

# Minutes

## REGULATORY AND AUDIT COMMITTEE

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 20 NOVEMBER 2019 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 8.36 AM AND CONCLUDING AT 11.27 AM.**

### **MEMBERS PRESENT**

Mr W Bendyshe-Brown  
Mr T Butcher (Vice-Chairman)  
Mr A Christensen  
Mr D Martin (Chairman)  
Mr D Watson  
Ms A Wight

### **OTHERS IN ATTENDANCE**

Mr R Ambrose, Director of Finance & Procurement, Service Director, Finance and Commercial Services  
Ms J Edwards, Pensions and Investments Manager  
Ms M Gibb, Head of Business Assurance  
Mr J Hollis, Head of Legal and Compliance, Buckinghamshire County Council  
Ms R Martinig, Pensions & Investments Accountant  
Mrs K Mitchelmore, Corporate Complaints Manager, BCC  
Mr I Murray, Manager - Assurance, Grant Thornton Auditors, Grant Thornton  
Mr S Turner, Grant Thornton  
Ms A Williams, Committee Assistant

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

Apologies were received from Ms S Ashmead, Mr L Whitehead, Ms S Harlock, Mr S Lambert and Mr P Martin.

The Chairman stated that Buckinghamshire County Council had to observe purdah requirements due to the general election on 12 December 2019 and read out the following statement:

*“As this meeting is being webcast, can I remind members to observe purdah requirements as we are in the pre-election period for the forthcoming general election.*”

*For the Council, it still remains very much business as usual, which is why our formal meetings are continuing. However can I ask members to ensure that any comments made during our discussions relate directly to our agenda items and are not seen as, or could be perceived to be, political in nature.*

*I hope you understand and will adhere to this requirement during this period of heightened sensitivity. If there are any questions on this issue, please raise them now before we begin the formal agenda.”*

## **2 DECLARATIONS OF INTEREST**

There were none.

## **3 MINUTES**

There were no matters arising.

**RESOLVED: The minutes of the meeting held on 30 July 2019 were AGREED as an accurate record and signed by the Chairman.**

## **4 ANNUAL ACCOUNTS- EXTERNAL AUDIT**

Mr R Ambrose, Director of Finance and Procurement presented a verbal update and highlighted the following:

- The audit for the main accounts was not yet completed; however the updated accounts along with the audit findings report had been received.
- The main accounts were not complete due to asset valuations. Buckinghamshire County Council (BCC) had adopted the same approach used for previous years, but the requirements of the external auditors had increased which had caused delays in the process.
- All issues around asset valuations would not affect the bottom line but would affect the balance sheet.
- The two outstanding issues were highlighted:
  - **The valuation from Greatmoor-** The plan to value in 2021 was questioned by Grant Thornton as specialist valuers were required. An approach had since been agreed and the valuation would be completed.
  - **The five year asset revaluation programme-** The programme entailed the valuation of 20% of the assets each year meaning that all assets would be valued over a 5 year period. Grant Thornton had queried the programme due to the increase in value of 20% of the assets. Discussions took place to resolve the other 80% of assets. Grant Thornton had made the decision to employ their own valuer to test the assumptions made by BCC’s valuer on the value of 100% of the assets. At the time of the meeting the valuer had not been employed by Grant Thornton and the values were not received. Upon receipt of the values the accounts could be closed.

- Lessons had been learned and internal discussions had taken place on how the overall process could be improved.

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

- Concerns were expressed that council tax payers would be affected by the delays caused by asset values. It was clarified that while the frustration was appreciated, assurance that the statements were correct was important. The issue would have no impact on council tax.
- Recent external factors had an impact on the process this year.
- The new criteria required the use of an external reviewer, but a separate external auditor was required to ensure standards were being met.

Mr I Murray, External Auditor, Grant Thornton provided a verbal update and highlighted the following:

- Valuations were not an exact science therefore this was a main focus for auditors who were required to approach areas with scepticism.
- The previous expectations of PSAA Ltd were that the majority of audits were required to be rated as 2b and above. Changes had been made meaning that the majority was now required to be rated as 2a and above, so expectations had increased. This had generated extra work compared with previous years.
- Clients were asked to assess the potential impact of the 80% of portfolio not valued.
- Grant Thornton would normally rely on a management expert and examine key assumptions to use for assurances. However the changes required an internal expert to be used, which had led to the commissioning of an extra piece of work.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The Chairman asked if assurance could be given that Grant Thornton had communicated the new requirements to BCC in a timely manner to avoid delays. In response it was stated that appropriate time had been given.
- The response from BCC had been slower than other authorities, and a greater level of detail had been requested from officers, which took more time. Lessons had been learned regarding clarity of communication.
- Grant Thornton could provide support and communication but could not commission or instruct valuers.
- The Chairman highlighted that historically BCC officers had taken pride in producing accounts early and to high standards.
- Grant Thornton highlighted that the suggestions made by Mr Ambrose sounded sensible and in line with other organisations.
- Conversations needed to take place in advance and not within the accounts window.

- Independent valuers could not be jointly commissioned. It was not unusual for larger councils to employ their own valuers.
- Members asked if assurance could be given that the accounts would be signed off at the next Regulatory and Audit Committee Meeting on 20 January 2020. It was highlighted that the valuation piece would be completed before the Christmas period, and Grant Thornton would be in a position to sign off accounts at the beginning of 2020.

**RESOLVED: The Committee NOTED the verbal update.**

#### **4A COUNTY COUNCIL ACCOUNTS- DRAFT AUDIT FINDINGS REPORT**

The accounts would be brought to the committee in January 2020 and should not have received any significant changes.

Mr Murray, External Auditor, Grant Thornton presented the report and highlighted the following:

- The only outstanding area was work around revaluations. There were some internal processes to go through but it was most effective to complete the cash flow statement last.
- A recommendation had been made around the assurance that correct processes were consistently followed.
- Grant Thornton were satisfied that there were no major causes for concern.
- Plant equipment was a much lower risk for property client and equipment valuations.
- The McCloud case would continue to have an impact on pension fund liability until the judgement was resolved.
- The action plan had highlighted four issues which were not highly significant but were classed as medium risks. Actions had been agreed with BCC management to mitigate risks.
- The latest version of the accounts was received by Grant Thornton the day before the meeting and all suggested changes from the action plan had been applied. Further actions would be agreed following the valuations.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- As a result of the McCloud judgement, changes had been made to the local government pension scheme and public service pensions. The case was a discrimination case and had gone through legal proceedings which were found in favour of the plaintive.
- Mr Ambrose would report directly to committee members if any risks were identified.

**ACTION: Mr Ambrose**

**RESOLVED: The committee NOTED the report.**

## **4B PENSION FUND ACCOUNTS**

Ms J Edwards, Pensions & Investments Manager presented the report and highlighted the following:

- The statement was brought to the committee in July 2019. The changes applied following the meeting were highlighted in blue and further changes were highlighted in pink.

The major changes in the report were highlighted:

- Page 27- change to 31<sup>st</sup> March 2018 loans and receivables cash deposits figure. This was previously listed as £127 million but had been corrected to £121 million.
- Page 36- Contributions to the pension fund were previously listed as £40.3 million. As a result of the audit the figure had increased to £45.1 million.
- Page 39- Pension fund liability had increased from £38 million to £1.792 billion.
- Page 26- there were significant changes as a result of moving assets to the Brunel partnership. The partnership was on track to accumulate savings of £718 million across the 10 funds and was expected to break even in 2023.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- Members enquired as to what other funds were not being managed by Brunel. It was highlighted that property pooled funds were required to be listed as a separate item.

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

## **5 VALUE FOR MONEY STATEMENT**

Mr Murray, External Auditor, Grant Thornton presented the report and highlighted the following:

- The overall conclusion would be a “qualified except for” conclusion. The basis for the conclusion was the result of the Ofsted inspection of children’s services; however the improvement journey was taken into account.
- The measures put in place were considered “adequate” and would be reflected in the value for money statement.
- There were no significant causes for concern in preparations for unitary.

**RESOLVED: the Committee NOTED the report.**

## **6 COMPLIMENTS AND COMPLAINTS ANNUAL REPORT**

Ms K Mitchelmore, Legal Team Leader, Buckinghamshire County Council (BCC) presented the report and highlighted the following:

- The figures and statistics followed similar patterns from previous years based on the number of complaints received. The numbers continued to increase.
- The number of compliments had dipped, but the reason was unknown.
- The main basis of complaints was around the quality of service.
- The numbers of statutory complaints received remained steady. Within the last year all complaint response times had improved.
- Comparisons had been shared with service areas.
- There was an increase in the number of complaints, but the increase was not significant and was not related to any specific areas.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The process of stage 1 complaints being escalated to stage 2 complaints was explained; stage 1 complaints were investigated by officers within the specific service. The complaints team monitored the response from the service and if the information was unclear it would be investigated.
- The process was in line with the complaints processes used by other local authorities. A resident filing a complaint could request that it was escalated to stage 2 if they were dissatisfied with the stage 1 response.
- The expected response time for Children's Services statutory complaints was 10 days, however the complaints team could use discretion to extend the deadline to 20 days. The 10 day deadline was missed 49% of the time and work was being done to improve quality of the response and the response time. Children's Services complaints could be complex and take longer.
- There had been problems with the reporting data base for the online reporting tool Fix My Street. Members of the committee enquired as to whether complaint data was not being translated properly. There had been issues with miscommunication with customers.
- Members expressed concerns that in the unitary authority there would be a greater capacity for complaints.
- Residents were dissatisfied with having to chase an answer and would prefer to be given a clear answer sooner.
- Preparations were underway for the unitary council. The BCC complaints team was working with district council colleagues and the teams had collectively drafted a complaints policy for the new organisation. All current existing authorities within Buckinghamshire had a two stage process which simplified the formation of the unitary policy.
- BCC complaints officers had participated in training at St Mary's University. Consideration into future training methods needed to be considered for unitary.

- From 1 April 2018- 12 November 2018 there were 323 stage 1 complaints received. From 1 April 2019- 12 November 2019 there were 623 stage 1 complaints received. The majority of the complaints were received in the last quarter.
- In the previous financial year 17 stage 1 complaints had been filed for Children's Services and Client Transport. This year 144 stage 1 complaints for the business units had been received.
- In the previous financial year the Special Educational Needs (SEN) team had received 36 stage 1 complaints. This year the team had received 106.
- The stage 2 complaints trends were the same as previous years.
- Lessons had been learned to improve communication with customers going into the unitary council.

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

## **7 TREASURY MANAGEMENT MID YEAR REPORT**

Ms Edwards, Pensions & Investments Manager presented the report and highlighted the following:

- The mid-year position of BCC's treasury management activity was reported each year.
- The strategy was approved in February 2019. The report showed that in September 2019 the net-cash position was -£256.1 million. The total treasury cash was £26.2 million with borrowings of £282.3 million
- Arlene Close (financial advisors) anticipated that the interest rates would remain at 0.75%.
- It was expected that the organisation would pay £8.7 million interest on loans, similar to the amount paid last year.
- It was expected that the organisation would pay £489,000 in interest on cash balances.
- The Public Works Loan Board had increased the interest on loan rates by 1% which would affect loans going forward.
- Any amount required to be borrowed that exceeded the authorised limit would have to be approved by County Council for authorisation.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- The policy was to try and move away from Lender Option Borrower Option (LOBO) borrowings but not at any additional cost. This would be advised by Arlene Close.
- The PWLB had increased their interest rates with no consultation as borrowing was extremely high compared to previous years and this was causing concerns from central government.
- The borrowing rate changed on a daily basis but was historically low. This would not affect existing loans.

**RESOLVED: The Committee NOTED the report and AGREED to recommend the report to County Council.**

## **8 RISK MANAGEMENT GROUP UPDATE**

Ms M Gibb, Head of Business Assurance provided a verbal update and highlighted the following:

- The final Risk Management Group meeting was held on 10 October 2019. The meeting had covered business continuity management and debt management within all the business units.

**RESOLVED: The committee NOTED the update.**

## **9 2019/20 BUSINESS ASSURANCE STRATEGY UPDATE**

Ms Gibb, Head of Business Assurance presented the update and highlighted the following:

- The Risk Management internal audit and anti- fraud work was presented to the audit board the previous week.
- One of the senior auditors within resources on a secondment had been offered a full time role. The role would become a vacancy.
- Members of the business assurance team were working with procurement colleagues to improve the overall robustness around processes.
- Business Assurance was working in conjunction with the Business Improvement team.
- A number of internal audits were at the draft report stage. Unitary work was having an impact on the team and workstreams.
- There had been a good response to the organisation-wide fraud awareness survey.
- Mr M Frost, Audit Manager was delivering fraud awareness sessions across the organisation.
- A number of reports were currently in draft stage. In January the final reports would be presented to the committee.
- There were plans in place to get as much audit activity presented to the Committee as possible in January 2020 to make it easier for the unitary transition.

The following points were highlighted and discussed in response to questions raised by members of the committee:

- Progress against audit plans continued to be maintained. Flexibility was necessary with regards to priorities but the key work was being delivered. Additional resources would be brought in to resolve any capacity issues.
- BCC were delivering counter fraud work to Oxfordshire County Council which would be charged for to fund any back fill resources required.
- Fraud team staff members from Wycome District Council were looking to provide audit support for BCC.

**RESOLVED: The committee NOTED the report.**

**10 DATE AND TIME OF NEXT MEETING**

20<sup>th</sup> January 2020, 9:00am, Mezzanine Room 1.

**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 CONFIDENTIAL MINUTES**

**RESOLVED: The confidential minutes of the meeting held on 30 July 2019 were AGREED as an accurate record and signed by the Chairman.**

**13 STANDING ORDERS EXEMPTIONS / BREACHES**

**14 2019/20 BUSINESS ASSURANCE STRATEGY UPDATE- PRIVATE**

**15 PRIVATE SESSION WITH INTERNAL AUDITOR**

**CHAIRMAN**