

Minutes

REGULATORY AND AUDIT COMMITTEE

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON
WEDNESDAY 27 APRIL 2016 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY,
COMMENCING AT 9.00 AM AND CONCLUDING AT 11.00 AM.**

MEMBERS PRESENT

Mr T Butcher (Vice-Chairman)
Mrs A Davies
Mr P Hardy
Mr D Martin
Mr R Scott (Chairman)
Mr A Stevens

OTHERS IN ATTENDANCE

Mr C Adams, County Councillor
Mrs S Ashmead, Director of Strategy and Policy
Ms N Beagle, Committee Assistant
Mr I Dyson, Chief Internal Auditor
Mr T Fish, SRM Lead, Buckinghamshire County Council
Ms M Gibb, Risk and Insurance Manager
Ms M Granat, Head of Strategy & Innovation
Ms P Hook, Senior Procurement Manager
Mr D Johnston, Strategic Director (Children and Young People)
Mr Z Mohammed, Cabinet Member for Education
Mr R Schmidt, Head of Strategic Finance, Assistant Service Director (Strategic Finance)
Mr T Slaughter, Executive, Grant Thornton Auditors
Ms S Turnbull, Head of Member Services
Mr M Ward, Manager, Grant Thornton Auditors
Ms S Watts, Senior HR, Buckinghamshire County Council
Mr N Wilson, Director of Education, Bucks County Council

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Bill Chapple OBE.



INVESTOR IN PEOPLE



2 DECLARATIONS OF INTEREST

Item 12, Pension Fund Audit Plan: There was a declaration of interest made by Quasi Trustees David Martin, Richard Scott and Peter Hardy.

3 MINUTES

The minutes of the meeting held on 03 Feb were agreed to be a correct record and signed by the Chairman.

4 CONTRACT MANAGEMENT APPLICATION UPDATE

Michelle Granat & Tony Fish attended the meeting to provide an update. During discussion key points were raised as follows:

- Refresh of Contract Management Application and policy completed 2015.
- Supplier management policy was signed off in Jan 2016.
- The policy was now being embedded into Business Units.
- Dashboard performance reports were now being used internally. Issues around functionality limits would be addressed with a new version of the system.
- Redefining processes, roles & responsibilities of contract managers.
- Had launched support to Business Units on particular contracts.
- Training plan was being devised for contract managers to be carried out over the summer.
- Supplier meeting for top 10 suppliers was being held on 04 May to discuss big issues and key supplier involvement.
- Funding had been agreed for small development of CMA to improve functionality, this would start on 09 May and take a couple of months to develop and implement.
- Update on original audit findings as outlined on p15, these were being addressed.

Member Questions and Comments

- Regular formalised reporting was noted in the report, it was queried where these reports would be reviewed. It was advised these were produced monthly and shared internally within Business Units. The report templates were being reviewed to improve the accuracy and quality before being circulated more widely.
- Future expiry of contracts, had work on this progressed since the last update was provided in November? It was advised at present the reports were based on contracts expiring six, 12 and 18 months ahead, further work was required to make sure the this was complete and robust.
- Were there plans to commercialise the CMA? It was advised once CMA development had completed the team would be looking to develop a wraparound service including policy arrangements. Plan to have at least CMA sold by end of summer 2016.
- CMA and Supplier Management training materials were due to be available from June 2016, it was queried whether this would leave a gap in knowledge in the interim and the opportunity for issues to arise. It was confirmed that CMA training had been ongoing

and that the current training available was being redesigned and improved. It was confirmed that the new material would be made available within this timeframe.

It was agreed by the Committee that a further update including the dashboard report be brought to the November Meeting.

ACTION: Michelle Granat

The Chairman thanked Michelle Granat and Tony Fish for the update.

5 CONTRACT STANDING ORDERS- EXEMPTIONS/BREACHES

Patricia Hook attended the meeting to provide an update. During discussion key points were raised as follows:

- Overall the number of exemptions was reducing, due to the regulations put in place.
- The most recent changes applied in January 2016 to the EU threshold resulted in a small decrease in sterling value.
- Only one breach had been reported in the last six months, which had been due to exceptional circumstances. The service area experienced issues with procurement regarding pension liability, which resulted in the procurement process having to be halted.
- Anomaly with figures had occurred in the report regarding the data summary narrative, £324k shown on Fig 1 in Q3 although was shown as one exemption submitted, had related to three separate contractual arrangements. All individually were under the EU threshold.
- Fig 4 reflected the E-tendering system - the figures were cumulative values applied to the Pro-Contract system by individual teams. E.g. procurements figure largest, because this team placed tenders on behalf of Business Units. The values reflected were over the life of the contract and not an annual figure.

Member Comments & Questions

- Was it ever acceptable to have contract exemption? It was advised there were times due to extenuating circumstances that they are relevant. E.g. due to a planned change within a service delivery, it would be cost effective to procurement services necessary for that small timeframe only.
- It was queried how a retrospective exemption happened. It was advised this happened if service area had overlooked the need for a tender or had not realised that a contract was coming to an end. Retrospective exemptions were used to correct an oversight, by recognising and putting processes in place. It was advised there should be zero in future, as with the use of the Contract Management Application compliance had significantly improved. The number of exemptions had significantly reduced, during 14/15 there were 29, whilst in 15/16 there were five.

Recommendation

The Committee are asked to NOTE the report.

Resolved

The Committee NOTED the report.

The Committee thanked Patricia Hook for the report.

6 WHISTLEBLOWING POLICY - INCIDENTS AND EFFECTIVENESS

Sam Watts attended the meeting to provide an update. During discussion key points were raised as follows:

- The Government had recently updated its list of “Prescribed Persons” to whom a protected disclosure (whistleblowing) could be made. These update had been reflected in the policies noted in the agenda pack.
- This year there have been three whistleblowing cases, two had not been upheld although action plan had been devised to address the issues, and the other was still under investigation.

Member Comments and Questions

- It was queried whether the team felt staff were fully aware of the policy, in particular the protection afforded to them. It was confirmed the policies were available on the Intranet and Internet. It was also advised that the experience with the three cases this year had been that all employees were aware of their rights which was a positive sign. There had been fraud bulletins available throughout the organisation which highlighted the Whistleblowing policy also. As well as this it was suggested that high profile cases in the media were raising the profile of whistleblowing, indicating there was nothing to deter colleagues from whistleblowing.

Recommendation

That the Committee APPROVE the revised Whistleblowing Policy.

Resolved

The Committee APPROVED the revised policy.

The Chairman thanked Sam Watts for the update.

7 OUTSIDE BODIES UPDATE

Sara Turnbull attended the meeting to provide an update. During discussion key points were raised as follows:

- Proposal was helping to improve BCC governance.
- Had followed on from issues previously raised, where the list had been condensed to 69 from 200. .
- Looked at current practice and approach, which had presented two recommendations:
 - To streamline and reduce some of the outside bodies that were specifically local matters, as highlighted in Appendix 2.
 - Agree to adopt a protocol on outside bodies.

- Currently BCC did not provide guidance around roles and expectations and did not have a systematic approach enabling members to provide feedback.
- Purpose of outside bodies was where external organisations approach BCC to have a County Councillor representative on their body and the Council would like to maintain and strengthen relationship.
- When devising the protocol, practices within other Local Authorities were reviewed and Member feedback was obtained.
- The benefit of having a protocol was that Members would be given clarity on how to feedback to BCC as well as giving greater transparency to the public.

Member Comments and Questions

- It was suggested training could be provided during new Councillor Inductions to highlight the process for working with outside bodies. This was agreed by the Committee and details would be provided during the next Councillor Induction programme.

ACTION: Sara Turnbull

- It was queried whether the policy may have an adverse effect when Councillors wanted to volunteer to be on an outside body as an individual rather than on behalf of BCC. It was confirmed that BCC only made appointments to outside bodies when a request for representation had been received from the external organisation therefore this should not have an impact. .
- It was queried whether there was any scope for rolling out the same protocol with District Council colleagues. It was confirmed there was definitely the opportunity for discussion as there were a number of twin hatters within BCC.
- It was suggested that the timetable set out in the protocol for annual cycle, be for the report to be made available for the end of April in any Council year. This was agreed by the Committee and would be incorporated in the proposal.

ACTION: Sara Turnbull

- It was confirmed that following agreement of the proposal at today's meeting, Members would be approached for feedback.
- P54 personal liability - the protocol stated that Councillors would not have personal liability. It was suggested that this should be amended to state that they would not have personal liability, provided they act reasonably, responsibly and within the limits of the law, as should their actions be negligible they would not be covered under BCC liability.

ACTION: Sara Turnbull

Recommendations

- **To agree to no longer make Council formal appointments to those organisations whose remit relates primarily to locally specific matters and instead to encourage Members to consider individually volunteering to the respective organisation.**
- **To agree to adopt the proposed Protocol on Outside Bodies as set out in Appendix 1.**

Decision

The Committee AGREED to the above recommendations.

The Committee thanked Sara Turnbull for the report.

8 BUCKS LEARNING TRUST UPDATE

Nick Wilson, David Johnston and Councillor Zahir Mohammed, Cabinet Member for Education attended to provide an update. During discussion key points were raised as follows:

- There had been two appointments made to the Governance Board since the last update.
- Accounts had now been signed off.
- There was good progress overall.
- BLT recently had the CSC&L Select Committee visit their offices for a presentation which went very well.
- Current status of Internal Audit report management actions, 24/26 actions had been completed.
- The two outstanding actions related to the adoption of a complaints procedure by BLT trustees. The BLT itself already has a complaints procedure and very few complaints are escalated on to the Ombudsman.

Member Comments and Questions

- It was queried what the agreed composition of the board was? The team advised that BCC made up 20% of the board, in this case three appointments. In a board of between 6-10 members, BCC would have 2-3 seats.
- The Committee queried when these appointments would be completed? The team advised there were currently 11 trustees on the board and BCC had one other nominee to join the list. According to the Chief Executive of BLT the transition was anticipated to be complete in three months' time.
- The Committee advised that further reassurance was required around adequate governance and leadership measures for BLT. It was advised that the Chair of the BLT board had now stepped down, as previously required, the deputy had moved to the position of Chair to ensure there was a governance arrangement there to help with transition. Work was taking place and BCC were assured this would be done.
- It was advised the material issue for BCC was the oversight BCC had around the services being provided by BLT, which BCC were commissioning BLT to deliver. It was clear that regular meetings were now taking place with BLT which reflected openness and transparency that had not previously existed.
- Operational performance indicators were being devised to ensure BCC were getting value for money going forward.
- An annual activity plan was being developed which would commence from the start of the academic year in September 2016.
- There was also a local monitoring group which fed in to the governance board.
- The Committee advised that due to the nature and importance of the area, the recent history, complexity of issues and in light of current developments, a fuller more detailed report was to be provided at the November 2016 meeting.

Recommendations

The Committee is asked to NOTE the report.

Resolved

The Committee NOTED the report.

ACTION

The Committee requested a further more detailed report be presented to the Committee in November 2016.

The Chairman thanked the team for the update.

9 BUSINESS ASSURANCE PROGRESS REPORT

Ian Dyson provided an update to the Committee. During discussion key points were raised as follows:

- Set out the activity for whole of Business Assurance Team.
- Two limited assurance outcomes - control issues and limited assurance around General Ledger and Children's Social Care and Learning Commissioning – Residential Placements. Both reports had received strong endorsement by OCB and were being monitored.
- Team were involved in reviewing the operating framework, included brief self-assessment.
- Working with professional leads in providing end of year statements.

Member Comments and Questions

- On p74, item 4, ICT audits would this be an area of focus in the future? It was advised the team took a high level view on ICT audit, do consider logical controls, where there were applications will look at log in and security. External auditors would look at security also. This year had focussed resources around assurance mapping, and a number of irregularities that had risen. However, the team were aware there was a gap and with could be picked up in 16/17.

Recommendation

The Committee is recommended to NOTE the report.

Resolve

The Committee NOTED the report.

The Chairman thanked Ian Dyson for the update.

10 FUTURE EXTERNAL AUDIT ARRANGEMENTS

Richard Schmidt provided an update to the Committee. During discussion key points were raised as follows:

- External audit arrangements for Local Authorities (LA's) were coming to an end and new arrangements needed to be identified.
- LGA were in process of trying to set up a sector led body. BCC had expressed interest but not committed. The Committee was asked for views on how to proceed.
- Options were outlined in the report.

Member Comments and Questions

- The Committee queried how this approach would work in practice. It was advised that details had not been finalised however the idea would be that the LGA would work with a number of other Local Authorities when going out to tender, to drive better value with a bigger market presence.
- With the LGA option there would no longer be a need to have an independent auditor panel. It was advised that 2-3 years ago when discussing local audit arrangements this committee gave feedback advising it felt an independent auditor panel was an unnecessary level of governance. Although the current LGA offer had not been fully expressed yet, it was likely the responsibility for hiring and firing, and ensuring value for money would sit with the Local Authority.
- It was confirmed further research would come back to the Committee in due course and that all was required from today was a steer from the Committee to continue investigating this option. It was advised by the Committee that where possible BCC should avoid setting up an independent panel and should explore the LGA option to see if it was viable.

Recommendation

The Committee are recommended to:

- **NOTE** the contents of the letter from the Local Government Association
- **NOTE** the actions taken by the Head of Strategic Finance to date
- **CONSIDER** the issues discussed in the report and advise upon what future action the Council should take.

Resolved

The Committee agreed to NOTE the first two points of the recommendation and requested the Head of Strategic Finance further explore the LGA option and provide further details to the Committee at a future meeting.

ACTION: Richard Schmidt

The Committee thanked Richard Schmidt for the report.

11 DRAFT 16/17 BUSINESS ASSURANCE STRATEGY (RISK MANAGEMENT AND INTERNAL AUDIT PLAN)

Maggie Gibb provided an update to the Committee. During discussion key points were raised as follows:

- Draft plan had been discussed with One Council Board (OCB).
- Chief Auditor was required to report at the end of the year.
- Internal audit would form a key part of 3rd line of assurance
- Although a plan was in place the team would need to remain flexible to react to things throughout the year.
- Resources aimed to deliver 1600 days of assurance activity, which included some contingency days for any unplanned events.
- Appendix 1 set out proposed performance indicators, a self-assessment with compliance would also be carried out.
- Appendix 2 proposed the planned activity.
- The plan was to be presented to Business Unit Boards to agree the planned timings and to begin the work.

Member Comments and Questions

- It was queried whether the team was full in terms of resource. It was advised there would be no further recruitment other than to appoint an apprentice, which was still being explored. The team would also be looking to engaging with an audit framework to have a pool of resource should we need it.

Recommendation

The Committee is asked to APPROVE the 2016/17 Business Assurance Strategy.

Resolved

The Committee APPROVED the plan.

12 PENSION AUDIT FUND PLAN

Marcus Ward and Thomas Slaughter from Grant Thornton Auditors attended the meeting to provide an update. During discussion key points were raised as follows:

Pension Audit Fund Plan

- The report set out the audit approach.
- P111 - set out significant audit risks; had rebutted risk in view of governance structures in place. 3rd risk valuation of level 3 investments, was not a standard risk but was one that had been applied to BCC in previous years.
- P112 - other risks identified, these were key areas which would focus the majority of the work.

Member Comments & Questions

- Level 3 investments; was the team looking for independent verification for these? It was advised Grant Thornton Auditors independently contact fund managers to obtain details on all Level 3 investments. They would also obtain audited fund report from the control manager to ensure adequate controls were in place.
- Had anything changed since last year if anything? It was confirmed there was no change in relation to the Level 3 investments and risks were the same.

Fee Letter included in supplement

- Included for information. Under current arrangements was sent nationally in respect to fee for 16/17. Also encompassed financial statements audit.

External Audit Progress Update included in supplement

- Property plant and equipment report received
- Payroll testing, meeting was being held later today.
- There had been no issues to date.

The three reports were noted by the Committee.

13 RIPA (REGULATION OF INVESTIGATORY POWERS ACT 2000)

Sarah Ashmead provided an update to the Committee. Key points were raised as follows:

- Powers cover the ability to undertake covert surveillance.
- Policy framework and processes were in place.
- BCC carry out very little covert surveillance, there had been no activity over past two years.
- Inspection was carried out Jan 2016; report was included in the agenda pack with short action plan.
- Inspection had highlighted a need for further training and awareness across the council.

Recommendation

That the Committee should note the inspection findings in Appendix 1 and endorse the action plan in Appendix 2.

DECISION

The Committee AGREED to the recommendation and endorsed the action plan.

The Committee thanked Sarah Ashmead for the update.

14 RISK MANAGEMENT GROUP UPDATE

Maggie Gibb provided an update to the Committee. Key points were raised as follows:

- Full copies of minutes would be circulated in due course.

- Commercial Director Business Services Plus (BSP) - provided an update on the key risks for BSP along with an overview of processes strengthened by the risk management champion. Key risks included failure to meet income target, property budget/demands and academy programme. Maggie Gibb was attending the BSP board meeting tomorrow to receive an update on these risks.
- Communities, Health and Adult Social Care (CHASC) - Two officers attended to provide an overview. Risks were reported and reviewed by the leadership group monthly. Key risks included difficulties in recruiting skilled workforce and budget pressures - which were being monitored regularly.
- Transport - had been regular item, officers attended to provide a detailed update on risks and partnership with Ringway Jacobs.
- OCB risk register - reviewed quarterly

The Committee thanked Maggie Gibb for the update.

15 FORWARD PLAN

There were two new topics to be added to the forward plan as follows:

May 2016

It was confirmed page 5 of the minutes of the Feb meeting had advised a future Transport update to be provided. This would be brought to the meeting in May.

November 2016

- CMA application update, including more detail around dashboard reporting
- BLT update - with particular focus on progress with appointments, governance arrangements and KPI's for the next academic year.

16 DATE AND TIME OF NEXT MEETING

25 May 2016.

CHAIRMAN