

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON THURSDAY 4 APRIL 2019 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.02 AM AND CONCLUDING AT 11.32 AM.

MEMBERS PRESENT

Mr D Martin (Chairman)
Mr D Dhillon
Mr T Butcher (Vice-Chairman)
Mr D Watson
Mr R Bagge
Mr W Bendyshe-Brown
Mr S Lambert

OTHERS IN ATTENDANCE

Ms M Gibb, Head of Business Assurance
Mr J Hollis, Head of Legal and Compliance, Buckinghamshire County Council
Mr S Turner, Grant Thornton
M Frost, Buckinghamshire County Council
Mr T Ball, Grant Thornton
Mr A Rush, Interim Deputy Director of Finance
Ms A Williams, Committee Assistant
Mr I Murray, Manager - Assurance, Grant Thornton Auditors
Ms H Siegieda, Bucks County Council

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Ms S Ashmead and Mr R Ambrose.

2 DECLARATIONS OF INTEREST

There were none.

3 MINUTES

The actions from the previous meeting were reviewed and the following points were highlighted:

- It was recommended that the Committee approved the updated whistleblowing policy. This had been approved.
- The anti-fraud corruption policy and anti-money laundering policy would continue to be reviewed and would be presented to the Committee later in the year.
- An update on the annual governance statement action plan would be given at the meeting.
- There would be changes to the way reports were presented on mandatory training and compliance and business continuity management.

RESOLVED: The minutes of the meeting held on 21 November 2019 were AGREED as an accurate record and signed by the Chairman.

4 2019/20 DRAFT BUSINESS ASSURANCE STRATEGY

Ms M Gibb, Head of Business Assurance, BCC presented a verbal summary of the report and highlighted the following points:

- The strategy had been brought to the Committee earlier than planned in order to progress with quarter one activity.
- In line with accounts and audit regulations, an annual report on the systems of internal control would be produced and presented to the Committee in July 2019.
- A consultation on audit planning had taken place. This had been considered at the Audit Board (chaired by the Section 151 Officer) and was taken to the Corporate Management Team (CMT) where the proposed audit plan was agreed.
- A unitary training programme was in development and had been agreed by the district councils and the Chief Executives Implementation Group. The purpose of this would be to identify risks relating to specific work streams.
- The plans for risk management and audit activity throughout 2019/20 would have to stay fluid due to the formation of the unitary council. The main focus of activity in quarter one would be to examine areas carried forward from last year's audit plan.

The following points were highlighted in response to subsequent questions raised by members of the Committee:

- A training plan would be developed on fraud awareness. This would include general training and tailored training for specific employees. Within the last quarter, training had been delivered to key procurement colleagues. A document had been developed that identified all key risk fraud areas, which would be built into the audit plans for the unitary council.
- Development work was taking place for management audit, risk management, decision making and controls over expenditure to be implemented in the unitary council. The key risk areas had been identified for external auditors to provide assurance. A key requirement for this work would be fast delivery and continual monitoring.

- The Chief Executives Implementation Group had sanctioned 50 days of unitary activity, although there was flexibility in this. The level of budget for audit activity had been agreed and would be supported by Ms Gibb's team. The team would review the effectiveness of the work produced by the boards and workstream leads. The deadline would need to be reviewed constantly.
- There were currently sufficient resources to deliver the unitary plan, but this did not include any unplanned demands such as whistleblowing. A number of audits had to be deferred on the forward plan from the previous year due to unplanned demands.
- In response to concerns that risks could be missed in the lead up to unitary, it was decided that a quarterly update would be provided to the Committee to give information on the progress of the strategy.

RESOLVED: Members of the Committee AGREED that quarterly reports would continue, but should trends raise concerns then additional updates would be provided.

- Additional internal audit resources could be procured through The Apex Framework. Buckinghamshire County Council (BCC) had a contract with them to request additional days and resources. Additional funding for this work would have to be approved by the Section 151 Officer if it exceeded the budget.

RESOLVED: Members of the Committee AGREED to approve the report.

5 ANNUAL GOVERNANCE STATEMENT

Ms Gibb, Head of Business Assurance, BCC presented a verbal summary of the report and highlighted the following points:

- Three weaknesses were identified in the 2017/18 report and had been reviewed by the Risk Management Group (RMG). The actions identified had been taken forward:
- Contract Management - The Supplier Relationship Manager had attended a RMG in December to provide an update. The work was ongoing but continued to progress in the right direction. A further update would be provided at the RMG in June 2019.
- Technology Services- Cabinet had approved the new "Smarter Bucks" strategy and this was in the process of being implemented.
- Children's Services - An update had been given to the RMG in March 2019. The progress made so far was positive.
- The 2018/19 Annual Governance Statement would be brought to the Committee in May 2019.

In response to a Member's question on the progress of the Technology Services Improvement Programme, Ms Gibb agreed to secure an update and include it in the next Annual Governance Statement report.

ACTION: Ms Gibb

RESOLVED: Members of the Committee NOTED the points presented in the report.

6A GRANT THORNTON AUDIT PLAN

The Chairman welcomed colleagues from Grant Thornton to the meeting. Mr S Turner, Engagement Manager and Mr I Murray, Engagement Lead, Grant Thornton provided a verbal summary of the report which highlighted the following points:

- Staffing changes were highlighted due to a standard rotation process.
- The main two responsibilities of Grant Thornton were to provide Buckinghamshire County Council (BCC) with a true and fair opinion on the financial statements and a value for money conclusion.
- Key areas of significant risk from an audit perspective included revenue recognition and management override of controls.
- Risks associated with evaluation of land and buildings and evaluation of pension fund liabilities were areas of high estimation. None of the areas posed new risks, and would have been examined in previous years. It was highlighted that the areas were consistent with what would ordinarily be examined in a local authority organisation of this scale.
- Work in relation to the external audit was driven by materiality which helped to identify the areas of accounts and plan audit procedures. This would also help to carry out the audit procedures and assess the impact of any errors or findings with the financial statement. 2% of the gross annual statement was used as a bench mark. A number of considerations were taken into account such as performance materiality and trivial threshold.
- There were three considerations taken into account when materiality and triviality were applied. Areas that fell below the threshold of £12 million would not be tested, with some exceptions due to specific reasons. If errors were found below the trivial threshold then they may not be addressed.
- It was highlighted that the process was closely monitored, and that materiality was a useful guidance but could be fluid if required.
- Findings from last year that continued to impact the financial statement would affect where the bench marks were set. The thresholds would be brought down if necessary.
- The majority of income was derived from grants and formula based income. Anything material would be tested by audit procedures.
- The auditing process in quarter 1 would ensure that governance arrangements were followed and there was an appropriate level of scrutiny.
- Part of BCC's role was transparency to residents. There was an increased scrutiny and challenge process under which local government and county councils were operating under.
- Internal audit processes were key in mitigating that risk. BCC were required to provide a statement to Grant Thornton annually which would highlight any "hidden" activity.

- Electors would be given the opportunity to raise questions in terms of the 2018/19 annual statements. The Chairman stated that any suggestions for improving transparency within the organisation would be welcomed.
- Work regarding value for money arrangements involved ongoing conversations with Grant Thornton and BCC management and continual monitoring by the Business Assurance Team.
- Members asked for assurance that considerations had been made for the future of scrutiny with other external auditors with the formation of the unitary organisation. It was highlighted that Mr Murray had previously been involved with advisory work around the formation of different authorities and work was being done to identify the potential issues.

Following the report, the following points were highlighted and discussed in response to questions raised by Members of the Committee:

- There were four significant risks around Children's Services and Communities, Health and Adult Social Care (CHASC) due to the fluid nature of both programmes. Could assurance be given that the programmes were value for money and it could be audited? It was highlighted that the arrangements would be analysed to decide if the programmes were delivering against milestones and gaining value for money as opposed to the service itself.
- The appointment of external auditors for the new unitary authority would be made by Public Sector Audit Appointments. Mr R Ambrose, Director of Finance & Procurement, BCC had been involved in conversations to establish time frames for this. The recommendation for the process would be brought to the Committee at the earliest possible opportunity. Mr A Rush, Interim Deputy Director of Finance, BCC would provide updates on the process.

ACTION: Mr Rush

RESOLVED: Members of the Committee NOTED the points presented in the report.

6B GRANT THORNTON PENSION FUND AUDIT PLAN

Dr T Ball, Audit Manager, Grant Thornton presented a verbal summary of the report and highlighted the following points:

- Significant risks reflected the professional standard risks. Evaluation of level 3 investments - investments that had no direct publicly available comparators - related to pension fund investments in Private Equity instruments.
- It was highlighted that there was a lack of transparency around level 3 investments. The Chairman pointed out these investments totalled 4% of the £3 billion pension fund, which made it a high performing small percentage.

- Grant Thornton was satisfied with the level of oversight from BCC through the Pension Fund Board and Pension Fund Committee, as audits were efficiently and appropriately considered.
- Grant Thornton would provide feedback on the performance of the Committee during their annual private session held in July. The Chairman requested this feedback would be based on CIPFA standards and guidelines for effective Audit Committees. This feedback would be prepared for the next private session in July 2019.

ACTION: Dr Ball

RESOLVED: Members of the Committee NOTED the points presented in the report.

7 RISK MANAGEMENT GROUP UPDATE

Ms Gibb, Head of Business Assurance, BCC presented a verbal summary of the report and highlighted the following points:

- The report summarised the key items raised from the previous three Risk Management Group (RMG) meetings.

October meeting:

- Debt Management - Children's Services and Communities, Health and Adult Social Care (CHASC.) A further update on this would be provided at the end of the month. The long term debt from CHASC had reduced and short term debt was not considered high risk. The Children's Services debt was under constant review.

December meeting:

- Resources - A thorough review had been given and staffing updates had been provided due to a number of new directors in post. Resources would be providing another update to RMG later in the year.
- Technology Services Risk Register- An in-depth review of the risk register had taken place and it had been updated in line with the improvement plan.
- Transport Economy and Environment (TEE.) - This was updated on a regular basis with the risks escalated by the management team.
- The first implementation risk register for unitary would now be a standing item on all RMG agendas.

February meeting:

- An anti-fraud briefing was provided by Mr Dave Verma, Anti-Fraud Specialist.
- It was highlighted that a fraud log is shared with Grant Thornton.
- Six RMG meetings were held per year. All Members of the Regulatory and Audit Committee were also members of RMG encouraged to attend all meetings.

RESOLVED: Members of the Committee NOTED the points presented in the report.

8 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) UPDATE

Mr J Hollis, Head of Legal and Compliance, BCC presented a verbal summary of the report and highlighted the following points:

- RIPA covered the use of covert surveillance used to support investigations. An inspection by The Investigatory Powers Commissioners Office (IPCO) had taken place in January 2019, following which the Inspector confirmed he was satisfied that the Council had appropriate procedures and policies in place. The Inspector did however recommend some minor amendments to the Council's RIPA policy, which were presented to the Committee for approval.
- The Committee was also presented with an annual report on RIPA activity, which showed the use of RIPA had been consistently low, having only been used once in the last year.
- All applications for surveillance activity required a magistrate's approval.

Following the report, the following points were discussed in response to questions from Members of the Committee:

- There had been no applications for surveillance activity that were not authorised by a magistrate and a log was kept of all applications made
- Mr Hollis was satisfied that Trading Standards officers provided under a shared service arrangement with Surrey County Council were adequately trained to deliver services on BCC's behalf.

RESOLVED: Members of the Committee NOTED the points presented in the report and AGREED to approve the draft policy included in the report.

9 COMPLIMENTS AND COMPLAINTS

Mr Hollis, Head of Legal and Compliance and Ms K Mitchelmore, Corporate Complaints Manager, BCC presented a verbal summary of the report and highlighted the following points:

- The Committee was asked to consider the adoption of a consolidated procedure for dealing with corporate complaints. There were no major changes proposed, and the draft merely collated and updated the current procedure.
- The procedure followed guidelines from the Ombudsman. The timeline for processing and resolving complaints was set at 20 working days, with a soft target of 10 working days.
- Details of some complaints that fell outside the remit of Buckinghamshire County Council's (BCC) procedure, such as Ombudsman complaints, were not included in the report.
- Customers needed to be made aware of the external options they had for complaints that fell outside the procedure, and these details were signposted within the document.

- The new procedure enabled members of the public to provide general feedback as well as complaints.
- Quarterly reports were provided. An annual report would be presented to the Committee in September 2019.

RESOLVED: Members of the Committee NOTED the points presented in the report and AGREED to approve the new feedback, compliments and complaints procedure.

10 DATE AND TIME OF NEXT MEETING

21 May 2019, Mezz 1, 08:30.

11 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)

12 BUSINESS ASSURANCE STRATEGY UPDATE

CHAIRMAN