

# Minutes

## REGULATORY AND AUDIT COMMITTEE

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 3 FEBRUARY 2016 IN MEZZANINE ROOM 3, COUNTY HALL, AYLESBURY, COMMENCING AT 9.02 AM AND CONCLUDING AT 12.00 PM.**

### MEMBERS PRESENT

Mr C Adams  
Mr T Butcher (Vice-Chairman)  
Mr W Chapple OBE  
Mrs A Davies  
Mr P Hardy  
Mr D Martin

### OTHERS IN ATTENDANCE

Mrs S Ashmead, Director of Strategy and Policy  
Ms N Beagle, Committee Assistant  
Mr I Dyson, Chief Internal Auditor  
Ms J Edwards, Pensions and Investments Manager  
Mr A Fyfe, Resilience Manager  
Ms M Gibb, Business Assurance Manager  
Mr P Grady, Engagement Lead, Grant Thornton Auditors  
Mr Z Mohammed, Cabinet Member for Education  
Mr R Schmidt, Head of Strategic Finance, Assistant Service Director (Strategic Finance)  
Mr Tom Slaughter, Executive, Grant Thornton Auditors  
Mr M Strevens, Corporate Finance Business Partner, Buckinghamshire County Council  
Mr M Ward, Manager, Grant Thornton Auditors  
Mr D Watson, Councillor  
Mr N Wilson, Director of Education, Bucks County Council

### 1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Alan Stevens (Chris Adams attended as substitute), Richard Scott (Tim Butcher Chaired the meeting in place of Richard). It was also notes that Trevor Egleton was currently off sick and therefore would not be in attendance.

### 2 DECLARATIONS OF INTEREST



INVESTOR IN PEOPLE



There were no declarations of interest.

### **3 MINUTES**

The minutes of the meeting held on 09 November 2015 were agreed as a correct record and signed by the Chairman. The following action points were noted:

- P4 item 3 , action for Ian Dyson regarding the counter fraud update; Ian Dyson advised the main investigation was ongoing and that a further update would be provided later in the meeting. It was also confirmed that an update on business assurance would be provided later in the meeting, along with a verbal report on Business Continuity Management from Andrew Fyfe.
- P5, Members Questions; it was highlighted in the minutes that Zahir Mohammed was to clarify details to the Chairman outside of the meeting. As the Chairman Richard Scott was unfortunately not in attendance, the Committee wanted confirmation from Zahir Mohammed that this had been actioned. It was confirmed that the interim Chairman Tim Butcher would raise this with Zahir Mohammed today under the Bucks Learning Trust (BLT) item on the agenda.

### **4 INTERNAL AUDIT PROGRESS REPORT AND ACTION TRACKER**

Ian Dyson presented the internal audit report with key points being raised as follows:

- P23 of Pack, business assurance report.
- P25 clarity on structure - since the last meeting the assurance team had made another successful appointment with a new audit manager having joined the team. It was confirmed that there was now a full complement of staff within the Business Assurance team, with the exception on Amy Wadsworth, Business Assurance officer, who was due to return in June 2016 following maternity leave.
- P26 - highlighted the audit's that had concluded and those that were at draft report stage, with executive summaries from the completed audits noted at the end of the paper.
- Client transport safeguarding resulted in limited assurance, when the report was completed in December 2015. This report had been brought to the Risk Management Group (RMG) at the end of December, where the director attended to give an update and to advise that One Council Board (OCB) had considered the paper and the response, details of which were also contained in executive summary.
- Mandeville school follow up, the Head teacher had left the school and requested a follow up audit to the original audit which was undertaken 2 years ago. Following the latest audit a number of actions were outstanding however, many of these were in progress and the majority of the significant issues had been addressed with clear plans in place for the remaining issues. It was advised that the Business Assurance team were no longer concerned regarding this.
- Counter fraud activity- reported previously a number of irregularities, some of which were continuing. The major one was ongoing and the police were about to begin their investigation. Whistleblowing case has also resulted in a follow up audit of processes in Children's Services, with a number of control issues identified from the main investigation. A further report would come to the Regulatory and Audit meeting in April, once details are finalised.
- P29 Direct payments- an audit was underway where consideration would be given to some of the fraud controls. Due to department pressures a workshop with the team to provide guidance and address issues would likely take place in quarter 1 next year.
- Business Assurance activity - the Strategic Risk Register (SRR) had been reviewed and refreshed and was now part of regular process at One Council Board (OCB) meetings. Continued to work on compliance with the Operation Framework, had undertaken self-assessments of all the Business Managers within HQ, the next step was to validate the

responses with each manager. The results would then feed into the annual review of the Operation Framework, which was being led by Sarah Turnbull.

- The team continued to work with the Professional leads on their assurance framework- which had taken longer than expected due to more support being needed.
- Appendix 1- set out progress against plans and other activity for the remainder of year.
- Appendix 2- was a summary of completed audits.
- Supplement- highlighted any actions arising from audits, outlined the tracking system for obtaining positive assurance from management teams, that actions had been implemented on a timely basis. The report also summarised those actions that remained outstanding or overdue and any concerns around them.

### **Member Questions**

- Following a senior risk officer within Business Assurance team having left and the work having been absorbed into the team, it was queried whether there was any risk in losing this post altogether and the accountability and responsibility that would have come with it? Does this now reside with anyone? - Maggie Gibb advised that this had been absorbed into the other senior business assurance posts; however Maggie Gibb was ultimately responsible for this. Ian Dyson advised also that the new senior post within the team had brought strong skills and experience into the team, where there had been a slight gap previously.
- A Member queried whether following the success of the partnership with Oxfordshire, could BCC bring another authority into the group making a wide internal audit function? Ian Dyson advised that this was always under consideration, however currently due to recruitment being difficult and now having a very strong team in place it was felt at present this was not needed, although there was always potential to branch out further.
- It was confirmed that the issue surrounding counter fraud would be brought back to a future meeting for an update to be provided.
- Supplement paper p3 - It was queried whether the outstanding items highlighted on the audit action tracker needed to be investigate, along with the old issues belonging to Transport, Environment and Economies (TEE). Ian Dyson advised that Business Units often had their own internal process to address such issues; however the audit action tracker now provided more of a challenge and response to the officer, although some areas were not providing adequate assurance that plans had been put in place to improve issues. The business assurance team advised they would be happy for the Committee to request a full update from the TEE at a future meeting. The Committee agreed to the suggestion.

**ACTION: The committee required a response from the Managing Director of TEE and the appropriate team manager, by form of a written update and verbal report, to the Regulatory and Audit Committee April. The report would address the outstanding actions arising from the audit.**

**RECOMMENDATION: The Committee was recommended to note the report.**

**RESOLVED: The Committee noted the report.**

## **5 EXTERNAL AUDIT PLAN 2015/16**

Paul Grady provided an update to the Committee and discussed the report included in the agenda pack. During discussions the following questions were raised by Members: key points were raised:

- It was queried whether the overall fee from Grant Thornton included the pensions fund? Paul Grady confirmed this was a separate fee of approximately £20k, charged back to the pension's fund.
- It was queried whether BCC had financial sustainability. Paul Grady confirmed that this was looked at on 2 aspects, 1: an accountants definition of concern e.g. are you able to

continue to trade for business for the next 12 months, looking at saving plans/ income streams etc. There was also a wider view in terms of value for money, e.g. by 2020 with challenges and cuts coming, how feasible are the assumptions, how achievable and likely are the schemes in place to be achieved. It was subjective and premature in 2016 to say overall, however Grant Thornton would share any risks with BCC as they arose.

- It was suggested that it needed to be made clear whether the services were sustainable, as books could potentially be balanced by discontinuing or not providing vital services. Distinction needed to be made between discretionary and core services. Paul Grady agreed and advised that there was a risk of local government becoming a victim of its own success, as the more successful local government becomes the less funding supplied by central government, therefore the risks also increased.
- It was suggested that a forward view of how realistic BCC budgets were would be helpful, was this possible? Paul Grady advised that Grant Thornton could certainly look at assumptions and underpin the budget figures in there, in terms of the budget previously. In most cases officers had understood why there had been budget pressures, and actions required to address them, however a forward view could be outlined in the future.

**ACTION: Paul Grady**

- Group Audit Scope p13 - Components were discussed. It was advised that although some were out of the control of BCC, reputational risk was still a potential issue, e.g. Bucks Learning Trust (BLT). It was questioned whether the audit would pick up any financial irregularities regarding such areas and if not was this a gap to be looked at? Paul Grady advised that BLT, would not be looked at separately in terms of the BCC relationship as they would expect disclosures in the council's report around that area and the audit would cover those disclosures made by the council. The audit would not look at BLT further than that or specifically audit on the numbers as this would be out of the scope of the Council. Ian Dyson also advised that BLT would have their own external audit and that BCC's relationship with BLT in terms of audit, was of broad scope as outlined in the contract management section of the Grant Thornton report, under commission spend. Regarding internal audit, Ian Dyson confirmed this had been looked at from a governance perspective. It was confirmed that BCC were able to ask "Are we getting value for money and getting services we are commissioning" however had no jurisdiction over the financial practices with BLT.
- Members queried whether this led to a gap? Paul Grady confirmed that Grant Thornton understood the reputational position of BLT and the association with the council, however BLT would have their auditors, who they were free to appoint and therefore it was beyond Grant Thornton's remit to do any audit there. From a regulatory position there was not a gap as BLT would have their own auditors, however the question would be how assured BCC feel that the impact on the Council is covered, and more down to performance and delivering the service. Ian Dyson agreed and advised that the Governance arrangements were identified as not being strong enough previously; however this had now been corrected and was in progress for some of the actions. It was confirmed that managing performance was the number 1 issue. Following a commission by the Chief Executive, internal report and pressure from this Committee, the governance arrangements around BLT had now changed and internal procedures were changing, along with the contract and agreement BCC had with BLT, to make it easier to manage performance and make BLT more effective.
- It was advised that performance management and accountability are operation activities which would lie with the Service Manager and Cabinet Member for Education.
- Members suggested that it would be helpful for them to have sight of a document that explained the alternative delivery vehicle process and highlighted areas within and outside of the contract scope. It was advised that the Commissioning framework explained this in detail however, an overview document could be pulled together to highlight the key information relevant to Members.

**ACTION: Sarah Ashmead**

## 6 UPDATE ON CERTIFICATION REPORT

Marcus Ward provided a brief update on the report, which referred to the Skills funding agency and teacher's pension's reports.

- Teacher's pensions, a few issues had been highlighted with underlying data, these had been amended and then submitted.
- Skills funding agency, around BCC subcontracting the funding, no issues were found. Both have been submitted.

The Committed noted the report.

## 7 EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY

Matt Strevens attended the meeting to provide an update to the Committee.

Reminder - the team had been asked to identify what would be best practice for invoicing and/or receiving payments up front. It was explained to the committee that responsibility for delivering the Debt Management Strategy sat with the Managing Director in each Business Unit and that reporting was provided to them on a monthly basis to take an overview. Practically this matter was dealt with by the budget holders responsible for the debt and they had access to report on their specific debts whenever they chose to.

- This report had excluded the secured debt as these would be recoverable.
- P4- profile of unsecured debt over the last year and 8 months, within 15/16. Ensuring these debts were reported on a monthly basis and to cabinet on a quarterly basis.
- As BCC moves more towards being a commercial organisation, would expect to see more clients and customers, expectation debt would increase however fluctuates quite significantly.
- In total difficult to analyse if debt management strategy has had any impact.
- P 5: compared Quarter 2 and Quarter 3 percentage of debt over 30 days is 10% lower, so action was being taken.
- Only included those raising invoices and not those taking payments in advance, therefore do not have a clear overall picture.
- Wider assurance framework, financial assurance framework completed by Finance Director of each Business Unit, therefore debt is being discussed. However, it is a question of engaging with lower levels throughout the teams also.
- Indicative evidence, but do have significant gaps in knowledge and information to support.
- Current report does not identify different types of debt, e.g. CCGs, challenged as no mechanism where this could be flagged currently.
- Developments - currently no reminder message to those responsible to chasing debts - this is being developed to remind at 30 days and 60 days, as well as the current 90 days reminder.
- Cultural side- support and guidance for those who have responsibility or role as a budget holder, intranet pages are being developed.
- Future opportunities, engagement with development team for a more commercial approach are being looked into..
- ICT tool being developed regarding policy compliance all staff with budget responsibility would have to read the policy, eventually when mechanisms are in place, staff with these responsibilities would not be able to access the system without reading the guidance.
- Review of the dunning process, for reminder emails, proposing this being 30 60 and 90 days (at present just 90 days)

- Proposal to start to develop new metrics to get a greater understanding on what the debt is, will also work with the business units to understand where the debt is.

### Member Questions

- Within debt management policy there were regulations around writing off bad debt, with Finance Directors having the authority to write off up to a limit. What was this limit and were Managing Directors and Finance Directors asked to confirm that this debt had been written off where appropriate? What assurances were there that all avenues had been explored to recover the debt, before processing the write off. Matthew Strevens confirmed that the Managing Directors and Finance Directors are able to write off up to £10k and anything over this amount required operating officer and monitoring officer sign off.
- Richard Schmidt advised that BCC needed to ensure that debts were not written off easily, but also that if there was no hope of getting the money recovered that they be taken off our books.
- It was advised that Social care debts and longer term secured debts against assets, cases can go on for years. Were there any measures BCC could take to speed up recovery? Matthew Strevens advised that sometimes it was a matter of timing, when the asset was sold, but agreed it could be many years until monies were recovered.
- It was queried whether there was any evidence as to how often the debt was being chased? Matthew Stevens advised the process had been revised Business Services Plus (BSP), who now had stronger engagement with the services once they take over the management of the debt after the 90 days. The reminder letters are also being looked at, to significantly improve the process.
- A Member queried how outstanding debt was represented in audited accounts. Paul Grady advised that these were shown as debtors on the balance sheet, will include all monies owned to the council.
- It was queried how good BCC were at pursuing of debt and how often it was chased? Matthew Strevens advised that those debts over 90 days which are passed over to BSP, there was no historical data available as the system used to track the debt is a live system; therefore there was a loss of visibility.

**RECOMMENDATION: The Committee is invited to review and comment upon the progress report on the implementation of the Debt Management Strategy and its operation over the past 9 months, and consider additional opportunities to improve the operation and management of the strategy going forward.**

- Ian Dyson summarised that the report highlighted that BCC do not have an effective debt management processes at present and that further improvements had been identified. It was agreed that a further report on the debt management strategy would come to the Regulatory & Audit Committee in 6 months' time.

**ACTION: Matthew Strevens**

- Grant Thornton would also give a thought to the overall strategy and provide feedback, could also potentially give an indication on whether there was a trend for debt write off happening.

**ACTION: Grant Thornton**

- It was agreed by the Committee that BCC needed to be clear on the level of assurance being provided by the Finance Directors and that an update should be provided to the Regulatory and Audit Committee by the Finance Directors.

**ACTION: to be added to the forward plan.**

The Chairman thanked the team for the update.

## **8 BUSINESS CONTINUITY MANAGEMENT VERBAL UPDATE**

Andrew Fyfe attended the meeting to provide a verbal report to the Committee. Key points were raised as follows:

- Internal audit report - 2 issues related to the revision of Business Continuity Management (BCM) policy. The policy was under review currently and following feedback should be in place shortly. Taken note of various changes care act and assurance and risk strategy. Also BCM steering group had been set up.
- Item- TEE getting the BCM arrangements in place. TfB has an advanced version of BCM, but the other elements within the service do not, although they are engaging. The Internal audit was a snapshot in time and the next deadline was the end of March 2016 for up to date BCM plans from each area to be submitted.
- Corporate Exercise was carried out 05 November 2015, where 120 staff attended (mainly managers/ directors and OCB). Post exercise report should be completed shortly. Refocussed and engaged various services.
- Timelines, end of financial year, BCM arrangements in place, have had 1 BCM steering group meeting and second has been diarised. Directors were due to confirm BCM plans in place in the Annual Governance statement.
- Detailed report on BCM would be brought to the next Regulatory and Audit meeting in April.

The Committee thanked Andrew Fyfe for the verbal update.

## **9 BUCKS LEARNING TRUST UPDATE**

Nick Wilson, Interim Director of Education and Zahir Mohammed, Cabinet Member for Education attended the meeting to provide an update.

The Chairman referred back to the minutes of the last meeting and asked Zahir Mohammed to confirm that as per the Actions noted in the minutes, feedback on the number of Trustees in place presently and going forward within BLT had been provided to Richard Scott after the last meeting. Zahir Mohammed confirmed that he had communicated directly to Chairman Richard Scott following the last meeting.

The Committee welcomed Nick Wilson to the meeting, following recent appointment into the Interim Director of Education Post.

Zahir Mohammed provided a summary to the report, where key points were raised as follows:

- The highlights within the report were showing good progress, and those that were still marked as red were being worked on.
- The current Trustees were making arrangements for a new chair at the end of February 2016.
- The current Trustees had not been removed yet as the plan was for the whole process to take place following sign off of the accounts at end of February 2016.
- BCC have had applications for Trustees positions to join the board, interviews had taken place for a number of people, a couple more were to be held before an appointment was made.
- The plan was for 4 BCC Trustees to be appointed however; discussions were ongoing as there may be a BLT board as well as an advisory group. Currently BCC had 1 Member on the BLT board, however; discussions were underway on how many BCC would have going forward.
- Total Trustees; there were 18 existing however the plan was to reduce this number to 6, although the detail was still being discussed.

## Member Comments and Questions

- A Member suggested that an advisory board was important and that it was key that there was cross over between the two boards, e.g. the Chair for each meeting should attend both boards, even if not as a voting member just to listen in.
- It was suggested that when recruiting for a new Chair person, ideally would want to have a larger pool of people to search from, did the team have any idea of the background skills required to become a Trustee? Zahir Mohammed advised that a range of skills had been outlined in the job specification, including business skills to drive the strategic agenda of the BLT and monitoring its effectiveness, as well as an education background.
- It was queried what the role of the Member / Members on the board would be in respect to the BLT. Would they look after the County Council aspects or were they to represent the needs of the BLT only. Zahir Mohammed confirmed that the Member on the board would be there to represent the BLT and not BCC, although they would report back to BCC Commissioning group, directly through the Chief Executive or another Commissioning group board member.
- A Member questioned when the team felt the issue would be resolved around the number of boards (main/ advisory) and the number of Members of each board would be known? Zahir Mohammed advised that the plan was for plans to be finalised and Members in place by the end of February. It was confirmed that although there was a need for urgency, the team were restricted by how quickly could appoint to the posts and how quickly BLT could make changes at their end.
- Final numbers for Trustees had not been firmed up; however it was likely to be 4.
- A Member queried where were BLT with appointing their Trustees? Nick Wilson advised that as far as BCC were aware they had gone through the selection process.
- Sarah Ashmead confirmed that BCC and BLT had agreed a new role description for a Trustee outlining key skills. Up to date so far 20% of the places on the trust had been taken by BCC (1 Member), there was now a debate ongoing on the number of places on the board going forward and it was advised that BCC could potentially end up having more than the 20% representation.
- It was queried whether former members of the BLT would have to re-apply to be part of the board going forward? Zahir Mohammed advised that everyone would be open to reapply but appointment would be down to the board and therefore they may not be reappointed.
- It was confirmed that BCC Members would be covered under BLT indemnity insurance.
- It was confirmed that BCC have supplied services previously to BLT and continue to do so for some e.g. IT services. This was on a commercial arrangement which BLT pay for.

Nick Wilson also provided an update on the highlight report as outlined in the paper. During discussion comments were raised as follows:

- It was suggested that a further report be brought back to the next Regulatory and Audit Committee meeting on 27 April 2016 to ensure progress of actions was on track. This was agreed by the Committee.

### **ACTION: Nick Wilson and Zahir Mohammed**

- Members advised that the Committee would be disappointed if at the next meeting there had been no change from the current position. Zahir Mohammed advised that the BCC Trustees were close to being appointed.
- Ian Dyson indicated that the focus of today's discussion had primarily centred around the constitution of the BLT, which had been a small part of the overall issues identified. It was confirmed that the main crux of the issues had been the internal governance arrangements within the BLT and the oversight BCC had over the operation of BLT. It was advised that the highlight report did include many amber and green actions which was very positive.



- The Committee suggested that when the report came back to the meeting on 27 April 2016, it would be helpful if it was made clear those items that have been reassured and those that need to be concentrated on, from the perspective of the Business Assurance Team. Maggie Gibb advised that a detailed follow up by the Assurance team would form part of the process anyway however Ian Dyson advised he would be happy to comment on the report during the next meeting.

**ACTION: Ian Dyson**

The Chairman thanked Zahir Mohammed and Nick Wilson for the update.

## **10 TREASURY MANAGEMENT STRATEGY**

Councillor David Watson and Julie Edwards attended the meeting to provide an update on the Treasury Management Strategy. During discussion key points were raised as follows:

- Would be moving from an average of £200m in cash investments, down to £20-30m, once the Energy for Waste plant had been paid for (costing £180m plus £36m VAT)
- Different investment strategy needed, as detailed in the paper.
- BCC's attitude to investment and debt was also detailed in the paper.
- Members queried what had been changed in the policy as this was not clear. What was different from that had been agreed at Full Council last year? As the Committee were being asked to recommend the Treasury Management Policy to Full Council on 18 February 2016, Members wanted to be clear on the details of what had changed.
- Richard Schmidt advised that the figures changed every year and reflected the changes to the Capital Programme e.g. what we need to borrow for. In this instance it was the Energy for Waste plant, which would put BCC in a fundamentally different position than previous years, resulting in only £20-30m left in the reserve fund.
- It was confirmed that the policy would not change until the Energy for Waste plant was paid for, then the investment limits would reduce to ensure a diverse portfolio.
- It was agreed by the Committee that the report should not be sent back to be changed at this last stage due to the Full Council deadline however further clarity was required on the detail.

**RECOMMENDATION: The Committee are asked to RECOMMEND to Council the Treasury Management Policy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy statement for 2016/17, together with the Prudential Indicators for the next four years.**

**DECISION: The Committee agree to the recommendation, subject to a further clarified report being circulated offline to Members of the R&A committee by the team, highlighting the previous year's figures.**

*(N.B. Richard Schmidt circulated the additional information requested outside of the meeting to the Committee).*

## **11 RISK MANAGEMENT GROUP UPDATE**

Maggie Gibb provided a summary of the discussions held at the Risk Management Group Meeting on 14 January 2016. During discussion key points were raised as follows:

- Strategic Risk Register- discussed at One Council Board (OCB)
- High level risks from all Business Units and HQ - those risks scoring more than 15, how we ensure the BU are using the RR as an effective management tool. Started to enhance the role of the risk champions, responsible for helping embed risk framework in Business Unit's.

- Each Business Unit should be considering risks of regular basis, would provide further details on the Risk Register around the direction of travel for each issue.
- Energy for Waste Risk Register- had come back on a regular basis for review since the beginning. Very detailed update given and talked through at the last RMG.
- Children's services - general update across whole of Business Unit on how risks were being managed. Also specific risks as part of the improvement plan as well as BLT. Group received report, detailed explanation how being managed was also given.

### **Members Questions**

- It was queried whether BCC were assured that all those who assess risk had a standard key to work to - e.g. all staff were scoring the same across the organisation. Maggie Gibb advised there would also be some subjectivity around the scoring however there was a framework on how to score regarding the different levels of impact - e.g. monetary values. It was confirmed the Business Assurance team do challenge any risks that look to have been scored incorrectly. This process had become more consistent due to the more robust process for reviewing the high level risks and the team would expect action to be taken against these risks where possible. The system does provide consistency around the scoring, with a lot of guidance and training.

Ian Dyson also advised that going forward the Regulatory & Audit Committee Members would receive the papers relating to the Risk Management Group, for information.

## **12 FORWARD PLAN**

It was confirmed that following the Pre-meet and today's Committee meeting the following items would be added to the forward plan:

### **Meeting on 27 April 2016**

- Bucks Learning Trust Update
- Draft 16/17 audit plan
- Inspection RIPA Covert surveillance inspection
- Whistleblowing Policy - incidents and effectiveness
- Outside Bodies Update

### **Meeting on 25 May 2016**

- Statement of Accounts
- Annual Governance Statement
- Annual Report of Chief Auditor

### **Meeting on 28 July 2016**

- Debt management update - 6 months on
- Audit of accounts

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

The Committee were advised that the next meeting would be held on 27 April 2016.

**CHAIRMAN**