

# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON  
WEDNESDAY 26 JULY 2017 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY,  
COMMENCING AT 9.00 AM AND CONCLUDING AT 12.40 PM.**

### **MEMBERS PRESENT**

Mr S Bowles  
Mr T Butcher (Vice-Chairman)  
Mr M Farrow  
Ms N Glover  
Mr D Martin (Chairman)  
Mr P Martin  
Mr D Watson

### **OTHERS IN ATTENDANCE**

Mr R Ambrose, Director of Finance & Assets, Service Director, Finance and Commercial  
Services  
Ms R Bennett, Committee Assistant  
Ms L Forsythe, Group Solicitor and Deputy Head of Legal Services  
Ms M Gibb, Head of Business Assurance  
Mr P Grady, Engagement Lead, Grant Thornton Auditors  
Mr T Slaughter, Executive, Grant Thornton Auditors  
Mr M Ward, Manager, Grant Thornton Auditors

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

Apologies were received from Mr Dhillon  
Mr Farrow had replaced Mr Hussain on the Committee

### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest

### 3 MINUTES

The following points were highlighted from the minutes of the meeting held on 15 June 2017:

#### **Reduction in income in Health and Wellbeing**

It had been stated that with fewer people in residential homes and more receiving domiciliary care, this is having an impact on the level of income received.

#### **Energy from Waste (EfW) impact on Business Units**

Mr R Ambrose confirmed that he would bring a summary to the next meeting on the detail of how the EfW impacted on individual business units.

**ACTION: Mr Ambrose**

#### **Whistleblowing**

Cases not finalised would be brought forward and outcomes detailed in the next annual report. Consideration would be given to amending the policy to include a protocol dealing with individuals seeking to find who had raised the complaint.

The minutes of the meeting held on 15 June 2017 were agreed as a correct record and signed by the Chairman.

### 4 AUDIT OF ACCOUNTS

Mr Ambrose, Director of Finance and Assets, introduced the Audit of Accounts item and thanked Grant Thornton for their work.

#### **The report set out the following recommendation**

- **That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2016-17 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2017 can be signed by the Chairman of this Committee.**
- **That the Committee approves the Letters of Representation on behalf of the Council and Pension Fund and agrees that they can be signed by the Chairman of this Committee.**
- **That the Committee agrees the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.**

Mr Ambrose highlighted the following points:

- The final audit was almost complete and all substantive items had been picked up
- The accounts had been updated following a few amendments
- Following presentation of the draft accounts, four adjustments had been made, three related to asset valuations and one was a late adjustment relating to the Teachers' Pension Fund liabilities which should not have been included. These had now been removed from the accounts and there was no overall impact on the General Fund balance

- Overall the Council had underspent by £6m, with an increase of £7m of the general reserves; which are now £24.5m
- There was a recommended delay in the Value for Money (VfM) conclusion to take into account the outcome of the Ofsted review. The conclusion would now come to the Committee in September. It was confirmed that the delay in the VfM conclusion had no impact on the overall accounts and Grant Thornton agreed with this approach

Mrs R Martinig, BCC Accountant, gave a more in depth overview of the adjustments made to the accounts as agreed with Grant Thornton as follows:

- The asset value of Beechview School being adjusted as it had not been identified as converting to Academy status during 2016- 17
- An asset within Note 15 Property, Plant and Equipment was revalued upwards in error, which resulted in an error of £2.054m. This correction had reduced the Revaluation increases recognised in the Revaluation reserves line
- The categorisation of the Energy from Waste (EfW) site from 'Other Land and Buildings' to 'Vehicles, Plant and Equipment'
- Information that was sent to the Actuary to calculate the assets and liabilities in relation to the Local Government Pension Scheme included unfunded benefits in the Teachers Scheme. This was in error.

Mrs Martinig confirmed that the Actuary had provided new figures which were reflected in the final accounts and a separate briefing note on this and the other adjustments had been circulated to Members of the Committee

Mr P Grady, Director at Grant Thornton presented the audit finding of the Buckinghamshire County Council Accounts and highlighted the following points:

- The relationship between Grant Thornton and the County Council remained strong and constructive The audit was mostly complete, procedures were being finalised in a number of areas as set out in the report
- It was confirmed that the statutory deadlines would be brought forward next year, it was noted the County Council were already in a good position to achieve these deadlines in comparison with a number of other authorities
- The audit findings against other risks were also highlighted including valuation of property, plant and equipment, and the reasonableness of discount rates assumptions
- There were no issues to report in payroll or income and expenditure
- It was noted Grant Thornton were happy with judgements and assumptions made
- Mr Grady drew the Committees attention to the agreed adjustments made

Mr Grady confirmed that the overall quality of financial management and internal controls remained strong and that the accounts closed early, ahead of many other Local Authorities. Mr Grady agreed to share an updated version of the report to Committee Members and an opinion and updated version would be provided after September.

**ACTION: Mr Grady**

**The Committee discussed the following points:**

- Concerns around the delayed VfM conclusion. Mr Grady confirmed that resource had gone into Children's Services and improvements were still being driven forward; but that the VfM conclusion was not based on what the County Council had spent but around the arrangements in place to ensure the money was being spent wisely. Given the time, if required the County Council would be able to review this year
- The Committee highlighted the internal controls relating to a problem with SAP, as highlighted in previous years. Mr Grady confirmed that there had been some improvement in this area with the issues being minor in nature and no risk to the statement of accounts. The Committee asked that an update on the progress highlighting what had been done to address the issues be brought back to the Committee in September

**ACTION: Mr Ambrose**

- The Committee discussed the asset valuations and the significance this had on the material operation of the County Councils business. It was confirmed that the number quoted was not close to the threshold of being of material consideration
- The Committee discussed the discount rate assumptions used and whether Grant Thornton could quantify the difference. Mr Grady confirmed that it was a subject of judgement and did not have a material impact and confirmed they were happy with the 2.7% applied

Ms J Edwards, Pensions and Investments Manager updated the Committee on the Statement of Accounts for the Pension Fund.

**Ms Edwards highlighted the following changes as a result of the audit:**

- Within the Accounting Policies a section had been added regarding the accounting standards issued, but not adopted
- Level 1, Level 2 and Level 3 investments had been adjusted
- Other than those changes the accounts were as presented at the May Committee meeting

**The Committee raised and discussed the following points:**

- It was queried whether transfer values in other pension funds came with a liability or were they fully funded at the time of the transfer. Ms Edwards confirmed that they would come in as a fully funded amount
- The Committee discussed the management expenses and why these were now higher than 2015/16. Mrs Edwards agreed to circulate a breakdown of the difference to the Committee

**ACTION: Ms Edwards**

Mr T Slaughter of Grant Thornton presented the summary of the Audit Finding to the Committee. He confirmed that the adjustments made were minor and the draft accounts that came before the Committee were a robust and accurate set of accounts as in the previous year.

Mr Slaughter highlighted one area in the report identifying a control issue regarding the reconciliation of scheme contributions. The reconciliation was found not to be as well maintained as in previous years due to staff turnover. It had taken longer to complete the audit due to this, but was now complete. The posts had since been filled and good progress was being made. The Committee asked for a timetable for end of month reconciliation to be circulated.

**ACTION: Ms Edwards**

The pressure of the workload was also discussed and it was suggested that Ms Edwards work with HR to ensure workloads were manageable and to determine how resources could be flexed in the future at busier times

**ACTION: Ms Edwards**

## **RESOLVED: The Committee approved the recommendations**

The Chairman thanked colleagues from the Council and Grant Thornton for the work that had been carried out.

## **5 DRAFT ANNUAL GOVERNANCE STATEMENT**

Mr Ambrose, Director of Finance and Assets introduced the draft Annual Governance Statement and gave an overview of the content. Mr Ambrose stated that it was a requirement to produce the statement on an annual basis, to meet the requirements of the Account and Audit Regulations and that the Council follow the CIPFAs framework.

### **Recommendation**

**The Committee is RECOMMENDED to approve the Annual Governance Statement 2016/17.**

Mr Ambrose highlighted the following issues that had emerged:

- The Professional Leads' views of the Key Controlled Systems, with three areas being limited, Assets Management, Business Continuity Planning and Commissioning Contract Management. Details of these were set out within the report
- The 7 Limited Assurance reports that had come to the Committee over the last year were listed. Mr Ambrose stated that all actions were followed up and completed as quickly as possible
- Mr Ambrose highlighted the action plan which set out the actions that needed to be taken in order to ensure there were no limited audit reports in the future

### **The Committee raised and discussed the following points:**

- The key controls system of contract management had gone from reasonable to limited and the reason for this. Mr Ambrose confirmed that this is a 2016/17 view and with the change now in place it should be moving towards reasonable
- The Committee discussed the limited assurance around business continuity and their concerns. Mr Ambrose confirmed that there had been a significant amount of work

carried out on BCP across the organisation, however in some areas plans in place had not yet been tested; dates were in the diary to carry this out. There were also concerns from the professional leads regarding business continuity planning of our suppliers. Ms Gibb confirmed that a detailed report on business continuity planning was coming to the Committee in September.

**RESOLVED: The Committee APPROVED the Draft Annual Governance Statement.**

## **6 ANNUAL REPORT OF CHIEF AUDITOR**

Ms M Gibb, Head of Business Assurance and Chief Auditor introduced the Annual Report and provided an overview of the content. The report set out the Chief Auditor's opinion on the Council's system of internal control, based on the internal audits undertaken, and other available assurance mechanisms. This also would feed into the Annual Governance Statement.

Ms Gibb highlighted the following points:

- There were 7 limited assurance reports rather than 9 as stated in the report
- Against the Public Sector Internal Audit Standards there are two areas of non-conformance that had been identified'
  - One of which was that Ms Gibb had operational responsibility of risk management therefore it was not wholly independent. The risk of conflict was managed by reporting regularly to the Risk Management Group and as part of that the effectiveness of risk management reporting was regularly reviewed.
  - The other area of non-conformance was that there was not a Quality Assurance and Improvement Programme implemented across the internal audit service, but Ms Gibb confirmed the County Council had engaged with another Local Authority to carry out an independent compliance assessment, this would take place later on this year

Ms Gibb gave an overview of how the **Chief Internal Auditor Opinion** is formed as set out in the detail of the opinion as below:

*"In my conclusion based on the evidence from the internal audits undertaken, and the assurance work facilitated by the Business Assurance Team my opinion on whether the Council's overall system of internal control facilitates the effective exercise of the Council's functions and provides a **reasonable assurance** regarding the effective, efficient and economic exercise of the Council's functions is unqualified for 2016/17.*

*The Chief Internal Auditor opinion for 2015/16 was qualified, so there has been a positive direction of travel and clear improvements to the internal control environment during 2016/17. However, a number of significant weaknesses have been identified which require clear action to address, in particular the robustness of the Council's Contract Management arrangements is in doubt following the failure of the Buckinghamshire Care Contract. A review of all Alternative Delivery Vehicles was commissioned following this failure, and recommendations are being presented to Cabinet in July.*

*There is no doubt that the Senior Officers in the organisation take governance and internal control very seriously, the Corporate Management Team reviews all limited assurance audits and monitors the progress of implementation of actions. The development of an assurance framework, with clearly defined three lines of assurance, has been further embedded and provides evidence of management oversight and monitoring which is essential in maintaining good governance.”*

Ms Gibb stated that the unqualified opinion was a positive direction from last year. Some weaknesses had been identified during the year in particular around key financial systems and the majority of those had been addressed during this year. During the year there had also been some significant weaknesses around Contract Management of Alternative Delivery Vehicles (AVDs). A review of these had been commissioned with lessons learnt and an action plan report being taken to Cabinet.

Ms Gibb made reference to the changes in the overall opinion in relation to the review of Key Financial Systems. The review of seven financial systems identified areas that required improvement, specifically in the operation of key controls in place. Ms Gibb updated the Committee on the direction of travel for the review of those systems

**The committee raised and discussed the following points:**

- Even though areas of improvement were identified, the opinion was not only based on key areas but the totality of the work, therefore Ms Gibb was comfortable with her assessment
- Risk management of Academies were discussed and how the Council had assurances that risks were being managed. Ms Gibb stated that currently the Council do not provide any internal audit service to academies however they were looking to creating an offering this year for internal audits and risk management. Mr Ambrose added that the Council still had responsibility for safeguarding and would also carry out a financial review of all academies
- The Committee discussed data assets and the quality of these. Ms Gibb confirmed that Risk Management Group on 3 August 2017 would focus on Technology Services risk management in its entirety
- Ms Gibb clarified the risk vs compliance ratio and the relationship between that and the rating given. Ms Gibb agreed to circulate the meaning of different terms used within the documents and also mentioned that further training throughout the year would be provided for Members

**ACTION: Ms Gibb**

- Ms Gibb also advised the corporate management team were on board and there would be a review of the corporate escalation process

Ms Gibb highlighted the summary of audits which had been presented to the Committee throughout the year and made reference to appendix 2, outlining the summary of management actions. An update of this would be presented at the Corporate Management Team meeting in August, with a further update being provided to the Committee in September.

**ACTION: Ms Gibb**

**RESOLVED: The Committee NOTED the report**

## **7 2017/18 DRAFT BUSINESS ASSURANCE STRATEGY INCLUDING INTERNAL AUDIT PLAN**

Ms Gibb presented the Draft Business Assurance Strategy including Internal Audit Plan to the Committee.

### **Recommendation**

**The committee were RECOMMENDED to APPROVE the report.**

Ms Gibb highlighted the following points to the Committee:

- The document outlined the strategy and plan of work for 2017/18
- Quarter 1 activity was approved by the Committee in May 2017
- Ms Gibb was the Professional Lead for Risk Management which included the management of the corporate system, administration, reporting and coordination of the Risk Champions across the organisation
- Ms Gibb outlined the role of the internal audit team and the development of the Assurance Framework
- The outputs from the work within Quarter 1 would be reported to the Committee in September
- Ms Gibb discussed the resource of the team and stated that they were currently out to tender for specialist audit resource. This would ensure access to specialist skills and enable the team to draw on resource as and when required
- Ms Gibb highlighted the planned risk management and audit action for 2017/18 and stated that any changes to this would be agreed at the Audit Board before coming back to the Committee

### **The Committee raised and discussed the following points:**

- The factors that were considered when considering risks including financial, contract and reputational
- The Committee questioned how problems in Children's Services were missed prior to the Ofsted inspection. Ms Gibb confirmed that an internal audit was carried out and given limited assurance and that not enough action was taken to address this prior to the Ofsted visit. Ms Gibb confirmed that a number of actions from the audit findings had since been put in place
- The Committee discussed the need for the increased focus on alternative delivery vehicles going forward

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

## 8 EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY

Mr M Strevens, Corporate Finance Business Partner, Mr J Huskinson, Finance Director for Children's Services and Mr A Isaacs, Finance Director for Communities, Health and Adult Social Care (CHASC) gave an update to the Committee regarding debt management within their Business Units.

Mr Strevens updated the Committee on the following points:

- The focus on bad debt continued to be raised across the organisation, leading to a significant change in the level of provision for bad debt
- All Business Units had undertaken a thorough review of their outstanding debt and levels of provision were now based on the outcomes of this exercise
- The default provision figure had reduced between 2015/16 and 2016/17 and the level of provision made had increased in 2016/17 to 59%, which had more than doubled on the previous year
- Significant recovery of debt had been ongoing for a number of years and there was now a funded post for 6 months to focus on debt collection
- The Corporate Management Team had supported the proposal for a central debt management team

The Committee raised and discussed the following points:

- It was noted that the direction of travel for recovering debt was going in the right direction
- Debt that was not recoverable for various reasons including information on the system not being correct and user error as well as the steps that were being taken to ensure that this was mitigated as much as possible
- The pros and cons of selling debts to third party companies were discussed and it was felt in some areas that this would not be appropriate
- The Committee also discussed the contractual debt vs individual (including small company debts) and Mr Strevens confirmed that it was difficult to segment their customer base
- Ways in which we the Council could check the credit history of those providing or receiving a service were also discussed

The corporate report set out the following recommendation:

### **Recommendation**

**That regular updates to the Committee should continue until new processes have fully embedded, especially focussing on the development and future reporting of performance measures.**

**That the revisions to the Debt Management Strategy be brought back to the Committee in November for comment / review relating to the decision of the Corporate Management Team to implement a central Debt Management Team.**

**RESOLVED: The Committee AGREED the recommendations**

## **Communities, Health and Adult Social Care**

The update provided by Mr Isaacs outlined the process of debt recovery in CHASC and stated that the business unit was looking at different ways to collect debt with lots of improvement work being undertaken.

Mr Isaacs highlighted the following points:

- CHASC currently had £4.5m of outstanding debt, of which £2m was secured on property i.e. where clients were receiving care and were unable to sell their property. Mr Isaacs stated that this was a low risk debt
- £2m of the unsecured debt was with service users and that this was more difficult to collect/manage
- Last year £0.5m was written off and it may be that further funds would be written off this year
- Mr Isaacs highlighted a positive that there was an increase in those paying by direct debit
- There was also a review of internal processes taking place and working with Harrow Legal
- The Committee requested regular updates at future meetings

**ACTION: Ms Gibb**

**RESOLVED: The Committee NOTED the report**

## **Children's**

Mr Huskinson presented the update to Committee.

### **Recommendation**

**That the Committee note the good progress in addressing historic debts, recovering much of the monies due and the work to improve processes in future.**

Mr Huskinson highlighted the following points:

- Children Services had relatively limited income compared to budgets owing to the nature of the statutory services provided and the (young) ages of the service users affected
- The type of debt mostly related to contributions by other parties i.e. section 106 developers
- A big exercise took place last year to recover outstanding debt, some debt was also written off

Mr Huskinson highlighted the largest debt owing as monies owed by a provider of a number of services on behalf of the Council and had been incorrectly charging the Council for these services, having already received payment for them from other funding sources. This had resulted in an overcharge of £264k and had now been escalated to their Chief Executive. The Committee discussed why no legal action had been taken, requested that Mr Huskinson liaise

with Legal colleagues immediately and report back to this committee the detailed history of this debt and what actions are now being taken to recover it.

**ACTION: Mr Huskinson**

The Committee asked that they receive an update on the outstanding debt when Mr Strevens comes back to the Committee in November.

**ACTION: Mr Strevens**

**RESOLVED: The Committee NOTED the report**

## **9 MANDATORY TRAINING COMPLIANCE UPDATE**

Mrs C High attended the Committee to update on the current position of the percentage of staff that were enrolled on e-learning and had completed the mandatory training.

Mrs High highlighted the following points to the Committee:

- The corporate training team had been reporting back to services directly on non-completion. Most areas had achieved a significant improvement and there was work with managers to help address any issues
- CMT had agreed that due to staff turnover and changes in structures they would work to a 90% completion rate at any one time
- There would be work undertaken to look at what constituted mandatory training and also a recommendation that data protection training needs would be updated annually
- Mrs High stated that there was a large number of staff listed on the SAP employee database without access to e-learning, ideas were being explored for alternative ways these staff could complete their training. Mrs High also confirmed that the numbers reported to the Committee just reflected those members of staff with access to e-learning
- Mandatory training was now automatic for new starters following a launch in December along with the online on boarding portal. It was anticipated that all new starters would have access to e-learning from day one
- The areas of higher risk e.g. Children's Services would be a priority
- The Committee discussed how non completion of mandatory training should be reflected in DSPs and withholding any contribution based pay or cost of living increase for members of staff and/or their managers that had not completed the training. The Committee asked that Mrs High take this suggestion back and look into further with HR

**ACTION: Mrs High**

**RESOLVED: The Committee NOTED the report**

## 10 PETITIONS PROCESS REVIEW

Mrs C Capjon attended the meeting to outline the options of the proposed Petitions Process Review project. The report set out the following two options:

- Option 1: Undertake a short, in-depth review of the Scheme
- Option 2: Undertake a short review of the Petitions process

### **Recommendation**

**That the Committee AGREES Option 1, a short in-depth review of the County Council's Petitions Scheme.**

Mrs Capjon highlighted the following points:

- In 2009 a duty was put in place for all Councils to respond to petitions submitted
- The County Council had developed a scheme that was agreed through Regulatory and Audit Committee in 2010
- In 2012 the Government withdrew the duty, giving Councils more flexibility around the schemes put in place. As a result of this BCC's scheme was again reviewed in 2013 and agreed by the Regulatory and Audit Committee
- The report sought agreement to review the petitions process again to ensure that it remained fit for purpose for the end user
- Mrs Capjon confirmed that there was resource from the Assurance Team to carry out the review
- Any recommendations from the review would be reported to this committee in the Autumn of 2017 for consideration. Any changes to the process would thereafter be presented to min Council for approval.

**ACTION: Mrs Capjon**

The Committee discussed the following points:

- Members of the Committee stated that they felt the petition process worked well and questioned the need for the review. Mrs Capjon stated that the process had never been tested and that they would like to review the overall effectiveness of the scheme and the quality of the responses that the lead petitioners receive
- Committee Members requested the number of petitions that had resulted in a positive outcome and Mrs Capjon confirmed that this data would be something that was drawn out of the review.

**RESOLVED: The Committee AGREED Option 1, a short in-depth review of the County Council's Petitions Scheme.**

## **10A RISK MANAGEMENT GROUP UPDATE**

Ms Gibb updated the Committee that the next Risk Management Group was being held on 3 August 2017 and would focus on Technology Services risks and Strategic risks.

The Chairman reiterated that Members of the Regulatory and Audit Committee were invited to attend all Risk Management Group meetings.

## **11 FORWARD PLAN**

Ms Gibb ran through the forward plan and highlighted the items coming to Regulatory and Audit Committee in September and November.

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

6 September 2017, 9am, Mezz 1

## **13 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)**

## **14 CONFIDENTIAL MINUTES**

## **15 PRIVATE SESSION WITH GRANT THORNTON**

## **16 PRIVATE SESSION WITH CHIEF AUDITOR**

**CHAIRMAN**