

# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON THURSDAY 28 JULY 2016 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.03 AM AND CONCLUDING AT 11.39 AM.**

### **MEMBERS PRESENT**

Mr T Butcher  
Mr W Chapple OBE  
Mr P Hardy  
Mr D Martin

### **OTHERS IN ATTENDANCE**

Mr R Ambrose, Director of Assurance and Chief Finance Officer  
Ms J Edwards, Pensions and Investments Manager  
Mr A Fyfe, Head of Resilience and Community Safety  
Ms M Gibb, Head of Business Assurance  
Mr P Grady, Engagement Lead, Grant Thornton Auditors  
Ms R Martinig, Financial Accountant  
Mr P McGovern, Senior Finance Officer  
Ms E O'Neill, Projects and Financial Accountancy Lead  
Ms A Robinson, Auditor, Grant Thornton Auditors  
Mr T Slaughter, Executive, Grant Thornton Auditors  
Mr M Strevens, Corporate Finance Business Partner, HQ  
Mr M Ward, Manager, Grant Thornton Auditors  
Mr K Wright, Committee and Governance Adviser

### **1 ELECTION OF CHAIRMAN**

Mr W Chapple OBE proposed that Mr D Martin be the Committee Chairman for the coming year. This was seconded by Mr T Butcher.

### **RESOLVED**

**That Mr D Martin be elected as Chairman of the Regulatory and Audit Committee for the ensuing year.**

## **2 APPOINTMENT OF VICE CHAIRMAN**

Mr D Martin appointed Mr T Butcher as Vice-Chairman of the Regulatory and Audit Committee.

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

Apologies were received from Mrs A Davies and Mr A Stevens.

## **4 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **5 MINUTES**

The minutes of the last meeting held on 25<sup>th</sup> May 2016 were agreed as an accurate record and signed by the Chairman.

## **6 EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY - UPDATE**

The Chairman welcomed Mr M Strevens who presented the update report and informed Members of the following:

- There had been a continued focus on improving the effectiveness of the Debt Management Strategy since the last report to the Committee on 3<sup>rd</sup> February 2016.
- Finance officers had been working closely with individual Business Units to understand their specific debt management issues given the different types of services being delivered.
- Work had been going on to create better metrics to be able to report outstanding debt in a more clear and concise way and increase visibility of the current debt position.
- There was still a need to improve debt reporting from the invoicing and debt management system SAP and a number of improvements were being undertaken including changing the age profile of debt to clearly identify that which was over one year old.
- There was a challenge in classifying debt that had been raised and therefore showed as outstanding but which was not yet due for payment, for example Section 106 money.
- An ongoing review of historic aged debt and unallocated income was being undertaken. It was thought that once this work was completed, outstanding debt could reduce by £1m from the amount currently being reported.
- From September, mandatory debt management training for cost centre managers would be rolled out and improved help and information for officers would be available on the intranet.
- Whilst early action in recovering debt was the responsibility of the Business Unit, after 90 days the Finance Operations Team would offer help to Business Units in recovering debt.

Mr Strevens went onto explain some of the revised reporting metrics that had been developed to gain a better understanding and visibility of debt. These included:

- Data on the amount of invoices raised to help put into context the increasing amount of debt outstanding. This included information split by individual Business Units to identify peaks and troughs in amounts being raised at particular times of the year to gain an understanding of the reasons for these.
- Profiling debt into high, medium and low risk of recovery.
- Revised data for One Council Board shown in a single table including the value of debt outstanding categorised by risk of non-recovery, age of the debt and amount written off shown against bad debt provision.
- Over time, data would be available to show the direction of travel against these metrics to help understand whether actions taken on debt recovery were having an impact.
- Improved understanding of risk of non-recovery to help ensure the correct amount of bad debt provision.
- Data to help manage debt more commercially which showed debt as a percentage of total sales raised.

There was further discussion about raising Section 106 invoices which were not due for payment until sometimes a number of years ahead and whether it was possible to either classify these differently to stop them appearing as debt or delay raising the invoice. Mr R Ambrose acknowledged that, over time, this issue would become more significant and that currently these debts were not identified separately in the outstanding debt reports. Mr Ambrose noted that it would be useful to revisit the process around this in future to see whether invoicing could be delayed.

Mr Strevens acknowledged that there was no real understanding yet of how much it cost to chase and write off outstanding debt, although work was being undertaken in this area.

Members asked that the following information be brought to a future Committee meeting:

- The current and proposed future position regarding the cost of chasing and writing off outstanding debt in the next debt management report.
- A more detailed report on the amount and management of very old debt for which currently there was no transparency.
- Data on “Overdue Unsecured Debt as a Percentage of Annual Invoicing” to include previous year information to be able to monitor trends.
- Further information about the updating of the finance intranet pages.

**ACTION: Mr M Strevens to provide this information in the next report to the Committee**

**RESOLVED**

**The Committee AGREED:**

1. **That the changes and improvements within the report are endorsed and given time to ‘bed-in’.**

2. **That Business Units are invited to present their local debt management approaches and performance to the Committee once this 'bedding-in' period has been completed.**
3. **That the aged debt report is brought to the Committee on a six monthly basis.**

## **7 BUSINESS CONTINUITY MANAGEMENT UPDATE**

The Chairman welcomed Mr A Fyfe to the meeting to present the report.

Mr Fyfe explained that the report was a snapshot at a particular time of current Business Continuity Management (BCM) arrangements.

Mr Fyfe went through the red, amber and green status report which showed the level of assurance that each Business Unit had BCM arrangements in place. Mr Fyfe explained that if a Business Unit was coded as red, it may not necessarily mean there were no plans in place but that they had not communicated the plans to required timescales.

Mr Fyfe confirmed that there was still some work to do in fully assuring BCM arrangements within Children's Social Care and Learning, Adult Social Care and Transport, Economy and Environment, however Mr Fyfe explained that Business Continuity Plans had been invoked on Wednesday 21<sup>st</sup> July 2016 and that there had been a good corporate response. Mr Fyfe informed Members that a meeting was taking place on 29<sup>th</sup> July 2016 to understand what lessons could be learned from the invocation.

Mr Fyfe was asked to provide information about the previous year's and previous quarter's red, amber and green status in future reports to provide the Committee with a view of direction of travel.

**ACTION: Mr Fyfe to provide the information requested in the next report.**

A change to the recommendation was agreed by the Committee.

### **RESOLVED**

**The Committee NOTED:**

**The conclusions of the report and that One Council Board considers action needed to ensure all Services and Business Units comply with the BCM Policy and Financial Regulation.**

## 8 AUDITED STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT FOR BUCKINGHAMSHIRE COUNTY COUNCIL AND PENSION FUND

The Chairman welcomed

- Mr R Ambrose – Director of Assurance
- Mrs E O'Neill – Projects and Financial Accountancy Lead
- Ms J Edwards – Pensions and Investment Manager
- Mr P McGovern – Senior Finance Officer
- Mrs R Martinig – Accountant
- Mr P Grady – Grant Thornton – External Auditor
- Mr M Ward – Grant Thornton
- Mr T Slaughter – Grant Thornton
- Ms A Robinson – Grant Thornton

Mr R Ambrose introduced the report and explained that this was the final set of audited accounts following the presentation of the un-audited accounts to the Committee at the last meeting. Mr Ambrose explained that the accounts included the main accounts, the pension fund accounts and the value for money conclusion.

Mr Ambrose informed the Committee that the timetable for closing the accounts had been brought forward by two months compared to last year when the accounts were approved during September. Mr Ambrose acknowledged the good working relationship between Council officers and the Auditors, Grant Thornton, in achieving the smooth transition.

Mrs E O'Neill explained some of the adjustments that had needed to be made to the accounts following the audit, none of which affected the bottom line position or the level of general fund reserves.

Mrs O'Neill explained that three main adjustments to the accounts had been agreed:

- Fully depreciated assets had been left incorrectly within the fixed assets register. Therefore an adjustment had been made to write out around £2.5m of intangible assets and £13m of plant and equipment from the gross book value and the accumulated depreciation.
- There had been around £4m of depreciation overcharged to the Comprehensive Income and Expenditure Statement (CIES) because of an issue related to useful economic lives of assets and how these had been updated in the asset register. An adjustment had now been made to reduce the charge.
- There had been a presentation error of around £2m in the upward and downward revaluation movements in the revaluation reserve. This had now been corrected.

Mrs O'Neil explained that a number of other items of disclosure had also been amended including some written disclosure; in particular the post balance sheet events note had been updated in relation to the Energy From Waste Plant.

Mrs O'Neill informed Members that full details were in the Audit Findings Report and that none of the adjustments had affected the general fund balance.

In response to a question about the level of general fund reserves, Mr Ambrose explained that the level of £16m or around 5% set at the February budget was about right and the final level had been £17m or about 6%. Mr Ambrose informed Members that this level was at the advisable minimum and that robust monitoring of budgets within year was essential so that action could be taken quickly to deal with forecast overspends. Mr Ambrose considered that the budget scrutiny process undertaken by the Finance, Performance and Resources Select Committee each year was important in setting the level of reserves taking into account the risks that the Council had identified.

The Committee was told that there were contingencies agreed in the budget setting to deal with budget overspends and that these were in addition to reserves. Mr Ambrose advised Members that contingencies could only be released to portfolios through a formal process involving himself, the Chief Executive and the Leader.

The Chairman asked Mr P Grady from Grant Thornton Auditors to discuss the Audit Findings Report.

Mr Grady thanked everyone for their hard work and acknowledged the good working relationship with the finance team which had meant that the accounts could be closed early. Mr Grady explained that none of the issues they had found in the un-audited accounts were as a result of speeding up the process and went on to highlight the following:

- All outstanding actions had now been completed except one related to schools bank balance confirmations but that as these were not material they would not affect the signing off of the accounts subject to Committee approval.
- There had been no risk of fraud found as a result of testing of revenue transactions with the Council.
- There were no material concerns around the sufficiency of bad debt provision and size of unmatched income, however there could be potential to write off more older debt than was being done currently.
- There was no evidence of the overriding of management controls.
- There were no material issues related to operating expenses or payroll.
- There was a difference of view between the Council and the Auditors in relation to the fair value of the loans from the Public Works Loan Board (PWLB). Grant Thornton had estimated a value £8.6m higher than the Council estimate, however this was not material and not considered to be a misstatement.

The Chairman welcomed Ms J Edwards and thanked her and the team for their hard work in preparing the Pension Fund Accounts.

Ms Edwards informed Members that some minor changes had been made to the wording in the Pension Fund Accounts after they had been to the Pension Fund Committee on 27<sup>th</sup> July 2016.

Mr T Slaughter provided Members with an update on the Audit Findings Report for The Pension Fund and explained that the accounts had been closed earlier than usual in line with the main accounts.

Mr Slaughter explained that the accounts had been produced to a fairly high standard and that nothing had been found that would result in changes to the net asset statement or the fund account. Mr Slaughter informed Members that a minor change had been made to the disclosure notes and that the letter to new starters had not been sent out although this had now been resolved.

Mr R Ambrose brought the Committee's attention to the value for money conclusion and asked Mr P Grady to update the Committee.

Mr Grady explained that the value for money conclusion was an assessment of the Council's arrangements to be able to achieve value for money and explained that there were no concerns around the arrangements in respect of financial planning, contract management or the Future Shape programme. Mr Grady acknowledged that there had been a qualified opinion by the Head of Internal Audit in respect of historic legacy issues regarding internal controls but although important, they had not resulted in the auditors qualifying the value for money opinion.

Mr Grady acknowledged the positive direction of travel in respect of addressing issues from the Children's Services Ofsted Inspection, however as there was still work on-going the auditors had qualified the value for money opinion in this area.

In response to a question about whether 5% reserves were still appropriate, Mr Grady explained that this was reasonable given the level of risk. Mr Ambrose noted that 5% should be the minimum held in reserves and that the level of reserves should be linked to the level of risks.

## **RESOLVED**

**The Committee AGREED its response to the matters raised by Grant Thornton in their Audit Findings Report 2015-16 and that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2016 be signed by the Chairman of the Committee.**

**The Committee APPROVED the Letters of Representation on behalf of the Council and Pension Fund and AGREED that it be signed by the Chairman of the Committee.**

**The Committee AGREED the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.**

## **9 FINAL ANNUAL GOVERNANCE STATEMENT**

The Chairman welcomed Ms M Gibb – Head of Business Assurance and Chief Internal Auditor.

Ms Gibb informed Members that this was the final version of the Annual Governance statement. Ms. Gibb explained that there had been some very minor changes to the draft version that had been brought to the previous Committee meeting and that the final version would be signed and published alongside the final accounts.

In response to a question about limited assurance reports, Ms Gibb informed Members that limited assurance reports were brought to the Committee as they were issued and that Managing Directors or Heads of Service involved would attend the Committee to provide updates to Members if requested.

### **RESOLVED**

**The Committee APPROVED the Annual Governance Statement 2015/16.**

## **10 BUSINESS ASSURANCE UPDATE**

Ms Gibb gave an update to Members on Business Assurance and the 16/17 work programmes for Risk Management, Internal Audit and Counter Fraud which included the following:

- There was continued work on counter fraud and the National Fraud Initiative (NFI) data matching.
- The Business Assurance team was now fully resourced.
- There was a new corporate risk management system being implemented including a detailed review of data being held.
- The Assurance and Risk Strategy was being reviewed and would be brought to the Committee for approval in September.
- Internal audit work had included some grant verification work from which no issues had been raised.

Ms Gibb informed Members that an in depth analysis had been done on audit report actions and 105 were still open and classified as high or medium priority. Ms Gibb went on to give a brief overview of some of these and suggested that the older actions go to One Council Board to progress.

There was a discussion around whether the older outstanding actions were still relevant. It was suggested that a discussion be held with Business Units to identify those that could be closed with any remaining to be reported to One Council Board to progress and resolve.

### **ACTION:**

**Ms M Gibb to arrange review with Business Units before presenting to One Council Board.**



Ms Gibb informed Members of the limited assurance internal audit reports and explained that a lot of progress had been made in respect of the Accounts Receivable Report. Ms Gibb advised that seven high priority actions had been identified in the Special Educational Needs Report and that there would be an update at the next Committee meeting.

There was a debate around confidentiality issues when discussing some audit work at the Committee.

## **RESOLVED**

**The Committee NOTED the report**

### **11 RISK MANAGEMENT GROUP UPDATE**

Ms Gibb updated the Committee on the meeting of the Risk Management Group held on 5<sup>th</sup> July 2016, in particular the following:

- There had been a discussion of the One Council Board risk register and the Group had noted that the impact of some significant recent events such as Brexit still had to be included in the register.
- Some new strategic risks needed to be included in the register around the future of local government in Buckinghamshire, the growth agenda and terrorism.
- The new corporate risk management system would allow a better view of the movement of risk scores and direction of travel from one reporting period to the next.
- There had been a discussion about high level business unit risks and key financial risk and how these were escalated within each Business Unit.

Ms Gibb informed Members that Risk Champions had now been nominated within each Business Unit and that they would work with Managing Directors and Finance Directors to improve visibility, consistency and quality of risk management across the Council. The Risk Champions would be supported by the Business Assurance Team.

## **RESOLVED**

**The Committee noted the report.**

### **12 FORWARD PLAN**

Ms Gibb informed Members that the September meeting would include:

- An update on the Special Educational Needs audit
- An update from Bucks Learning Trust (BLT) which would cover any schools issues.
- A report on compliance with mandatory training.
- An update on the audit action tracker.

Ms Gibb explained that from November onwards there were a number of annual reports that needed to come to the Committee and a forward plan would be circulated to Members

**ACTION:**

**Ms M Gibb to circulate forward plan to Members.**

**13 DATE AND TIME OF NEXT MEETING**

Wednesday 21<sup>st</sup> September 2016 at 9am. Mezzanine Room 2, New County Offices, Aylesbury.

**14 EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED**

**That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)**

**15 CLOSED SESSION WITH GRANT THORNTON AUDITORS**

There was a discussion between Members and Grant Thornton Auditors.

**16 CLOSED SESSION WITH BCC CHIEF INTERNAL AUDITOR**

There were no questions from Members for the Chief Internal Auditor.

**CHAIRMAN**