

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 23 SEPTEMBER 2015 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.02 AM AND CONCLUDING AT 11.30 AM.

MEMBERS PRESENT

Mrs A Davies
Mr T Egleton
Mr P Hardy
Mr D Martin
Mr R Scott (Chairman)
Mr A Stevens

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Assurance, Director of Assurance
Mrs S Ashmead, Director of Strategy and Policy
Ms N Beagle, Committee Assistant
Mr I Dyson, Chief Internal Auditor
Mr A Fyfe, Resilience Manager
Ms M Gibb, Risk and Insurance Manager
Mr P Grady, Engagement Lead, Grant Thornton Auditors
Mr A Isaacs, BU Finance Director
Mr D Johnston, Strategic Director (Children and Young People)
Ms R Martinig, Financial Accountant
Mr Z Mohammed, Cabinet Member for Education
Ms E O'Neill, Projects and Financial Accountancy Lead
Mr A Oyerinde, Pension Manager, Grant Thornton Auditors
Mr M Ward, Manager, Grant Thornton Auditors

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Tim Butcher, Bill Chapple and Thomas Slaughter.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.



INVESTOR IN PEOPLE



3 MINUTES

The minutes of the meeting held on 24 June 2015 were agreed by the committee to be a correct record and signed by the chairman.

4 STATEMENT OF ACCOUNTS EXTERNAL AUDIT REPORT - BUCKINGHAMSHIRE COUNTY COUNCIL AND PENSIONS FUND

Richard Ambrose, Elspeth O'Neil, Rachel Martinig and Julie Edwards attended the meeting to present Grant Thorntons' draft report on any significant findings from its audit of the Council's Statement of Accounts and Pensions Fund.

Richard Ambrose advised the following:

- On the 10 June 2015 the Regulatory and Audit Committee received the Unaudited Statement of Accounts for the Council and Pensions Fund.
- At that stage the audit of the accounts had not commenced.
- Grant Thornton had now substantially completed the work.
- Slight adjustments had been made as confirmed below.
- It was anticipated that Grant Thornton would provide an unqualified opinion on the financial statements for the Council and Pensions fund.

Value for money conclusion (VFM)

- During the year of audit, in August 2014, a report on the Inspection of Children's services concluded that, overall, children's services in the Council were judged to be inadequate.
- Grant Thornton had recognised the responses made to the issues identified and the actions undertaken as part of a two year strategy to improve children's services.
- Whilst progress appeared on track full completion of the improvement programme was not due until later in 2016.
- With the exception of this issue, Grant Thornton had indicated that they were satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2015.

Richard Ambrose thanked Grant Thornton for their support which had resulted in a continued positive working relationship between Grant Thornton and the Council. It was confirmed that the timetable for audit reporting had been brought forward slightly for the coming year 2015/2016 and all parties were confident that the revised deadlines would be met.

Statement of Accounts - Bucks County Council (BCC)

Elspeth O'Neil presented this report, where the following points were clarified;

- Two adjustments had been made to the accounts as a consequence of the audit as agreed with Grant Thornton;
 - I. The defined benefit pension charged adjusted by £2.007m due to an error in apportioning the element that related to Buckinghamshire Care.
 - II. An adjustment to show the gains from increases in the fair value of Available for Sale Financial Assets as £0.625m of "other comprehensive income" in the CIES.
- There was no overall impact on the General Fund balance.
- A number of other disclosure items were also amended as listed on pages 22 and 23 of the report.
- It was noted that the audit had not yet concluded and further adjustments could be identified.
- The audit had also identified two unadjusted misstatements as outlined below, which were explained to the committee;

- I. (£0.224m) net movement in relation to depreciation charged on revalued assets - estimation techniques.
 - II. £1.178m difference in relation to the long-term receivable for re-provisioning of Adult Social Care.
- It was confirmed that these unadjusted misstatements had no overall impact on the statement of accounts.

Member Questions

- A Member queried whether there were any financial concerns following the children's services Ofsted report?
- Richard Ambrose advised there were risks in relation to meeting the deadlines within the two year programme, although actions for the majority were currently on track and good progress was being made. He stated that significant additional funding had been agreed, as part of the budget process, to implement the required improvements. However, there was a slight forecast overspend in 2015/16, for which mitigating actions to address these were being formulated. It had been understood by BCC from the outset that it would likely take the full 2 year period to fully implement the required improvements and gain a "good" Ofsted rating.

Grant Thornton Audit Report response - Statement of Accounts BCC

Paul Grady attended to provide feedback on the report.

- Paul Grady thanked Richard Ambrose and the wider BCC team for the successful working relationship that had been established.
- It was confirmed that steps had been taken this year to look at the Statement of Accounts earlier, which had proved successful and would set a good trend for bringing the deadline further forward in the coming year.
- Paul Grady advised that the detail surrounding the control issues had been included in the report for information purposes only.
- The internal control issues surrounding last year had been dealt with which was a positive step.
- It was advised that the unadjusted items had also been included for information purposes, although they did not have an impact on the general fund position.
- It was also stated that the BCC accounts were of a good quality and the presentation style made the detail easily accessible to the public which was also positive.
- Paul Grady advised that Grant Thornton had proposed the audit opinion as Unqualified.
- Grant Thornton were impressed with BCC and the work carried out to date in relation to the Ofsted report, however improvement measures were only half way completed, as the plan still had a year to fruition, which therefore had been reflected in their VFM opinion.

Member Questions

Question 1

- A Member queried whether the Amber items highlighted in the report were technical issues only.
- Paul Grady confirmed that they were technical issues, which had been included in the report for information purposes.

Question 2

- A Member questioned whether the issue around receiving financial information from schools had been reconciled?
- Richard Ambrose advised that the issues experienced this year had been disappointing however lessons had been learnt. In future schools would be approached directly and much earlier on in the process to avoid any delay, especially as the deadlines for reporting will be even earlier in the coming year.

The chairman thanked Grant Thornton for their report.

Statement of Accounts- Pension Fund

Julie Edwards presented this report, where the following points were clarified;

- As a consequence of the audit the amounts disclosed in Note 9, p85, Investments for the purchases, sales, realised and unrealised profit amounts were amended
- The chairman thanked the team for the very complex and comprehensive report.

Grant Thornton Audit Report response - Statement of Accounts Pensions Fund

Ade Oyerinde attended to provide feedback on the report.

- BCC were again thanked for the quality of information supplied, both in the accounts and supporting documentation.
- It was advised that the audit had not identified any issues in respect of Level 3 Investment.
- There were no material changes from the draft set of accounts.
- Grant Thornton proposed an unqualified consistency with opinion on the financial statements in the Pension Fund Annual report.

The Chairman thanked Grant Thornton for their detailed report.

RECOMMENDATION

That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2014-15 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2015 can be signed by the Chairman of the Committee.

That the Committee approves the Letters of Representation on behalf of the Council and Pension Fund and agrees that it can be signed by the Chairman of the Committee.

That the Committee agrees the response to the proposed action plan within the Audit Findings Report for the Council and Pension Fund.

DECISION

The Committee agreed to all the above recommendations.

The Chairman thanked all involved in the accounts for the very comprehensive and detailed reports.

5 INTERNAL AUDIT PROGRESS REPORT AND UPDATE

Ian Dyson presented this report.

- There had been four audits completed since the last report and two that were currently at draft report stage as detailed in the progress report.
- A Summary of the Bucks Learning Trust Governance Audit was also attached in Appendix 2.

Counter-Fraud Update - Investigations

- Ian Dyson advised that unfortunately there had been a small number of irregularities reported within the internal audit in accordance with the Anti-Fraud and Corruption Strategy, which had required investigation or management review.
- One case in particular as outlined in the report had proven to be a substantial issue and would continue to undergo investigation. Once the investigation had concluded Ian

Dyson confirmed further information would be provided to this Committee. Currently the organisation was exercising the Anti-Fraud and Corruption Policy as well as well as involving the Police.

ACTION: Ian Dyson

Member Questions

Question 1

- A Member queried to what extent the issue was substantial, had Council money been involved and if so, had pressure been placed on the Council budget?
- Ian Dyson advised that Council money had been involved however pressure had not been placed on the budget. It was also advised that the matter had been brought to light due to a strong manager within the service maintaining vigilance and reporting unusual activity.

Business Assurance Update

- Ian Dyson advised that the Business Assurance Manager had been working with the One Council Board (OCB) to review and refresh the Strategic Risk Register. The reviewed report and action plans were to be presented at the next Risk Management Group for comment.
- The HQ Risk Register would also be presented at the next Risk Management Group.
- The 3 lines of assurance model was currently being developed. The first draft of this report was to be presented to the Director of Assurance in October and an update would subsequently be brought to this Committee in due course.

ACTION: Ian Dyson

Member Questions

Question 1

- A Member queried whether the resourcing issues within the Internal Audit team had been resolved.
- Ian Dyson confirmed that the team were now at full compliment. The Audit Manager had been appointed on 01 September 2015 and a Senior Risk Officer would be starting on 01 October 2015.
- It was also confirmed that there would be a small amount of capacity to bring in specialist consultants if required.

Buckinghamshire Learning Trust (BLT) Governance Update

Ian Dyson provided an overview to this item.

- The Chief Executive commissioned Internal Audit to undertake an audit of the governance over the agreement with the BLT, following concerns regarding the level of information available in relation to BLT, as well as receiving a complaint from a member of the public regarding BCC and the management of BLT and its overall Governance.
- It was confirmed that the audit covered BCC internal governance arrangements only; it was not an audit of BLT.
- The overall conclusion from the audit was Limited Assurance. The key issues raised in the audit are set out in appendix 2 (page 209).

Member Questions

Question 1

- A Member queried whether BCC had a financial interest in BLT?
- Ian Dyson advised that BCC had provided a grant to the BLT for the provision of agreed services set out in the funding agreement. The Council were able to look into financial records maintained by the BLT in relation to activity for BCC, although this was limited due to the amount of access managers had to these records.

Question 2

- A Member asked whether BLT would be carrying out an Internal Audit and if so who would they be reporting this to?

- Ian Dyson confirmed that due to BLT being a charitable organisation they were under no obligation to do so. They are required to have an external audit of their accounts, the results of which were available to BCC.

Question 3

- A Member questioned whether BCC had appointed Trustees to the BLT Trustee Board and if so, what was their role and responsibility to BCC?
- Ian Dyson advised that when BLT was created the Committee agreed to have 20 trustees, 4 of which would be BCC appointed. However, initially only 1 BCC Member, the Cabinet Member, was appointed from the outset and a second was subsequently brought in.
- A Member questioned the reasoning behind this decision; Ian Dyson advised that it was not a question he could answer.
- Ian Dyson commented that not having a full quota of trustees could have reduced the level of influence BCC had in the decision making within the BLT; however, it should be noted that for any trustee their role should be with regard to the management and operations of the BLT and the interests of the BLT.

Question 4

- A Member questioned whether having a Cabinet Member on the Board of Trustees for BLT was a conflict of interest.
- Ian Dyson confirmed that although no laws had been broken in doing so, it had been recognised that this would not be best practice going forward.
- It was also advised that there had been some concerns regarding the governance structure as well as the skills and knowledge of the Trustees of BLT. It was clear that there had been no personal specification developed to meet the requirements of a Trustee, within BLT or BCC appointments.
- Ian Dyson advised that it was the responsibility of BCC to have due diligence over the organisation. As the first Alternative Delivery Vehicle implemented, learning points had arisen and subsequently resulted in Limited Assurance.
- Going forward it was advised that work was being done regarding the knowledge base of the Trustees, including development of a personal specification.

Member Comments

- The Committee advised that the situation was unsettling due to large sums of money that had been given to BLT.
- It was suggested that the summary provided in the report could have been more detailed.
- Ian Dyson advised that the summary report had followed the usual layout of all such reports within this Committee, presenting an executive summary of the issues and concerns. Operational issues were highlighted where there had been a lack of information being provided from the Trust itself upon request, along with BCC ability to hold effective sanctions to get BLT to improve on this.

The Chairman thanked Ian Dyson for the overview report and introduced the Cabinet Member and Officer for further discussion.

6 BUCKS LEARNING TRUST GOVERNANCE - MANAGEMENT RESPONSE

Zahir Mohammed and David Johnston attended to present this report.

- Zahir Mohammed thanked the Audit Team for the report and the Committee for their comments, which would be taken on board.
- It was advised that BCC were concerned over this issue as a large sum of money had been put into BLT and going forward BCC wanted to ensure BLT was functioning well. Measures had now been put in place to address this.
- BCC had now set up a BLT Commissioning Group, aimed at holding governance and performance to account on a quarterly basis.

- A more formal process would be implemented to recruit the board of Trustees, including adverts and proforma's to outline the role requirements.
- In relation to the BCC nominated Trustees, the Cabinet Member will no longer be eligible.
- A BLT Annual Report would also go to Cabinet.
- Region based Community Manager for BLT would also be looking after the project side of BLT.
- A deadline of 30 September 2015 had been implemented for the majority of improvement measures, which are aiming to be met.
- David Johnston advised that a meeting had taken place with the Manager of BLT also, and in principle agreement had taken place regarding the personal specification for all Trustees.
- Consideration would also be given to governance arrangements, where trustees should be drawn from (e.g., Head Teachers could have a conflict of interest with BLT).
- It had also been suggested that the size of the Board of Trustees be reduced as 20 seemed excessive.

Member Questions

Question 1

- The Chairman queried whether BCC were able to also suggest an independent Chairman be appointed to the Board of Trustees?
- David Johnston agreed that this had also been suggested.

Comment 1

- A Member questioned the advice BCC had given BLT in the beginning as it seemed BLT was not fit for purpose.

Comment 2

- Members advised that they were happy that the new team were looking at the issue robustly to iron out any issues.

Question 2

- A Member queried whether there had already been a turnover of the Trustees? To avoid further lack of governance and duty of care, an entirely new board should be implemented.
- David Johnston advised that discussion had taken place with the Trustees and BLT were in agreement that a completely new set of Trustees should be implemented.

Question 3

- A Member questioned whether BCC intends to oversee implementation of the Action Plan, to monitor progress and timings?
- Zahir Mohammed advised once the Commissioning Group had been set up, an Action Plan would be created with a planned implementation deadline of 30 September 2015. Once formulated the Action Plan would be monitored quarterly and annually by Cabinet.
- In addition the OCB would oversee the next Commissioning Group meeting.

Question 4

- A Member queried where this Committee factored in to the process, would a report be presented to the Committee before sign off?
- Ian Dyson agreed that it was important for this Committee to retain oversight of this, due to the Limited Assurance status.
- It was advised that the Risk Management Group meeting was being planning to take place before the next Regulatory and Audit Committee in November and before the Commissioning Group meets. It was suggested that the Risk Management Group scrutinise the risk register and issues raised around BLT, look at progress made with any actions, and for a report to be brought back to the November meeting.

ACTION: Risk Management Group

- Ian Dyson suggested that Zahir Mohammed and David Johnston then attend this Committee in January to provide an overall update, in actions implemented and deadlines met.

- This approach was agreed by the Committee.

ACTION: Zahir Mohammed & David Johnston

Member Comment 3

- A Member suggested that feedback on this report be conveyed to the member of the public who made the initial complaint in relation to BLT.
- A Member also advised that although the Risk Management Group is a closed forum, a full report needs to come back to this Committee for a more transparent debate.
- Sarah Ashmead advised that more information could be put into the public domain. Once produced the Improvement Plan could be made transparent.
- Ian Dyson advised that timings could be an issue as the meeting of the Commissioning Board and the Committee were too close for papers to be submitted and published within the required timescales. Sarah Ashmead advised that if the Cabinet Member was happy with the report in draft, this could be brought back to the next meeting. The Cabinet Member agreed. A Report outlining actions being taken and the improvement plan with timescales to be presented at the Committee meeting in November.

ACTION: Zahir Mohammed and David Johnston

Member Comment 4

- A Member also advised that the report needed to be clear that BCC are limited with the actions available, relating to CMA only and that BCC are unable to do anything directly with BLT.
- The Committee agreed with this.
- Ian Dyson advised that correspondence had been sent to the complainant to offer a meeting with the Chief Auditor and Monitoring Officer to relay the report findings.

The Chairman thanked Zahir Mohammed and David Johnston for attending the meeting.

7 BUSINESS CONTINUITY MANAGEMENT UPDATE

Andrew Fyfe attended the meeting to present the report.

- Business Continuity Management (BCM) is a statutory requirement, a requirement of Financial Regulations and is best practice business management process for continuing to delivering critical activities in the event of an internal disruption.
- The report aimed to highlight those areas of the Audit report that had not been declared as complete.
- It was confirmed that the Audit report was a snapshot of the status of BCM arrangements across parts of the organisation prior to the end of the financial year. Ongoing monitoring was required.
- The report on page 220 of the agenda pack, highlighted those areas with outstanding issues, was discussed in detail.
- Following discussion it was agreed by the Committee that under the new assurance framework BCM had to be a key step to be continuously monitored.
- The Internal Audit had highlighted Limited Assurance within the organisation in relation to BCM, significant questions remained regarding this.
- Andrew Fyfe advised that an exercise within the organisation will be carried out on the 5 November, which would confirm where BCM plans were in place and those areas which still required attention.
- The Committee agreed that BCM was a priority and that regular updates should be provided.
- Andrew Fyfe also suggested BCM plans should be monitored via DSP objectives for Service Managers.
- Richard Ambrose confirmed that the One Council Board were aware of the BCM plans and those areas still to implement and had explored adding into DSP objectives. It was also advised that areas within the organisation are taking BCM seriously, however some areas due to the nature of the work, were harder to implement e.g. Social Care.

Member Questions

Question 1

- A Member queried whether the unresolved issues were around Contract Management Application (CMA).
- Richard Ambrose agreed that this had been part of the issue and advised that as progress was made with all new Alternative Delivery Vehicles, the CMA and subsequent BCM plans would become even more complicated. BCM is a key element and would continue to be monitored. Ian Dyson advised that a further report regarding CMA would be presented at the next meeting in November, providing an update on improvements to CMA.

Question 2

- A Member queried how resources were being monitored, in relation to suppliers and partners. Was it possible resources were being focussed within non-critical areas?
- Andrew Fyfe advised that within the BCM programme there was a staged process. OCB provided a list of criteria to the Resilience Team in relation to Critical Mission status. Within this list scope was given for all Service Directors to look through, to ensure area's focus on Mission Critical BCM only. During an incident the process could be flexible and resource would be focused where necessary.

Member Comments

- Ian Dyson suggested that the role of the Committee regarding BCM should be to support the improvement. A further report should be brought to a future meeting, with enhanced detail exploring those areas yet to implement BCM, and to provide explanation as to why this remained outstanding. In such cases it would be valuable to hear explanation from the Business Unit Director.
- The Committee supported this suggestion and it was agreed that a further report would be brought to the Committee meeting on 20 January 2015.

ACTION: Andrew Fyfe

- A Member queried whether the Resilience Team researched other Local Authorities, where internal disruption had occurred, to ensure best practice and highlight any areas for improvement within BCC Business Continuity?
- Andrew Fyfe confirmed that this had been explored and he would be attending a conference in the near future regarding New International Standards for BCM and things that could be learnt from other Local Authorities e.g. South Oxfordshire District Council fire earlier this year.

RECOMMENDATIONS

The Regulatory and Audit Committee need to have an oversight role included in the BCM policy as part of the general assurance process and to drive BCM from a Member and Assurance perspective.

Business Continuity Management needs to be reported on to the Regulatory and Audit Committee Quarterly.

Service Directors have the requirement for BCM to be included on their DSP's as a measure for a mandatory Assurance objective. This should cover their own service activities and also any contracted out service for which that Director is responsible. Service Directors would need to add similar measures to their direct reports.

Managing Director of Transport, Economy and Environment to be requested to provide and update regarding the state of BCM arrangements in that Business Unit.

DECISION

A progress report to be presented to the Regulatory and Audit Committee in January 2016 with an expectation that actions have all been completed and business continuity risks are mitigated. Where gaps remain or actions are not complete, relevant Managing Directors to attend the meeting to explain the reasons why.

The annual business continuity report to be presented to the Committee in April 2016. Thereafter the Committee will determine the frequency for any further reports.

8 AFW DEBT MANAGEMENT FEEDBACK

Adrian Isaacs attended the meeting to provide feedback on the report.

- The report was discussed by the Committee.
- The report highlighted those actions that had been completed and those in progress.
- There was greater focus on the area of work to be done, including monthly assurance reports.

Member Questions

Question 1

- A Member commented that a number of deadlines set out in the report had lapsed, had the actions been completed?
- Adrian Isaacs confirmed that the report was completed a month ago and therefore some of the dates may require updating. It was also advised that some deadlines had lapsed due to further questions being raised following the submission of the reports. As Financial Director for the Business Unit Adrian Isaacs wanted to ensure robust processes were implemented and actions were being adhered to.
- Ian Dyson advised that from a Section 151 perspective, this approach from the Financial Director of a Business Unit was very positive in ensuring that Management Actions were being undertaken, and was a good demonstration of challenging within the unit itself.

Suggestion

- Ian Dyson suggested that a further report regarding the AFW Debt Management need not be brought back to this Committee, as any delays or issues with implementation could be highlighted through the Internal Audit Action Tracker, which will be reported to the Committee in January 2016.

DECISION

The Committee agreed with this suggestion.

The Chairman thanked Adrian Isaacs for the report.

9 ANTI-FRAUD AND CORRUPTION POLICY AND MONEY LAUNDERING POLICY

Ian Dyson presented this report.

- The Anti-Fraud and Corruption Strategy had been updated to reflect changes in appointments/responsibilities and job titles following the Future Shape Transformation.
- The Anti-Money Laundering Policy had been updated to reflect changes in appointments/responsibilities and job titles following the Future Shape Transformation.
- No material changes had been made to either document.
- It was commented that although it was disappointing that a number of fraud investigations had come to light, it was encouraging that the internal audit framework had highlighted such concerns and that staff were raising these issues.

- Richard Ambrose also advised that staff were also more aware of the whistleblowing policy which is encouraging.

The Chairman thanked the team for the report.

10 FORWARD PLAN (STANDING ITEM)

Ian Dyson presented this topic.

- It was advised that the planned agenda for the November meeting was considerably full and that a number of items could be moved to the January meeting to make the meeting more manageable.
- Following discussion by the Committee it was agreed the following adjustments would be made;

18 November 2015 Meeting

- BLT Action Plan to be presented to the Committee

20 January 2015 Meeting

- Report on Mandatory Training across the organisation
- Report on Data Protection E-Learning
- Update report on Academies
- Business Continuity Update

It was also agreed that Update reports on SEN and Amey would be picked up as Internal Audits to report in due course

The suggested changes above were agreed by the Committee. The forward plan would therefore be amended.

ACTION: Nichola Beagle

11 DATE AND TIME OF THE NEXT MEETING

18 November 2015 09.00-12.00, Mezzanine Room 2, County Hall, Aylesbury. The chairman advised that due to the planned agenda for this meeting three hours would be required. The time and date of the next meeting was agreed.

Meeting closed at 10.55.

Closed session closed at 11.30am.

12 EXCLUSION OF THE PRESS AND PUBLIC

It was confirmed 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 the information).

13 MEMBERS CLOSED SESSION WITH GRANT THORNTON AUDITORS

The Members closed session with Grant Thornton Auditor Marcus Ward went ahead as planned.

14 MEMBERS CLOSED SESSION WITH CHIEF AUDITOR

The Members closed session with Chief Auditor Ian Dyson went ahead as planned.

Signature.....

Date.....

CHAIRMAN