technical adjustment for the EfW plant as an asset under construction. As a result the estimate of capital expenditure is different to the Council approved capital programme which incorporates the EfW plant on the basis of when payment falls due. £36,057k has previously been reported in 2013/14 giving an overall total estimated expenditure of £180m.

The capital outturn total of £71,294k was £17,197k less than the revised estimate as at December 2014. The main variances were:

- **Health and Wellbeing** - Slippage of £4.7m due to delays in the Day Care scheme permissions so will be over a time frame greater than originally envisaged
- **Education and Skills** – Largely Misbourne School due to planning delays and the Temporary Classrooms block.
- **Unreleased variance** of £11.3m through schemes not being ready to progress through the Gateway process.

The estimate of capital expenditure for 2015/16 to 2017/18 reflects the Council approved capital programme excluding slippage. In 2016/17 the programme includes an allowance for the Energy from Waste plant, which will be supported in part through prudential borrowing.



## 2.2. CAPITAL FINANCING REQUIREMENT

The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. The actual debt is dependent on the type and maturity of the borrowing undertaken as well as seeking the optimal cashflow situation (see 5.3). Estimates of the end of year Capital Financing Requirement for the Council for the current and future years, net of repayments are:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Estimates of capital financing requirement (CFR)	£000	317,161	319,334	325,887	317,505	307,013

Authorities can finance schemes in a variety of ways these include;

- The application of useable capital receipts
- A direct charge to revenue
- Application of a capital grant
- Contributions received from another party
- Borrowing

It is only the latter method that increases the Capital Financing Requirement (CFR) of the Council. The profile above reflects cumulative prudential borrowing of £115.675m in 2014/15 and £132.5m in 2015/16, in respect of the Energy from Waste (EfW) Project.

The Council, as the accountable body on behalf of the LEP, is also supporting the forward funding of Aylesbury Eastern Link road. It is anticipated that £36m will be borrowed from the Public Works Loan Board (see indicator 3.1) by 2015/16 to support this development. This will be recognised in the capital financing requirement at the point that the assets or roads are adopted by the Council to the extent that assets are not funded through developer contributions. This is not currently shown in the figures above as the timescales for completion are not yet known and are estimated to be outside of the current 3-year period.

## **AFFORDABILITY INDICATORS**

### **2.3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM**

#### **Purpose of the Indicator**

This indicator measures the proportion of the revenue budget that is being allocated to finance capital expenditure. For the General Fund this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers.

Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

<b>Indicator</b>	<b>Unit</b>	<b>Revised Estimate 2014/15</b>	<b>Actual 2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Estimates of ratio of financing costs to net revenue stream	%	6.0%	6.0%	5.4%	6.5%	6.3%

### **2.4. ESTIMATES OF INCREMENTAL IMPACT OF NEW CAPITAL INVESTMENT DECISIONS ON COUNCIL TAX**

This is a key affordability indicator that demonstrates the incremental effect of planned capital expenditure and hence any increased or decreased borrowing, on Council Tax.

<b>Indicator</b>	<b>Unit</b>	<b>Revised Estimate 2014/15</b>	<b>Actual 2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Estimates of the incremental impact of capital investment decisions on Council Tax	£ per Band D equivalent	-£1.19	-£1.19	-£1.67	-£6.40	-£12.48
	%	-0.11%	-0.11%	-0.15%	-0.56%	-1.08%

The delivery of a number of projects within the capital programme including the replacement of Street Lamps with more efficient equipment, introduction of bio-mass boilers and rationalisation of premises will result in revenue savings. In addition a net saving is forecast in relation to the Energy from Waste project.

### **3. FINANCIAL PRUDENCE INDICATOR**

#### **3.1. GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT**

This indicator records the extent that gross external borrowing is less than the capital financing requirement (2.2 above).

This is a key indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for capital purposes. The Council should ensure that gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The values are measured at the end of the financial year.

Where gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

The figures for 2015/16 onwards are based on estimates:

<b>Indicator</b>	<b>Unit</b>	<b>Revised Estimate 2014/15</b>	<b>Actual 2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Gross Borrowing	£000	195,000	190,714	220,000	225,000	225,000
Capital Financing Requirement	£000	317,161	319,334	325,887	317,505	307,013

The Council is committed to building an EfW plant. This may require additional borrowing during 2016/17, although in practice much of this may be financed through a combination of earmarked reserves and current cash investments. The gross borrowing indicator assumes borrowing £15m per annum in advance during 2015/16 and a further £15m during 2016/17. The need for borrowing in advance will be reviewed.

The indicator also includes £36m in 2015/16 borrowed on behalf of the Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP) for Aylesbury Eastern Link Road. HM Treasury has agreed that the LEP can access the PWLB Project Rate at a discount of 40 basis points below the standard PWLB rate, the County Council will arrange the loan and pay the interest to the PWLB on behalf of the LEP, the LEP will reimburse the costs incurred to the County Council so that the loan is cost neutral to the County Council.

## 4. TREASURY AND EXTERNAL DEBT INDICATORS

### 4.1. AUTHORISED LIMIT FOR EXTERNAL DEBT

The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long term liabilities such as covenant repayments and finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year.

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Authorised limit (for borrowing) *	£000	250,000	250,000	270,000	320,000	320,000
Authorised limit (for other long term liabilities) *	£000	150,000	150,000	200,000	15,000	15,000
Authorised limit (for total external debt) *	£000	400,000	400,000	470,000	335,000	335,000

\* These limits can only be changed with the approval of the full Council

The authorised limits are consistent with approved capital investment plans and the Council's Treasury Management Policy and Practice documents, but allow sufficient headroom for unanticipated cash movements.

### Accounting for the Energy from Waste Plant

Construction commenced on site on 11 September 2013. Technical accounting rules require the Council to recognise an asset under construction and a corresponding PFI-equivalent liability for the work certified to date and forecast under the project. The liability is included in the 'other long-term liabilities' line.

Actual total liabilities are shown in Indicator 4.2 Operational Boundary for External Debt.

The limit will be reviewed on an on-going basis during the year. If the authorised limit is liable to be breached at any time, the Director of Assurance will either take measures to ensure the limit is not breached, or seek approval from the Council to raise the authorised limit.

#### 4.2. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

This is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing.

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Operational boundary (for borrowing)	£000	210,000	210,000	230,000	270,000	270,000
Operational boundary (for other long term liabilities)	£000	130,000	130,000	140,000	6,500	6,500
Operational boundary (for total external debt)	£000	340,000	340,000	370,000	276,500	276,500

This indicator is consistent with the Council's plans for capital expenditure and financing and with its Treasury Management Policy and Practice documents. It will be reviewed on an on-going basis.

#### 4.3. ACTUAL EXTERNAL DEBT

This is a factual indicator showing actual external debt for the previous financial year.

The actual external borrowing as at 31 March 2015 was £190.7m includes £1.5m accrued interest. During 2014/15 £11.7m of debt was repaid to the PWLB.

## 5. TREASURY MANAGEMENT INDICATORS

The prudential code links with the existing CIPFA Code of Practice for Treasury Management in the Public Services.

The Treasury Management indicators consist of five elements that are intended to demonstrate good professional practice is being followed with regard to Treasury Management. The proposed values and parameters provide sufficient flexibility in undertaking operational Treasury Management.

### 5.1 SECURITY AVERAGE CREDIT RATING

The Council is asked to adopt a voluntary measure of its exposure to credit risk by monitoring the weighted average rating of its investment portfolio.

<b>Security Average Credit Rating</b>	<b>Actual / Target</b>
<b>Portfolio Average Credit Rating</b>	AA / A+ or above

For the purpose of this indicator, local authorities which are unrated are assumed to hold an AAA rating.

### 5.2 HAS THE COUNCIL ADOPTED THE CIPFA TREASURY MANAGEMENT CODE?

The Council has adopted the Code. In line with the Code the Treasury Strategy for 2015/16 is reported to Regulatory and Audit Committee and Council.

<b>Indicator</b>	<b>Unit</b>	<b>Revised Estimate 2014/15</b>	<b>Actual 2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services	N/A	Yes	Yes	Yes	Yes	Yes

### 5.3 UPPER LIMIT OF FIXED RATE BORROWING FOR THE 3 YEARS TO 2017/18

This indicator is set to control the Council's exposure to interest rate risk and the rate is set for the whole financial year. The upper limits on fixed interest rate exposures expressed as an amount will be:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Fixed interest rate exposure - upper limit *	£000	210,000	96,196	230,000	270,000	270,000

\* Any breach of these limits will be reported to the full Council

### 5.4 UPPER LIMIT OF VARIABLE RATE BORROWING FOR THE 3 YEARS TO 2017/18

This indicator is set to control the Council's exposure to interest rate risk. Here instruments that mature during the year are classed as variable, this includes the Council's Lender Option Borrower Option (LOBO) loans. For LOBO loans, on specified call dates, the lender has the option to increase the interest rate paid on the loan. If the lender exercises this option, then the borrower can agree to pay the revised interest rate or repay the loan immediately. The upper limits on variable interest rate exposures expressed as an amount will be:

Indicator	Unit	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Variable interest rate exposure - upper limit *	£000	110,000	89,732	80,000	80,000	95,000

\* Any breach of these limits will be reported to the full Council

The fourth element requires limits to be set for fixed rate borrowing.

## 5.5 MATURITY STRUCTURE OF FIXED RATE BORROWING FOR 2014/15 – 2017/18

This Indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of the fixed borrowing will be:

Maturity Structure of Fixed Rate Borrowing	Revised Estimate 2014/15		Actual 2014/15		2015/16		2016/17		2017/18	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit
Under 12 months	50%	0%	40%	0%	45%	0%	45%	0%	55%	0%
12 months and within 24 months	35%	0%	32%	0%	45%	0%	50%	0%	45%	0%
24 months and within 5 years	55%	0%	54%	0%	55%	0%	55%	0%	55%	0%
5 years and within 10 years	55%	0%	53%	0%	55%	0%	60%	0%	60%	0%
10 years and above	100%	0%	60%	0%	100%	20%	100%	20%	100%	20%

These parameters control the extent to which the Council will have large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

## 5.6 TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments.

Indicator	Revised Estimate 2014/15	Actual 2014/15	2015/16	2016/17	2017/18
Total principal sums invested for periods longer than 364 days	£75m	£19.5m	£50m	£25m	£25m

With regard to longer term investments the recommendation is to limit sums for periods longer than 364 days to no more than £50m in 2015/16 and £25m in 2016/17 to 2017/18. Cash balances are anticipated to be lower from 2016/17 onwards due to financing the EfW project.

## 6 CONCLUSION

In approving, and subsequently monitoring, the above prudential indicators the Council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable.



# Regulatory and Audit Committee update for Buckinghamshire County Council

**Year ended 31 March 2015**

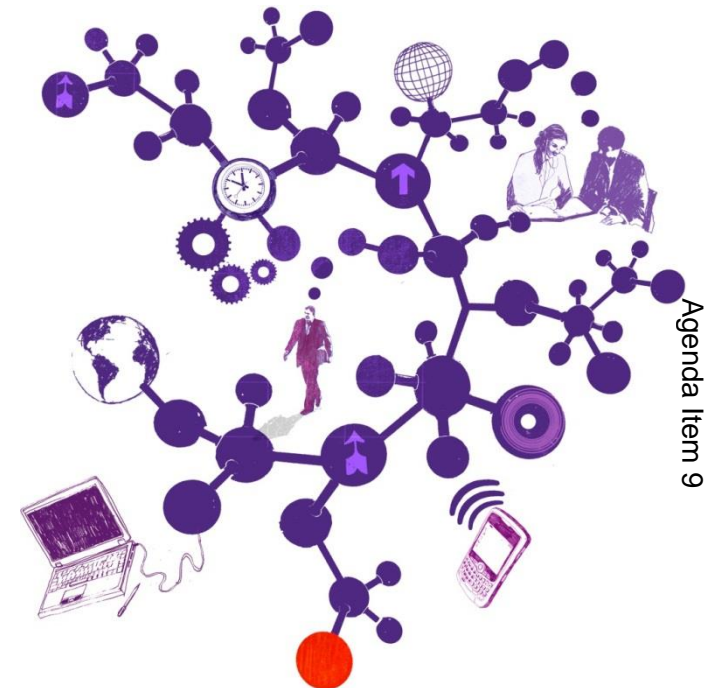
24 June 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Introduction

This paper provides you with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments.

You can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? Our local government governance review 2015
- Spreading their wings – building a successful local authority trading company
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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# Progress at 2 June 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Audit Plan</b> We are required to issue a detailed accounts audit plan to you setting out our proposed approach in order to give an opinion on your 2014-15 financial statements and value for money conclusion.</p>	March 2015	Yes	We issued our audit plan to the Regulatory and Audit Committee in April 2015.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of your control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• early work on the Value for Money conclusion.</li> </ul>	January 2015 and March 2015	Yes	<p>Our interim accounts audit has been completed successfully. Details were included in our audit plan issued to the April 2015 Regulatory and Audit Committee.</p> <p>We have performed early work on the value for money conclusion by speaking to relevant officers and gathering supporting documentation. This will be updated before we arrive at our final conclusion.</p>
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of your 2014-15 financial statements</li> <li>• proposed opinion on your accounts</li> <li>• proposed Value for Money conclusion.</li> <li>• Whole of Government Accounts (WGA)</li> </ul>	June and July 2015	No	<p>We received your draft financial statements on 10 June 2015. We intend to complete our fieldwork by the end of July. We will report the findings back to you at the 23 September 2015 Regulatory and Audit Committee.</p> <p>We will report our conclusion on your arrangements for securing value for money at the Council at the 23 September 2015 Regulatory and Audit Committee.</p> <p>We will complete our work on the WGA by the statutory deadline.</p>

# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Spreading their wings – building a successful local authority trading company

## Grant Thornton

Our first national report on local authority trading companies is available at <http://www.grant-thornton.co.uk/Publications/2015/Spreading-their-wings-Building-a-successful-local-authority-trading-company/>.

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation. While restricted initially to areas such as entertainment or airports – for example Birmingham’s NEC and Manchester Airport – they have grown into new areas such as highways, housing and education. You have created LATCs dedicated to the delivery of social care and legal services.

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As you know, the delivery of a successful company is not easy. In light of this, 'Spreading their wings' provides practical guidance – drawn from interviews with councils and from the successful companies we have worked with – on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.



# Earlier closure and audit of accounts

## Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

∞ Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



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**Action point – minutes of April 2015  
committee meeting**June 2015  
Reg & Audit  
Committee**To** Members - Regulatory and Audit Committee**From** Grant Thornton**Re** Matters arising action**Background**

At the April 2015 meeting, we presented the Pension Fund Audit Plan to Members. Amongst the points we highlighted for Members' attention were significant risks that were often non-routine transactions, unusual, either due to size or nature, and that therefore occur infrequently. Members may recall we highlighted three significant risks in our Plan namely:

- revenue cycle includes fraudulent transactions
- management over-ride of controls
- Level 3 Investments – Valuation is incorrect.

The last of these 'Level 3 investments' by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. As at 31 March 2014, these types of investments represented approximately 51% of Bucks Pension Fund's value of investments.

**Members' question**

Members asked how the proportion of Bucks Level 3 investments compared with other Pension Funds we audited. We agreed to make inquiries to that effect and provide the committee with comparable data if available.

**Auditor's response**

In response to Members' question, we undertook a benchmarking exercise of the Funds we audit, however the outcome was inconclusive. There were no discernible pattern arising from the results. Some Funds as a proportion of their total portfolio of Funds had significantly more and others had less or none at all when compared with Bucks Fund portfolio. We also corroborated the findings with our Pension Lead who confirmed the lack of available data and the possible likely benefit of such data given the different funding strategies and size of Funds across the country.

We would however remind Members' as set out in the Audit Plan presented in April, that the significant degree of judgement required to reach an appropriate valuation at year end reason contributed to our decision in classifying the Level 3 investment as a significant risk and not the investment strategy employed by the Council and Pension Fund committee. We also reported in the Plan the result of our walkthrough of

controls on investments. We reported one control failure on level 3 investments being the absence of control for agreeing level 3 Fund Manager valuations against individual Fund audited statements. As these types of investments are not quoted, we would expect level 3 valuation provided by the Fund Manger valuations to be independently validated.

We made a recommendation to management which was agreed. We will be undertaking testing of the year end Level 3 valuation during our opinion work and will report back to Members' the outcome of our work in the Pension Fund Audit Findings Report by the September 2015 deadline.

Date of meeting	Items	Reports to Nichola Beagle, Member Services
24 June 2015	<ul style="list-style-type: none"> <li>• Annual Governance Statement (Ian Dyson)</li> <li>• Internal Audit Annual Report and action tracker (Ian Dyson)</li> <li>• Response to Audit Annual Report by Chief Executive (Chris Williams/Ian Dyson)</li> <li>• Treasury Management Annual Report (to Council afterwards) (Julie Edwards)</li> <li>• External Audit Progress Report (Grant Thornton)</li> <li>• Member closed session with Ian Dyson</li> <li>• Forward Plan (standing item)</li> </ul>	16 June 2015
23 September 2015	<ul style="list-style-type: none"> <li>• Statement of Accounts (Richard Ambrose)</li> <li>• Audit Findings Report (Grant Thornton)</li> <li>• Internal Audit Progress Report and Action Tracker (Ian Dyson)</li> <li>• Anti Fraud and Corruption Strategy; Money Laundering Strategy (Ian Dyson)</li> <li>• For info – Annual Report of the Chief Surveillance Commissioner 2014/15 (Sarah Ashmead?)</li> <li>• Risk Management Group (Maggie Gibb)</li> <li>• Forward Plan (standing item)</li> </ul>	15 September 2015
18 November 2015	<ul style="list-style-type: none"> <li>• <b>Annual Audit Letter for BCC (Grant Thornton)</b></li> <li>• <b>Update report on Academies, BLT, SEN and AMEY Contract (TBC)</b></li> <li>• <b>Contract Standing Orders – Exemptions/breaches (Tricia Hook)</b></li> <li>• Internal Audit Progress Report and Action Tracker (Ian Dyson)</li> </ul>	10 November 2015

	<ul style="list-style-type: none"> <li>• Treasury Management Update (Julie Edwards)</li> <li>• Annual Enforcement of the Children &amp; Young People (protection from tobacco) Act Update (Amanda Poole)</li> <li>• Annual Report on the Feedback and Complaints procedure (officer?)</li> <li>• Hearing the Customer's View – Annual Report- Children and Young People's Social Care</li> <li>• Adults Social Care Complaints Report</li> <li>• Risk Management Group (Maggie Gibb)</li> <li>• Contract Management Application Performance Report to be supplied by Michelle Granat.</li> <li>• Forward Plan (standing item)</li> </ul>	
January 2016- date TBC	<ul style="list-style-type: none"> <li>• Effectiveness of Debt Management Strategy (Matt Strevens)</li> <li>• Internal Audit Progress Report and Action Tracker (Ian Dyson)</li> <li>• Treasury Management Strategy (Julie Edwards)</li> <li>• Risk Management Group (Maggie Gibb)</li> <li>• Forward Plan (standing item)</li> </ul>	
April 2016 date TBC	<ul style="list-style-type: none"> <li>• <b>Contract Standing Orders – Exemptions/breaches (Tricia Hook)</b></li> <li>• <b>Whistleblowing Policy – incidents and effectiveness</b></li> </ul>	

	<p><b>(TBC)</b></p> <ul style="list-style-type: none"><li>• Internal Audit Progress Report and Action Tracker (Ian Dyson)</li><li>• <b>External Audit Plan 15/16 (Grant Thornton)</b></li><li>• <b>External Audit Pensions Audit Plan 15/16 (Grant Thornton)</b></li><li>• Risk Management Group (Maggie Gibb)</li><li>• Forward Plan (standing item)</li></ul>	





By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

