

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 6 SEPTEMBER 2017 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.05 AM.

MEMBERS PRESENT

Mr D Dhillon
Mr M Farrow
Ms N Glover
Mr D Martin (Chairman)
Mr D Watson

OTHERS IN ATTENDANCE

Ms R Bennett, Committee Assistant
Ms L Forsythe, Deputy Monitoring Officer and Corporate Governance Lawyer
Mr A Fyfe, Head of Resilience and Community Safety
Ms M Gibb, Head of Business Assurance
Mr N Gibson, TEE Executive Director
Mr J Noble, Commercial Director
Mr R Schmidt, Head of Strategic Finance
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 Butcher, Mr Bowles, Mr P Martin, Ms Ashmead.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The following action updates were given following the meeting on 25 July.

Energy from Waste (EfW)

The EfW budget impacts were confined to Transport Economy and Environment (TEE) and did not have a direct impact on other Business Units (BUs). Mr Schmidt clarified that the reserve currently stood at just over £3m generated within the last financial year as a result of there being no downtime. This would not be the same year on year and the reserve would balance the position out across the years.

Audit of Accounts and Value for Money (VfM) Statement

An update would be provided to the Committee in November.

SAP Controls

Item on this agenda.

Pension Fund

An email had been circulated to Members of the Committee by Mrs Edwards which provided an update on the action. It was noted Members were satisfied with the update given.

Risk Management Training

Training for the Regulatory and Audit Committee Members had taken place on the Risk Management System and had been well received by Members.

Debt Management Strategy

The Chairman updated the Committee that he had had a separate meeting with Mr M Strevens, Corporate Finance Business Partner to discuss debt management. It was agreed that a special meeting of the group would be held to focus on debt management. The Committee would still receive an update on the Debt Management Strategy at the November meeting.

There was an outstanding action for a further update on an outstanding debt in Children's Service and this would be included in the update brought to Committee in November.

Mandatory Training

The suggestion made by the Committee to include mandatory training in DSP objectives was being discussed by officers, an update would be provided in due course.

Petitions Review

A report was being developed by Mrs C Capjon in relation to the petitions review; details would be relayed at to full Council.

RESOLVED: The minutes of the meeting held on 25 July were agreed as a correct record.

4 BUSINESS CONTINUITY MANAGEMENT UPDATE

Mr A Fyfe, Head of Resilience attended the committee to update Members on the progress made on Business Continuity Management across the organisation.

Since the last report in July 2016 the following updates were highlighted:

- The previous concern with TEE was based on the 2014-15 internal audit outcomes, and their position has significantly improved.
- Since 1 July 2017 there had been a change in structure for the Resilience Team which has released capacity to support Services / Teams more directly.
- There had been a number of updates since the current report was published, which included improvements in RAG ratings for Civic & Ceremonial Services and School Admissions
- The 'not assessed' rating in Resources is based on a change in reporting mechanism that has been brought about following a CMT meeting. Likewise, Service areas within Resources will be reported on in 5 groups as per the snapshot report.
- Meetings with several Children's Services Teams have taken place and more are booked in order to improve their current ratings
- A Council table-top exercise planned for January 2018 will include testing elements of BCM

During discussion the following points were raised:

- The Committee asked for assurances around the direction of travel and corporate buy in. Mr Fyfe confirmed that there was improving engagement from across the organisation and that positive steps were moving the Council in the right direction
- Clarification was given regarding how the RAG statuses were measured and against which risks Services were planning, noting the focus is on continuing critical activities against the consequences of hazards and threats (Business Continuity planning assumptions from the BCM Programme)
- An area of high concern was Children's Social Care; the committee asked for assurance that whilst the report provided an overview of the entire service, that work was being done to ensure a deeper dive into the service. Mr Fyfe confirmed that the high level view was for reporting purposes and that the delivery of the BCM Programme will ensure engagement with individual Services and Teams from within the Children's Social Care Service area.

The Committee requested that the next report to the Committee in one years' time should include direction of travel for each area.

ACTION: Mr Fyfe

RESOLVED: The update reported was noted

5 RIPA COVERT SURVEILLANCE ANNUAL REPORT

Mrs L Forsythe presented the RIPA Covert Annual Report to the Committee. The purpose of the paper was to provide an update on the Council's use of its powers under the Regulation of Investigatory Powers Act 2000

Mrs Forsythe highlighted the following points:

- On occasion, officers may need to conduct investigations and, in exceptional circumstances, the Council had the power to make use of covert surveillance and similar activities
- In 2017 only one application was submitted and approved
- The County Council's RIPA procedures and activity were inspected by the Office of the Chief Surveillance Commissioner in January 2016. There were three recommendations arising from the inspection which focused on updates to the policy and record of authorisations, together with the delivery of regular refresher training for authorising officers.
- The action plan had been fully implemented and all appropriate training to key officers was delivered and recorded.

RESOLVED: The Committee noted the report.

6 SAP ROLES (INTERNAL CONTROLS)

Mr R Schmidt, Head of Strategic Finance, presented the SAP roles update report to the Committee. The report set out a detailed response to the actions raised as part of the Grant Thornton annual audit. The audit reported an internal controls deficiency relating to SAP user rights and the committee requested an update on progress.

Mr Schmidt confirmed that all actions raised had now been completed and that the external auditors would look at the process again in due course. It was also confirmed that regular reviews would take place as part of the internal audit process and reported through internal audit reports.

A Member of the Committee asked why recommendation 12 on our IT internal control recommendations (Passwords to SAP default accounts are not changed) was RAG rated green. Mr M Ward confirmed that he would address this with Grant Thornton's internal IT auditors and would write to Members following the meeting giving them an update.

ACTION: Mr M Ward

RESOLVED: The report was noted.

7 CONTRACT MANAGEMENT UPDATE (INCLUDING CMA)

Mr N Gibson, Executive Director for Transport Economy and Environment (TEE) and Mr J Noble, Commercial Director attended the meeting to update Members on the findings from an internal audit of contract management practices across the organisation and the action plan arising from this.

Mr Noble gave an overview of the current contract management position across the organisation and highlighted that the majority of contracts were managed with the business units (BU's), with every manager required to self-assess and only a small corporate resource was available, of which the Supplier Relationship Manager (SRM) was currently vacant.

There had been a request for an internal audit which looked at a sample of contracts across the organisation. This had identified pockets of good practice as well as areas for improvement. These findings had formed the basis of the Improvement Plan included in the report.

Mr Noble confirmed that the Corporate Management Team (CMT) had agreed to put forward a bid as part of the MTP process for additional training for Contract Managers, Directors and Members.

The Committee discussed concerns around the resource and training available for contract management and Mr Noble confirmed that it was inconsistent across the organisation and that the central level of expertise to support BUs was low.

Mr Noble highlighted the need to recruit to the SRM role which has proved hard to fill in the past and the need for commitment from the BUs to drive forward the improvement plan. The recruitment of this post was ongoing.

The Committee discussed concerns around how robust the organisation was to react should the external delivery of a service fail and the importance of forward planning and mitigating potential risks. Mr Noble stated that while foreseeing all risks was impossible the improvement plan would help address these areas of concern.

Mr N Gibson stated that whilst in some cases there was poor use of the Contract Management Application (CMA) this did not mean poor contract management. Discussions were taking place as to how systems and data would better link up.

The Committee discussed the resource issue. Mr Noble confirmed that CMT were happy with the current model but would keep this under review as the improvement plan progressed. It was also confirmed that there would be investment in a refresh of the training previously given and the development of communities of best practice.

The Committee discussed the approaches to contract management and for this to not only include an arms-length approach but also requiring physical visits to providers, for example to care homes. Mr Gibson confirmed that extra resource had been put into some areas where this was appropriate but having a lean contract management resource had meant that the focus had been on the contract framework/ KPIs.

The importance of Member involvement as part of the improvement plan was also raised. It was noted that Members could be offered training and briefings to raise Member awareness. The Committee requested that Mr Gibson pick this discussion up with Member Services.

ACTION: Mr N Gibson

The Committee commented on the need to see how each BU was performing, with success being measured in various ways, with self-assessments being carried out against a recognised maturity model. There would be an expectation that all contracts were scoring 3 (good). Self-assessments had been carried out for organisations 300 most important contracts and checks and challenges (10%) were also carried out by internal audit. This would be rerun again in a two years' time.

The framework the team had measured against was discussed as well as its consistency. Mr Gibson confirmed that the County Council were making significant progress in its effectiveness in delivering CMA and interest had been shown by other bodies in receiving training provided by the County Council.

RESOLVED: The Committee noted the update report and requested Officers come back to the Committee in February 2018 with an update on the progress against the Improvement Plan.

ACTION: Ms Gibb

8 ANTI-FRAUD AND CORRUPTION STRATEGY AND MONEY LAUNDERING POLICY

Ms M Gibb presented the Anti-Fraud and Corruption Strategy update to the Committee. The update was presented annually to the committee, it was noted that the only changes that had been made to the strategy were minor amendments (i.e. job titles and changes in structure). Ms Gibb confirmed that the strategy was applicable to everyone that worked with and for the organisation.

A Member of the Committee raised concerns over wording in paragraph 5.3 that legal action MAY be taken and that this should read as WILL. Following discussion Ms Gibb agreed to change the wording to clarify the Council's position.

ACTION: Ms Gibb

The wording in paragraph 5.1 was also discussed and the need for it to be more focused on the standards required for resource and training and to include links to CIPFA Fraud Hub, London Audit Framework and the organisations arrangement with Mazar's for specialist support. Ms Gibb agreed to revise the wording.

ACTION: Ms Gibb

Money Laundering

The updated policy was due to be presented to the Committee however due to new legislation that came into force in June 2017; work was ongoing to understand the impact on the BCC policy. Ms Gibb advised that an update would come to Committee in November.

ACTION: Ms Gibb

9 BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER

Ms Gibb updated the Committee on progress since the July meeting within Business Assurance and progress against the audit action tracker.

Ms Gibb highlighted the following points:

- The resources position remained stable and supported by Mazars
- Report would be provided to the Committee in November on Counter Fraud activity, following CMT review
- The team were working closely with the Contract Supplier Management Group to deliver training on the risk management system
- Risk reports were being provided to the Customer, Information and Digital Board and all BU Boards
- Training was ongoing for the new risk management system, Members of the Committee had received training
- Internal audit activity since July had focussed on completing the remaining actions from 2016/17, with no limited assurance reports being identified at this stage
- The report included a list of the audits that had been issued since the last meeting; there were no issues to bring to Members attention at this time
- Ongoing progress was being made against the audit tracker which was also reported into CMT and BU Boards. Detailed testing on limited assurance audits had also been carried out
- Appendix one outlined the list of the plan approved at the July meeting, a brief update of the scope of each of these audits would be provided at the next meeting
- Appendix 2 showed analysis of progress against all the audit actions, the majority of which were now complete.

RESOLVED: The Committee noted the report

10 RISK MANAGEMENT GROUP UPDATE

Ms Gibb updated that Committee on the last meeting of the Risk Management Group, held in August and focussed on our IT related risks.

The Director of Technology Services had attended the meeting and gave an overview of risks with the service area and corporate IT related risks that span the organisation particularly cyber security.

The service area was working to review and update all risks.

RESOLVED: The Committee noted the report

11 FORWARD PLAN

Ms Gibb updated Members on future items and confirmed the 2018 meeting dates. .

Ms Gibb advised that following the actions raised at the last Committee, the Risk Management Group would focus on Debt Management at a future meeting.

12 DATE AND TIME OF NEXT MEETING

8 November 2017, 09:00, Mezzanine Room 1, New County Offices, Aylesbury.

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

The confidential minutes from the meeting on the 25 July 2017 were agreed as a correct record.

15 EXTERNAL AUDITORS APPOINTMENT

The Committee discussed and agreed the appointment of the County Council's external auditors.

16 FRAUD UPDATE (VIA STATUTORY OFFICERS GROUP)

Deferred to the November meeting.

CHAIRMAN