Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Tuesday 30 November 2021 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.25 pm.

Members present

R Newcombe, L Clarke OBE, D Anthony, T Dixon, D Goss, M Hussain and N Thomas.

Others in attendance

E Gemmell.

Apologies

R Carington, A Christensen, M Dormer, C Etholen and S Rouse.

Agenda Item

1 Declarations of interest

There were none.

2 Minutes

RESOLVED –

That the Minutes of the meeting held on 29 September, 2021, be approved as a correct record.

3 Annual business continuity management update

The Committee received a report on the current status of Business Continuity Management (BCM) and Business Continuity Plans (BCP) across the Council. BCM was the capability of an organization to continue the delivery of its priority activities within acceptable timeframes and to pre-defined levels during a disruption affecting the Council. For the Council, as a 'Category One responder' under the Civil Contingencies Act, there was a statutory duty to have both BCPs and Emergency Plans in place, with staff trained and exercised to respond.

Within the Council's BCM process Directorates undertook a Business Impact Analysis to understand and mitigate the impact to the organization of losing specified activities over given timeframes in order to identify which activities should be considered Priority Activities and while doing so confirming key continuity / recovery

timeframes.

To ensure robust BCM, the Council needed to ensure that all Teams and Services had effective BCPs in place. The Covid-19 pandemic had been a thorough test of the Council's BCM and Emergency Response processes and had demonstrated the organizational ability to respond and the resilience to do so over an extended period of time.

The next year for the Council would continue to be critical, delivering on post Covid-19 recovery, ever challenging budgets, and unitary transformation. The report further set out the Council's preparedness should it be faced with a large-scale emergency response and/or a number of smaller local incidents. This included information on the status of BCM and the current status of Service Area BCPs as of Novembver 2021. Across the 6 Directorates there were 92 BCPs of which 76 (84%) were complete (green), 16 (16%) were work in progress (amber), with no Service Areas not having a BCP in place.

Amber BCPs were as follows:
- Adults Social Care – 8 plans required review following a ASC restructure.
- Deputy Chief Executive – 1.
- Communities – 3.
- Planning, Growth and Sustainability – 4.

Each Service had mitigations in place whilst the full BCPs were developed by using legacy BCPs.

Work was currently being undertaken to transfer all BCPs into the corporate BCM system, Clearview, so that users could fully utilize all the benefits of the system including improved reporting and dashboard features. The Clearview rollout was being project managed by the Business Management Function, Resources, with support of the CCU. As part of the CCU Service review it had likely that corporate responsibility for BCM would move to Business Assurance with the Corporate Finance Service.

Members sought additional information and were informed:
- That it would be possible for documents in the Clearview system to be version controlled, for clarity.
- That the amber BCPs would be completed as soon as was possible. The BCPs for the Adults and Health area (8) were in progress and reflected the new teams following ASC re-structure.
- That BCPs were usually reviewed annually depending on the Service area, but would be more frequent if the Council needed to prepare for any emerging threats or after a major incident.
- **ACTION LOG**: ADD issue – that target completion dates be provided for the BCPs being undertaken in the Communities and PG&S areas.
- An explanation was provided of the Incident Management process which led to the invoking of an Incident Management meeting chaired by the relevant

Corporate and Service Directors.

- That in some instances, elements of a BCP could be rolled up into a higher level plan, this was a judgement call for the relevant Service Director.

Members agreed that given the recent instance of power failures in the north of the UK, it would be sensible to keep hard (paper) copies of BCPs and not rely solely on electronic copies.

RESOLVED –

(1) That the current status of Business Continuity Management and Business Continuity Plans across the Council be noted.

(2) That Business Continuity Management arrangements should include having hard (paper) copies of BCPs and not rely solely on electronic copies.

(3) That it be noted that the lead responsibility for Business Continuity Management would transfer to Business Assurance in December 2021, subject to the CCU consultation outcome.

4 Treasury management mid-year update 2021/ 2022

In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Regulations, the Council was required to provide the Audit and Governance Committee with a mid-year report on the treasury management activity for the first six months of the financial year.

The Code of Practice defines Treasury Management as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Committee received a report on the current year's treasury management activity for the first six months of the financial year. This included a summary of the Council's borrowings and on the treasury cash (investments) position.

In the current economic climate it was considered appropriate to keep investments short term to cover cash flow needs. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. It was now impossible to earn the level of interest rates commonly seen in previous decades as all short term money market investment rates have only risen weakly since the Bank Rate had been cut to 0.10% in March 2020. Given this environment and the fact that Bank Rate might only rise marginally by mid-2022, investment returns were expected to remain low.

The Council continued to pursue a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to

reduce risk. The Council would continue the strategy of internal borrowing while it made sense to do so. There continued to be a shortage of counterparties available in the inter-local authority market, although the Council had been able to place several deals of six months duration earning a marginal premium for locking out the maturity date. Over the next few months the Council would continue to seek these opportunities achieving a marginal premium as the market prices in the anticipated interest rate increase.

In overall budget terms, the Council was forecast to be £1.000m net better off during the year, despite an underachievement of £0.426m on treasury investment returns due in part to low rates of interest available and a need to invest surplus cash short term to help manage cashflow risk during the pandemic. Another factor, however, was the continuation of the Council's strategy to use surplus cash instead of borrowing, keeping external financing costs low.

Following a competitive tendering process, Link Treasury Services Limited (Link) had been appointed as the Council's treasury advisor with effect from 1 August 2021. Link had provided a training session for members of the Audit & Governance Committee in September and were currently reviewing the Council's treasury management strategy, including investment counterparties and borrowing requirements.

Member sought additional information and were informed that interest rate swaps were not currently part of the Council's Strategy nor used by the Council, although it might be possible to include it for future years. Before doing so, it would be advisable to discuss any possible risks and implications with the Council's treasury advisor.

It was clarified that the value-weighted average credit rating of the investment portfolio meant that the Council had a below average exposure to credit risk.

RESOLVED –

That the Treasury Management mid-year report for 2021/22 be noted.

5 Full Council motion – climate change and risk management

A notice of motion had been submitted to the 15 September 2021 Council meeting by Councillor Gemmell proposing that all Risk Registers for the Council, all departments within the Council and in all associated bodies over which the Council had influence to be updated to include "climate risk" or "risk from climate change". Council had voted to refer the motion to the Audit and Governance Committee, as the relevant body that regularly monitored the Council's risk registers and risk management activities.

The Committee received a report commissioned by the Head of Business Assurance to include the current recording and reporting of climate change risks across the council, benchmarking against other local authorities and recommendations for the

future development of climate change risk management.

The Council maintained a Strategic Risk Register that was owned by the Corporate Management Team (CMT). A risk relating to Climate Change was included in the Strategic Risk Register, with mitigating actions identified. The risk and related actions were reviewed and updated by CMT on a six-weekly basis and reported to the Risk Management Group as a standing agenda item.

A key mitigating action was the Council's Climate Change and Air Quality Strategy which had recently been adopted by Cabinet and set out the approach to addressing climate change and air quality across Buckinghamshire, including targets for emissions reduction from the Council's direct operations.

Each of the Council's six directorates had established risk management process in place, with key service risks escalated to directorate leadership teams for consideration. At present the Resources directorate had identified two risks relating to climate change, and the Communities directorate had identified one risk relating to climate change. Directorate and service risk registers tended to contain risks which may develop over the next couple of years, whereas the Strategic Risk Register detailed more long-term risks such as climate change.

Further information was provided in the report on risk management work undertaken by the Council across networking groups, including benchmarking with other authorities across the south east of England, as well as following guidance from professional bodies such as the Association of Local Authority Risk Management (ALARM).

The report stated that the Council recognized climate change as a significant risk, and it would continue to identify directorate related risks through the corporate risk management process. The Corporate Risk Lead had identified a number of potential climate change risks by directorates going forward that could potentially be included in the strategic or directorate risk registers. A description of these risks was included at paragraph 2.10 of the report.

Councillor Gemmell addressed the Committee and stressed the importance of the Council taking all possible actions it could to mitigate the impact of climate change, as detailed in his Notice of Motion. Members sought additional information and were informed:

- that the Council benchmarked against the South East of England Risk Group which included London Boroughs, which quarterly compared strategic risk information.
- that the Council's risk framework was currently being reviewed by CIPFA, which might identify areas for improvement. Any actions would be reported back to the Risk Management Group and to the Audit and Governance Committee.
- that local authorities were awaiting for new procurement rules, which would include on climate change, following the UK leaving the European Union.

RESOLVED –

(1) That the approach to Climate Change risks in the Council's Risk Registers be agreed, as detailed in the Committee report.

(2) That any actions or issues identified in the CIPFA review be reported to the Risk Management Group and the Audit and Governance Committee.

6 IT Audit update

The Committee received an update from Mazars that the IT Audit update work was continuing. The current direction of travel was good. Further work would look at arrangements in place regarding cyber security. One of the common risks associated with this was looking at whether the Council had sufficient resource (people) and was proactive to implement measures to prevent attacks. The recent IT outage caused through IT equipment overheating in a room at the Wycombe offices would be discussed with the Business Assurance Manager.

RESOLVED –

That the report be noted.

7 Farnham Park Sports Fields Charity Annual Report and Financial Statements 20/ 21

The Committee received a report and were informed that the Farnham Park Sports Fields Charity accounts had been audited by Azets Audit Services. The auditors' report (Appendix 1) was draft and could change once the outstanding audit work had been completed and finalised. The draft Annual Report and the Financial Statements for the year ended 31 March 2021 had been prepared in accordance with the requirements of the Charities Act 2011 and had adopted the provisions of Accounting and Reporting by Charities Statement of Recommended Practice and Financial Reporting Standards.

The net worth of Farnham Park Sports Fields Charity had decreased by £226k from £678k in 2020 to £452k in 2021, of which £73k was depreciation of assets. The net operating expenditure for the year was £226k compared to £328k in 2019/20. COVID-19 restrictions had a significant negative impact on the Charity's income during FY 2020/21, with the golf course facilities closed between late March 2020 and mid-May 2020, early November to early December 2020, and subsequently from early January 2021 to 29 March 2021, as a result of the national lockdowns; and social distancing restrictions in place during the limited period that the course was able to open. Catering and functions income were similarly impacted because of the national restrictions for hospitality, with even longer periods of closure required; and the sports fields, in common with the majority of playing field facilities, suffered from the restrictions in place on team sports. Mitigation of £384k for some of these income losses had been received through the Government's Support Scheme which improved the overall net operating loss compared to the prior year.

While operating costs had been reduced wherever possible, savings at the golf course and playing fields during the periods of national lockdowns were limited, since the sites had to be maintained ready for a return to play, to avoid future loss of income. Staff vacancies were left unfilled during the financial year, with the remaining team working flexibly; this included the redeployment of staff members to the Council's wider Covid response whenever possible, including to help with managing unprecedented numbers of visitors to Country Parks, and to support surge testing.

A summary of the other actions taken to reduce costs and generate additional income were included at paragraph 1.6 of the report. As reported to the Committee in March 2021, provision had made within the Council's MTFP 2021/22 for growth to cover the Trust's projected operational losses. Work was also in hand to review the future operating arrangements with a focus on increasing financial sustainability, with the Service Improvement team currently undertaking an initial options appraisal to inform recommendations to CMT and Members.

Members sought additional information and were informed:

- that the audit work was still not complete as a bank reconciliation of £21k needed to be sorted. The Committee was being asked to approve the accounts as long as they were not subject to any material changes.
- that any future loans made to the charity would have regard to the Council's Leisure Strategy, and also be subject to a valid business case.
- on the status of the repayment of outstanding loans made by the Council to the charity, and on the payment of pension contributions for staff.
- on the proactive work being done to increase financial sustainability. It was commented that due to the size of the club house it was not able to support outside functions.

Having reviewed the Farnham Park Sports Fields Charity audited Annual Report and Financial Statement for the year ended 31 March 2021 and raised issues which Members felt they needed assurance on, it was –

RESOLVED –

(1) That the Service Director – Corporate Finance (and Section 151 Officer), following consultation with the Chairman of the Audit and Governance Committee, be authorized to make any final amendments to the Accounts arising from outstanding audit work, as long as these changes were not material, prior to the approval of the accounts by the auditor.

(2) That a verbal update be provided to a future meeting on the outcomes of the outstanding audit work (ACTION LOG).

8 Chartered Institute of Public Finance and Accountancy (CIPFA) Review

Members were informed that CIPFA would be attending the next meeting to present

the findings of their review.

RESOLVED –

That the report be noted.

9 Risk Management Group update

The Committee received an update on the Risk Management Group (RMG) meeting held on 8 November, 2021. The RMG had considered a report from the Deputy Chief Executive (Monitoring Officer) on the Secondary School Transfer Results Systems failure and would be receiving a further fuller report on the matter in due course. A summary of findings relating to risk management, business continuity planning, systems governance, major incident response and communications had been produced, along with recommendation for next steps.

The Corporate Director for Adults and Health, Service Director for Adult Social Care, Strategic Business and Governance Manager and the Head of Finance had all attended the meeting to present the Adults and Health Directorate Risk Register. The key risk themes and issues discussed were highlighted in the report.

Members raised a query relating to mitigations being put in place as part of the IT Risk Register, in particular, relating to a BT Hardware and System Outage at one of the legacy District Council sites. As reported earlier in the meeting, the Business Assurance Manager would be discussing this with Mazars.

RESOLVED –

That the report be noted.

10 2021/22 Business Assurance Strategy Update (incl. Internal Audit Plan)

The Committee received an update report on the 2021/22 Business Assurance Strategy, including progress against the Internal Audit Plan. The 2021/22 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that were currently in progress.

Quarterly Business Assurance updates were presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which were reviewed for appropriateness each time. Views were sought of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can. Progress against strategy had been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

Members sought additional information and were informed on the following:-

- that it was expected that the 10 outstanding actions relating to schools

would be completed by year-end close.

- that while 40% of audit actions were completed late, progress made against them was regularly reviewed with Directorates. it was anticipated that this situation would improve for next year.

ACTION LOG: Councillors be invited to submit areas which might benefit from internal audit review, when the 2022/23 Internal Audit Plan is being put together.

RESOLVED –

That the report be noted.

11 2020/21 Annual Report of the Chief Internal Auditor

The Committee received a report outlining the internal audit and other assurance work undertaken by the Business Assurance Team for the year ending 31 March 2021, which also sought to provide an opinion on the adequacy of the control environment for Buckinghamshire Council. The following sections of the report were highlighted:

- That the Annual Governance Statement (AGS) would be reported to the next meeting.
- Para 1.3 – explained the updated CIPFA Statement on the role of the Chief Internal Auditor in Local Government in delivering a number of strategic objectives for the Council.
- Para 2.1 – Section 151 of the 1972 LGA and the Accounts and Audit Regulations 2015 set out the requirement for all local authorities to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices.
- Para 2.2 – set out the responsibilities for management within the Council.
- Section 4 – Basis of Audit Opinion was explained including the issues considered by the Chief Internal Auditor in reaching an overall opinion.
- Para 4.4 explained the risk based approach taken to internal audit work to reach the overall opinion.
- Para 5 – explained the impact and significant interruption caused by Covid-19 to routine internal audit work, and how this had been managed.
- Section 6 (**Chief Internal Auditor opinion**) – this section state that based on the work performed, experience, and the current Covid-19 climate in which the Council was operating along with the on-going service transformation programme which was fundamental for the organisation, it was the opinion of the Chief Internal Auditor that the adequacy and effectiveness of the Council's internal control, risk management and governance framework was of **reasonable assurance**. The overall system of internal control facilitated the effective exercise of the Council's functions and provided an **unqualified** opinion regarding the effective, efficient and economic exercise of the Council's functions for 2020/21.

Members sought additional information and were informed:

- That as none of the Council's maintained schools had been subject to an internal audit review during 2020/21 due to Covid-19 risks, therefore the opinion on their control environment had been limited to the Covid-19 risk assessment assurance. it was anticipated that schools' audit work would recommence

during the next year.

- On the actions and work that had been undertaken relating to the SAP financial system when the new Council had been formed.

RESOLVED –

That the report be noted.

12 Work programme

The Committee considered their current work programme. It was noted that confirmation would be sought with the Service Director – Legal and Democratic Services on a RIPA report to come to the Committee. A resolution had finally been reached with the external auditors for the 2019/20 District audit fees that had seen a £69K reduction in the audit fee.

RESOLVED –

That the work programme be noted.

13 Action log

RESOLVED –

That consideration of the Action Log be deferred until the next meeting.

14 Exclusion of the public

RESOLVED –

That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.
Item 16 – Action Log (confidential)
Item 17 – Confidential Minutes of the meeting held on 29 September 2021
Item 18 – Annual Report of the Chief Internal Auditor 2020/21 – Summary of Completed Audits and Audit Action Tracker

The items include Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972) (The need to maintain the exemptions outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future process or negotiations).

15 Action log (part 2)

RESOLVED –

That the current Action Log (confidential) be noted.

16 Minutes (part 2)

RESOLVED –

That the confidential Minutes of the meeting held on 29 September 2021 be approved as a correct record.