



Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Wednesday 11 May 2022 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.58 pm.

Members present

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), R Carington, D Goss, S Rouse and N Thomas

Apologies

D Anthony, A Christensen, T Dixon, M Dormer, C Etholen and M Hussain

Agenda Item

1 Apologies

Apologies were received from Councillors D Anthony, A Christensen, T Dixon, M Dormer, C Etholen and M Hussain.

2 Declarations of interest

Councillor L Clarke OBE declared a personal interest in agenda item 6, Business Assurance Update as she was the Chairman of the Buckinghamshire and Milton Keynes Fire Authority Executive Committee for which an audit was referred to within the accompanying Internal Audit Plan.

3 Minutes

The Chairman advised of a correction to minute item 7, Risk Management Group update. The minute noted that the Risk Management Group would review the Secondary School Transfer Results System Failure action plan at its meeting of 25 April, however it was agreed by the Risk Management Group that the action plan would be presented to a future meeting rather than the meeting held on 25 April.

The Vice-Chairman reported that at the previous meeting Mr Glenn Watson was introduced and welcomed by the Committee, Mr Watson would attend and support the Committee in the role of Principal Governance Officer.

RESOLVED –

That the Minutes of the meeting held on 22 March 2022, be approved as a correct record subject to the above amendments.

4 Buckinghamshire Council Statement of Accounts Update 2020/ 2021

The Committee received an update report on the Buckinghamshire Council Statement of Accounts 2020/2021 which provided Members with information on the work the external auditors were undertaking to progress delivering their responsibilities.

Mr Richard Ambrose, Service Director for Corporate Finance and Section 151 Officer and Mr Iain Murray, Grant Thornton attended to present the update. The report noted that upon receiving the latest version of the financial statements, there were a number of issues identified, including:

- Missing primary statements such as group cash flows and comparative figures for the group's balance sheet,
- Inconsistencies between the word formatted statements and the notes forming part thereof,
- A lack of schedule which reconciles the movements from the first version of draft financial statements and the latest version.

A number of queries had been raised in respect of group accounts and the external auditors were waiting for management's assessment of the components for potential consolidation. The external auditors had also encountered significant difficulties with the bank reconciliation process and there were a number of areas which were now with the Council for ratification. It was understood that the impact of the actions management had proposed would result in changes to loans, debtors and creditors disclosed in the financial statements and may result in the need for additional audit testing in those areas.

There were 90 sample items for which the external auditors were awaiting evidence, these related to a number of areas of the financial statements. There were also general queries raised in the areas of Grant income; Housing Benefits Expenditure; Capital commitments; Leases; Financial Instruments; Derecognition of Schools; and Expenditure and Funding Analysis (EFA) and pooled budget notes.

Further to the above, which were specific to the Council's audit, there was a sector wide matter causing further delay to Local Authority audits. The CIPFA Code of Practice on Local Authority Accounting prescribed the accounting treatment and disclosure requirements for infrastructure assets. The Code required infrastructure to be reported in the Balance Sheet of depreciated historical cost, that was historic cost less accumulated depreciation and impairment. The Code also required a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. These requirements of the Code derived from IAS 16 Property, Plant and Equipment. There was a concern that audited bodies were not able to apply the full requirements of the Code, in particular derecognition of parts of assets where the subsequent expenditure on them was capitalised. This issue was currently being considered by CIPFA via an Urgent Task and Finish Group with an outcome anticipated in June 2022.

During the discussion, issues raised included:

- The significant reason for the issues noted above related to the challenges of amalgamating the five separate legacy councils accounts. This large task had been made further difficult by staffing vacancies and ongoing staffing changes. Many of the staff from legacy authorities had since left the employment of the Council which resulted in reduced corporate memory and affected the time it took to resolve the outstanding queries. Grant Thornton, whilst previously the external auditor for the former County Council, had not worked with the District Councils previously so also had limited corporate memory to support with certain queries. Throughout the process there had continually been staff turnover, which had caused delays with new staff attempting to understand the processes previous staff had followed.
- The audit would be paused temporarily for around six to seven weeks to allow the Council officer team to re-visit the statements and take a 'first principles' approach around the opening balance sheet position to ensure that all transactions were mapped correctly and the accounts notes reconciled appropriately.
- Members expressed their concern and frustration at the delay, whilst acknowledging the challenges in getting the accounts finalised and spoke of their concerns around the impact the ongoing delay may have on the subsequent year's accounts audit.
- Members heard that the issues identified were mainly confined to the balance sheet and classifications. The Committee received reassurance that the bottom line position provided around the overall financial position (including reserve levels) and the recently approved MTFP were still accurate.
- Resourcing was a constant challenge and was recognised as an issue both locally and nationally, with a shortage of technical accounting staff. Interim staff had been employed, although this in itself had caused issues with those new in post having to gain an understanding of why previous staff had completed areas of the accounts in certain ways. The Committee were in agreement that the Chairman, on behalf of the Audit and Governance Committee, should write to the Cabinet Member for Finance, Resources, Property and Assets to express its concern at the recruitment issues and to highlight the urgency required to address the issue. The Section 151 Officer advised that he had regularly been updating the Cabinet Member on the situation. There was also emphasis placed on promoting 'grow your own' staff, although this would not solve the immediate issues.
- In comparison with other local authorities, at the end of March 2022, only 52% of local authorities had signed their statements of accounts off. Those yet to be signed off would now be delayed whilst CIPFA conclude their findings on the national infrastructure assets issue.
- The importance of completing the 2020/21 audit before commencing the 2021/22 audit was highlighted, although discussions would be held with the external auditor to discuss whether there was any scope to audit certain

aspects of the 2021/22 accounts prior to the issues with the 2020/21 accounts being resolved.

- In terms of the timescales involved, it was hoped that responses on queries would be provided to the external auditor over the next few weeks and there would then be a period for the external auditors to continue their work. This could be completed in time for the 28 July meeting of this Committee; however, the 27 September meeting appeared to be a more realistic date to set for the presentation of the final accounts. The outcome of the national infrastructure assets issue could also affect these dates. The Committee requested that if the accounts were not signed off by the time of the July meeting, an update should be included on the agenda.
- The external audit plan for 2021/22, would also likely be presented to the September meeting at the earliest, as the completion of the 2020/21 accounts significantly informed the risk assessment of the future audits.
- It was clarified that the housing benefit queries related to the work around the testing done for the purposes of the financial statements rather than the work undertaken on the subsidy return to DWP, which was how the Council was reimbursed for housing benefit claims. Since the report was produced, there had been progress made on resolving the housing benefit related queries.
- The Committee was advised that the previous County Council system had been used for producing the accounts, so therefore mapping issues experienced with the other legacy Councils were not an issue in previous years. There were no outstanding audit queries on Adult Social Care or Childrens Services and the corporate memory remained to respond to issues raised around leases and liabilities which were the responsibility of the former County Council.
- As a note for future updates, Members recommended including years where dates were referred to within reports and the full wording used prior to including acronyms to provide clarity and aid understanding.

RESOLVED –

- 1. That the report be noted.**
- 2. That the Chairman, on behalf of the Audit & Governance Committee write to the Cabinet Member for Finance, Resources, Property and Assets to raise concerns around the ongoing delays to the 2020/21 Statement of Accounts and the recruitment and retention of technical accounting staff, highlighting the need for this to be addressed as a priority.**

5 Buckinghamshire Council Draft Annual Governance Statement 2020/ 2021

The Committee considered a report which contained the draft Annual Governance Statement (AGS) for 2020/21. This was the first AGS for Buckinghamshire Council and related to the first year of operation as a unitary authority, with a focus on the Council's response to the Covid-19 pandemic. The AGS was usually presented with the Statement of Accounts, however due to the delay in presenting these it had been decided to bring the draft AGS to this meeting with the final version to be

presented in July.

The AGS had been drafted by giving consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance. The role of the Audit and Governance Committee was to review the AGS to provide assurance that it reflected the evidence considered by the Committee over the year (2020/21), and that the actions identified were appropriate. The draft AGS could be updated in the period up until the Statement of Accounts were recommended for approval at the Audit and Governance Committee in July. Once the Committee had approved the statement it would be presented to the Chief Executive and Leader of the Council for signing and be published on the Buckinghamshire County Council website with the Statement of Accounts once approved.

The full Draft AGS was appended to the report.

During discussion, key points highlighted included:

- The report on the whole, identified good governance frameworks leading to relatively few recommendations.
- The Committee thanked officers for a clear and comprehensive report which produced a very positive statement.
- Areas recommended to be considered for inclusion in to the action plan and general recommended changes, these included:
 - The resourcing difficulties which the Committee and Risk Management Group had frequently heard of over the past twelve months.
 - Strengthening the risk management activity and risk registers, although it was noted that the CIPFA review recognised that the Council's Risk Management process was embedded and robust.
 - Noting the roles of Service Directors and Heads of Service where key roles were referred to on page 24 of the reports pack.
 - Third bullet point, at '*E. Developing the entity's capacity, including the capability of its leadership and the individuals within it*', on page 29 of the reports pack, to include reference to members, along with officers who were expected to complete mandatory training.
 - Within the same section, reference should be made to roles of officers and members having been strengthened through recent changes made to the Constitution.
 - Page 24, noted that there were four Select Committees, the Committee this be updated to reflect that there were more (6).
 - Re-wording the reference made to the webcasting of meetings, Members noted that it was not all Committee meetings that were webcast.
- The Principal Governance Officer advised of changes to the future presentation of the AGS. These included having a local code, which described the Council's governance processes and supplemented the AGS which could

then assess against the local code how effective the governance processes were working. This would provide greater clarity to Members and stakeholders. As part of this, thought would be given to forming an officer working group, containing officers from across the authority who managed various aspects of governance. There was also the suggestion to make the presentation of the AGS more user-friendly so that it was produced with residents in mind, this may involve using more graphics with a focus on giving the public a genuine insight in to the governance, culture and character of the authority.

- The Chairman identified that the Constitution details the Committee's remit and raised a concern that there were a number of issues happening across the Council which the Council may also benefit from the Committee reviewing. The Chairman gave examples of taking a thematic look at ombudsman reports and having an overview of planned inspections, how the Council performed in these and how the governance of these inspections was assessed for effectiveness.
- Key Performance Indicators (KPIs) were discussed, and whilst the performance aspect was a matter for Cabinet and the Select Committees, it was questioned whether the KPIs provided appropriate governance across the Council. It was requested that this be reviewed and brought before the Committee, if a constitutional change was thought necessary.
- A Member also highlighted that it was admirable that the Council had reacted so quickly to the Covid pandemic and now the situation in Ukraine, however requested information be made available to the Committee to assess the governance of associated boards and funding processes.

RESOLVED –

That the draft 2020/21 Buckinghamshire Draft Annual Governance Statement be approved subject to the amendments and considerations proposed above.

6 Business Assurance Update (including Internal Audit Plan)

The Committee considered a report which presented the 2021/22 Business Assurance Strategy update, which included 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 underway.

The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers; and informed through discussion with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive. The Internal Audit Plan continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. Progress was regularly reviewed by the Audit Board.

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 of the directorates were also sought on the work of the Business Assurance Team to enable continuous improvement and ensure that the needs and expectations of the organisation were met.

The detailed Business Assurance update was appended to the report.

During discussion, points raised included:

- Members recognised the high volume of work undertaken by the Business Assurance team.
- The team was currently going through its service review which reviewed the staffing structure. It was hoped that this would be agreed circa August 2022 and recruitment activity could then be planned as required. There had been changes within the team since the time of the last meeting with three leavers, backfilling options were being explored, although as noted in earlier items there was a wider shortage of qualified staff. The team was exploring how to make best use of frameworks such as the London APEX audit framework.
- The team remained busy reviewing grant certification work, this work looked to check that expenditure was in line with the relevant conditions of the respective grant. A number of these required returns to be sent to Central Government. A Grant Assurance Framework was currently being produced.
- Assurance work around the Council's Ukraine response was underway. The team was reviewing payment processes, ensuring controls were in place and regular catch ups with key groups were being held. The team was supporting the risk management aspect of this work and ensuring risk registers were in place.
- Work had been undertaken on the South East Aylesbury Link Road (SEALR) project, findings raised had identified further areas to review within the appropriate service area to ensure adequate frameworks were in place to give assurances around other major projects underway.
- Work also continued on the review of key financial systems, with outcomes of the audit work then being fed in to the enterprise resource planning (ERP) system specification work.
- In relation to the national Council Tax rebate for households in tax bands A-D, Members heard that work had been undertaken reviewing processes prior to them being embedded and that post payment assurance work would also be undertaken in liaison with the Revenues and Benefits team.
- The Committee heard that the Community Boards audit would commence at the start of quarter 2 and should be reported back to the September meeting of the Committee. Members identified that both the effectiveness of the governance of the boards and the auditing of money dispensed to various projects required review and emphasised that both areas should be audited. If one of these areas was not audited the Committee requested the reasons be reported back to Members.

- A Member raised concern that the Senior Leadership Team was able to defer activity and gave examples of where assurance activity would add significant value to areas that were making improvements. Assurance activity would also provide valuable insight where there were resourcing issues and it was thought that this was not an adequate reason to defer activity. The Committee heard that where deferrals were being asked for, the team was working on having a stringent process to ensure the reasons were entirely valid.
- There was a further concern raised that service reviews should not prevent assurance activity taking place and could be an important element of assessing resourcing requirements moving forward. The Committee was advised that service reviews were time consuming for officers, and the team had given input in to some of the service reviews that had already been completed.

RESOLVED –

That the report be noted.

7 2022/23 Internal Audit Plan Update

The Committee received a report providing an update on the 2022/23 Internal Audit Plan.

The 2021/22 Internal Audit Plan continued to be affected by the impact of the Covid-19 pandemic, as well as the capacity constraints across the organisation, which may also be attributed to the Service Reviews that were in-progress. The Internal Audit plan had to remain dynamic in nature and be realigned on a regular basis to take account of new, emerging and changing risks and priorities. The plans had been very fluid during 2020/21 and this continued into 2021/22 due to ongoing Covid-19 related assurance requirements such as grant income verification work and post payment assurance for business grant payments.

The 2022/23 Internal Audit planning process was in progress and would be discussed with Corporate and Service Directors before being presented to the Corporate Management Team and Audit Board for agreement. The Audit Manager had attended a leadership team meeting within all services to discuss audit requirements for 2022/23. The planning process would involve a review of key priorities and risk registers for each of the Directorates.

The 2022/23 Internal Audit Plan would be presented to the Audit and Governance Committee for approval at the July meeting. During Q1, the deferred and carried forward 2021/22 Internal Audit activity would continue, in agreement with the relevant Service Director. The priority of each of the deferred audits would be assessed in consultation with the service. The Covid-19 related assurance activity would continue during Q1 as the final reconciliations and returns were collated. Members were requested to propose any audit areas to be considered for inclusion in the plan.

The deferred/carried forward audits were appended to the report, broken down by Directorate.

During discussion, key points highlighted and recommended areas for auditing included:

- Childrens Services audits that had been cancelled/deferred due to the recent OFSTED inspection, particularly in light of the further OFSTED review on SEND.
- Fix my Street which was recognised as the main tool to report highways issues for residents
- Abandoned vehicles, on which Members received complaints from residents
- The impact of the Queens speech on areas such as GDPR and the Mental Health Act. The Committee heard that the Business Assurance team would liaise closely with information and governance colleagues and decide on an appropriate date for the GDPR audit. At the point that Deprivation of Liberty Standards would be looked at, the team would ensure that it was compliant with all legislation in place at that time.

RESOLVED –

That the report be approved.

8 Risk Management Group Update

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 25 April 2022. The RMG considered the Planning, Growth and Sustainability (PGS) at this meeting. Risks were discussed in detail, as were the mitigating actions which were challenged by the Group. Members noted the key risk themes that came out of each of the meetings as detailed in the report.

The Group also considered a ‘horizon scanning’ paper which included new and emerging risks for discussion, including displaced persons, inflation and the introduction of care costs cap.

Members were advised that the dates for the coming year’s meetings of the RMG were currently being finalised and would be available at the next meeting.

RESOLVED –

That the report be noted.

9 Audit and Governance Committee Review of Effectiveness

The Committee received a report which detailed that a review of the effectiveness of the Audit and Governance Committee was scheduled to take place in June 2022. The review would be based on the CIPFA publication “Audit Committees: Practical Guidance for Local Authorities (2018)”. The review would be carried out through consultation with members of the committee and officers who had attended

meetings on a regular basis. The report would be presented to the Audit and Governance Committee meeting on 28 July 2022.

RESOLVED –

That the report be noted

10 Action Log

The Committee considered the latest action log as attached to the agenda pack.

The Committee heard that there had been a number of minor rounding updates to be made to the Farnham Park Sports Fields Charity Annual Report and Financial Statements 2020/21 which ensured notes reconciled with statements and this had been completed. Members were updated that the Section 151 Officer was the signatory for signing the accounts off for 2020/21 although this would change for subsequent years. The same applied for the Higginson Park Trust.

RESOLVED –

That the action log be noted.

11 Work Programme

The Committee was advised that the Chief Auditor was in the process of putting the 2022/23 Audit and Governance Committee work programme together, in liaison with the Principal Governance Officer and this would be attached to the agenda of the next meeting of this Committee.

RESOLVED –

That the work programme be noted.

12 Exclusion of the public

RESOLVED –

That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 13, 14 and 15, on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:

Minute 13 – Confidential Minutes of the Audit and Governance Committee held on 22 March 2022.

Minute 14 – IT Audit Report – Cyber Security

Minute 15 – Summary of Completed Audits and Audit Actions

Minute 16 – Action Log (confidential)

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).

13 Confidential minutes
RESOLVED –

That the confidential Minutes of the meeting held on 22 March 2022, be approved as a correct record.

14 IT Audit Report - Cyber Security

The Committee considered a confidential report which detailed the internal audit on cyber security and received an update from Mr Martin Baird, Internal Auditor, Mazars. The audit provided an evaluation of, and an opinion on the adequacy and effectiveness of the system of internal controls that were in place to manage and mitigate the cyber security risks. The Committee held a detailed discussion on the contents of the report receiving reassurances on various aspects of the audit work and noting actions to be taken to ensure risks were appropriately mitigated.

RESOLVED –

That the report be noted.

15 Summary of Completed Audits and Audit Actions

The Committee considered a confidential report which provided an overview of the internal audits that had been completed and detailed the progress against the audit management actions by each directorate.

RESOLVED –

That the report be noted.

16 Action Log (confidential)

The Committee considered the confidential action log and

RESOLVED –

That the current Action Log (confidential) be noted.