



# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON THURSDAY 28 JULY 2022 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.04 PM**

#### **MEMBERS PRESENT**

R Newcombe (Chairman), D Anthony, R Carington, A Christensen, T Dixon, M Dormer, D Goss, M Hussain, S Rouse and N Thomas

#### **Agenda Item**

**1 APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED:**

**That Councillor L Clarke OBE be appointed as Vice-Chairman of the Audit & Governance Committee for the ensuing year.**

**2 APOLOGIES**

Apologies had been received from Councillors L Clarke OBE and C Etholen. Apologies had also been received from supporting officers, Selina Harlock and David Skinner.

**3 DECLARATIONS OF INTEREST**

Councillor S Rouse declared a personal interest in item 9, 2022/23 Business Assurance Strategy (including Internal Audit Plan) as Chairman of the Buckinghamshire and Milton Keynes Fire Authority.

**4 MINUTES**

**RESOLVED:**

**That the Minutes of the meetings held on 11 and 18 May 2022, be approved as correct records.**

**5 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS UPDATE 2020/ 2021**

The Committee received a verbal update on the current situation with the Buckinghamshire Council Statement of Accounts 2020/2021. Mr Richard Ambrose, Service Director for Major Projects (former Section 151 Officer) and Mr Iain Murray, Grant Thornton (External Auditors) attended to present the update. Key points raised in discussion included:

- Significant progress had been made since the last time the Committee met in May, and the Council was now comfortable that the opening position reconciled as expected. Work had been undertaken on bank reconciliations, reclassification of balance sheets,

and on grants and external funding and this information had been passed on to the external auditors. Sampling was underway and the Council was confident that appropriate information and evidence was being provided to give assurance to the external auditor.

- There remained assurance work to be done around in-year changes to income and expenditure accounts and reserve statements and movements. The cash flow would then be finalised at the conclusion when there was agreement that the rest of the statements were satisfactory.
- The external auditor had been advised that they would receive the final revised accounts in the coming weeks once the Council had completed quality assurance checks.
- In terms of the national infrastructure assets issue that the Chartered Institute of Public Finance and Accountancy (CIPFA) had completed a consultation on, the Financial Reporting Council had not supported the suggestions put forward, so a solution remained outstanding. This issue affected the circa 50% of local authorities who had not signed off their 2020/21 accounts as well as all 2021/22 accounts. As a result, should all other outstanding work be completed by September, it was unlikely that the 2020/21 accounts could be signed off at the next meeting. Options included statutory override and approval 'subject to' certain conditions.
- Grant Thornton were working through this issue as a firm recognising that there was a balance to strike between the backlog that existed within the sector and signing off clean opinions. Work would be undertaken to assess records the Council held around infrastructure and assets to understand how big an issue it was for Buckinghamshire and whether a move toward resolving was possible, which could be in some form of modification to opinions within the final analysis. The statutory override option required primary legislation which would take a significant period of time given the need to obtain parliamentary approval.
- A decision would be taken nearer the time of the September meeting of this Committee on the next steps. Were the audit to be substantially completed at that time, infrastructure issues aside, they could be delegated to the Chairman and Section 151 Officer to sign off or be presented as a final version in November. From the external auditor's perspective, they would like to be as close as possible to a position of sign off in September due to Mr Murray changing job roles.
- Work on the 2021/22 accounts was progressing well although these accounts could not be published until the 2020/21 audit had been completed. The Committee noted that the sooner the 2020/21 accounts were signed off the sooner the audit work could commence on 2021/22.
- An update was provided on staffing following a number of changes and the difficulties experienced in recruiting following legacy staff departures. A Chief Accountant role had been advertised for, with shortlisting due to take place imminently. At present, there was an interim in place who would hold the position for at least six months to oversee the 2020/21 and 2021/22 accounts. This was identified as a critical role which it was hoped would be filled as a result of this recruitment exercise.

**RESOLVED:**

**That the Buckinghamshire Council Statement of Accounts 2020/21 update be noted.**

**6 TREASURY MANAGEMENT ANNUAL REPORT 2021/22**

The Committee considered the Treasury Management Annual Report 2021/22 which provided a summary of the Council's treasury position on 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2022. In line with the 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 report on the previous year's treasury management activity. Mr Richard Ambrose, Service Director for Major Projects and

Ms Julie Edwards, Pensions and Investments Manager attended to present the report and take questions from the Committee.

In overall budget terms, the Council ended up £1.398m net better off during the year, despite an underachievement of £0.303m on treasury investment returns due in part to the low rates of interest available. Another factor was the continuation of the Council's strategy to use surplus cash instead of borrowing (known as internal borrowing), which led to an underspend against budget on borrowing costs of £1.701m. The overall favourable variance had been taken into account in the 2022/23 budget. The Council would continue the strategy of internal borrowing, which reduced risk and kept external financing costs low, while it made sense to continue to do so. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. Such an approach had also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets. Recent increases in interest base rates should improve future investment returns, however Public Loans Work Board (PWL) borrowing had increased and as such, new borrowing would cost slightly more. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

During discussion, points raised included:

- The Committee noted the significant amount of funds held in cash and were advised that there was not a target cash amount set in the 22/23 strategy, although £10m was noted as the previous target for 2021/22. It was explained that part of the reason for the high cash levels was the aim to use internal borrowing where possible, as opposed to external borrowing which was more expensive. This would be kept under review as interest rates had started to move over recent months. The new strategy took account of increasing interest rates, although mitigating the impact of inflation was particularly difficult.
- A Member requested that a supporting table be provided to the Committee to provide a greater understanding and context of the figures referred to in paragraph 1.1 of the report. It was also noted, that the first paragraph in 1.2 of the report was duplicated in 2.7 of the report.

**ACTION: Ms J Edwards to provide a table for circulation to the Committee**

- The Committee heard that much of the approximately £300m borrowing was over fixed periods. When the budget was set for 2022/23 it was assumed there would be a greater level of borrowing, however because of either capital slippage or internal borrowing, this had not been the case.
- The Committee requested that a treasury management session be held with Members to provide greater detail on volatility around rates and how inflation and cash flow would be managed moving forward.

**ACTION: Ms J Edwards / Mr R Ambrose to liaise with LINK Treasury Management Advisors with an aim to set a session up prior to the next meeting of this Committee in September.**

- The sign off process for investing in to other local authorities was welcomed, the Committee heard that since the process was in place, there had not been any further local authority investment although the team was keeping an up to date list of those authorities who had been issued a Section 114 notice or were known to be in financial difficulties. There had been previous investments made in authorities who had been issued Section 114 notice which had matured, with others due to mature. The investment in Slough Borough Council was highlighted, this was due to mature in October and there were not expected to be any issues over this money being returned

**RESOLVED:**

**That the Treasury Management Annual Report for 2021/22 be noted.**

**7 ANNUAL GOVERNANCE STATEMENT UPDATE**

Mr Glenn Watson, Principal Governance Officer provided the Committee with an update on the progress made on producing a revised Annual Governance Statement for 2021/22. This issue was discussed by the Committee at its previous meeting on 11 May. During discussion, points highlighted included:

- That each local authority was required to produce an Annual Governance Statement (AGS) on the previous year to sit alongside its Statement of Accounts. It was intended to be a brief, accessible summary reviewing the effectiveness of governance within the authority, including actions taken and planned, challenges and an overall conclusion on what the governance arrangements delivered for that year. For this authority, 2021/22 was its second year of operation, so the AGS would cover, amongst other things, how the authority had built on its establishment, how covid had impacted delivery of services, and how the governance had worked around Afghan and Ukrainian refugee schemes.
- Corporate Management Team had recommended that the AGS be produced with increased engagement from service areas rather than being produced in isolation, and this was underway with business managers having been asked for contributions through their service management teams. The draft version would be presented to the next meeting of this Committee in September at which point it would have had business wide input.
- The Chairman requested that Mr Watson hold individual conversations with Members of this Committee to see whether Members had suggestions for inclusion or could highlight anything which they thought had been missing or could have been managed differently in the governance of the authority.

**ACTION: Mr G Watson to liaise with Members of the Committee on the contents of the draft Annual Governance Statement.**

**RESOLVED:**

**That the Annual Governance Statement update be noted.**

**8 INTERNAL AUDIT CHARTER**

The Committee considered a report presented by Ms M Gibb, Chief Auditor, which contained the Internal Audit Charter for approval. The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1 April 2013, provided a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency. The Standards required all Internal Audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter was to formally define the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter was reviewed by CIPFA as part of the External Quality Assessment in Q3 of 2021/22, and was found to comply with best practice. The Internal Audit Charter had been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director for Legal and Democratic Services). During discussion, points raised included:

- Since the drafting of the updated Charter, reporting lines would be changed for the Business Assurance team and Chief Auditor from November 2022. The team would move directorate to the Deputy Chief Executive at the conclusion of their service review. At that point the Charter would require further updating to reflect the change.
- It was clarified that responsibility for responding to internal audit reports was with Head of Service level staff, this could then be escalated as appropriate through the Service

Director and subsequently, the Corporate Director. There had been occasions in the past that staff under Head of Service level had been responding to reports which was no longer happening and the latest CIPFA review was content with current practices.

- The Committee questioned whether there would be an opportunity for it to comment on/give approval to the proposed restructure of the team given that it could impact on audit work. The service review was underway factoring in comments from CIPFA and PWC on resources expected for an authority of this size, additional funding had been approved for posts in recognition of capacity issues, particularly in internal audit and fraud and these had gone through internal officer boards. It was proposed that as the consultation was now live on the new structure and due to conclude in August, that once confirmed, the structure be presented to the Committee at its next meeting in September to outline proposals for how the new structure would deliver its work.

**ACTION: Ms M Gibb to present the new team structure at the next Committee meeting in September.**

- The Committee received assurance that wide reaching training was delivered to staff on anti-fraud and corruption, and staff generally were aware of who to contact, and the escalation processes to use. Various communications were circulated and within the CIPFA fraud review it was noted that there was good awareness and knowledge of practices.

**RESOLVED:**

**That the Internal Audit Charter be approved.**

**9 2022/23 BUSINESS ASSURANCE STRATEGY (INCLUDING INTERNAL AUDIT PLAN)**

The Committee considered a report presented by Ms M Gibb, Chief Auditor, which detailed the draft 2022/23 Business Assurance Strategy update, which included the proposed Internal Audit Plan. The Accounts and Audit Regulations 2015 (S5) stated that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; these were defined as the Public Sector Internal Auditing Standards 2017.

Two corrections to the report were tabled at the meeting:

1. Page 49, section 2.5 should read *complete the audit activity which has been deferred from 2021/22*
2. Page 63, External Clients section of table referencing BMKFA should read *Plan to be completed by February 2023*

The Internal Audit plan was produced with reference to the Strategic and Directorate Risk Registers and was prepared using a risk-based methodology that enabled the provision of an independent opinion on the adequacy and effectiveness of the systems of internal control (comprising of risk management, corporate governance, financial and operational controls). A significant proportion of the Internal Audit plan was audit activity deferred during 20/21 and 21/22 due to the Covid-19 pandemic. Whilst there was a plan in place, the need to have a fluid approach to enable an effective response to emerging risks and the needs of the organisation was recognised, as such a risk-based planning model had been used to assess and identify the key audit engagements that 'must' be delivered this year. The need to be flexible was apparent, with requests for new audits often arising, an example of a recent request for internal audits to be undertaken on waste services was given, which followed on from the southern waste collection issues.

The detailed Business Assurance Strategy and Internal Audit Plan, agreed by CMT and the Audit Board were appended to the report.

Following discussions at previous meetings of this Committee there would be a robust process introduced for the deferral of audits. Sufficient reasoning would be needed and would be expected to be reported to the Committee.

Lastly, it was noted that actual performance statistics for 2021/22 would be included in the annual report which would be presented to the September meeting.

**RESOLVED:**

**That the Business Assurance Strategy and Internal Audit Plan be approved.**

**10 BUSINESS ASSURANCE STRATEGY UPDATE**

The Committee considered a report which presented the 2021/22 Business Assurance Strategy update, which included progress against the Internal Audit Plan. This was the last update from 2021/22 as the Annual report detailing the full year would be presented to the next meeting of this Committee. The 2021/22 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered with consideration to the priorities within the Directorates and working around the service reviews that were underway. Progress against the strategy had been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

The detailed Business Assurance update was appended to the report.

A Member wished to place on record his belief that it was not appropriate for audits to be paused or deferred due to service reviews, noting that often periods such as these were the best time to get an external perspective of the service.

Clarity was also provided in relation to the deferred audit relating to Service Improvement within the Deputy Chief Executive area, it was clarified that this focused on the Service Improvement team who were supporting the wider programme of service reviews, at present the team were undertaking the Business Assurance service review, helping to shape the new structure and changes to posts.

**RESOLVED:**

**That the report be noted.**

**11 APPOINTMENTS TO THE RISK MANAGEMENT GROUP**

**RESOLVED:**

**That the below appointments to the Risk Management Group for the ensuing year be noted.**

**Councillors:**

**D Anthony**

**R Carington**

**A Christensen**

**L Clarke OBE**

**R Newcombe**

**N Thomas**

**12 CONTRACT PROCEDURE RULES - WAIVERS AND BREACHES (6 MONTH UPDATE)**

The Committee received a report which provided an updated summary in relation to the compliance with the Council's Contract Procedure Rules (CPR's) and compliance with the Public Contracts Regulations 2015 as well as summarising waivers and breaches. It also provided a summary of the current procurement culture and relevant updates for the Council. The reporting period covered the period 1<sup>st</sup> October 2021 to 31<sup>st</sup> March 2022.

Ms Lindsey Sheen, Commercial Business Partner presented the report and summarised what was classed as a breach and waiver and the appropriate processes each needed to follow.

Corrections to the report were highlighted as follows:

- Page 85, Section 3 – Waiver summary Q3-4 FY21/22 should read that there were a total of 30 Waivers registered in the 6-month period as opposed to 38.
- Page 87, Summary of all Waivers registered during Q3 – Q4 2021/22 – highest value waiver the total should be £908,733 as opposed to zero.
- Page 88, Data table 4 – there should be one asterisk alongside the first entry and two asterisks alongside the second entry.
- Pages 88 and 89, Date table 6 – the total should read 30 as opposed to 32, as there should have been 2 noted for A&H – Integrated Commissioning as opposed to 4.

The Council, as a public body when undertaking procurement exercises and awarding contracts, must comply with the Public Contracts Regulations 2015. The Regulations placed a great deal of restrictions on the Council in how it was permitted to run procurement exercises and in some cases the Council could be sued by bidders for not following these Regulations. It was noted that it was the relevant service area / directorate that were responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The Procurement team developed the corporate policy, supported high risk/value procurement exercises, and provided training on procurement & contract management.

Points raised during discussion included:

- Attention was drawn to the training the Procurement team delivered to officers which was unique to the Council with a range of courses offered. Positive feedback was received on the content of the sessions, which not only provided key information and skills but also helped officers understand the contract regulations that had to be adhered to. Training attendance levels had been higher in the previous year, in part due to officers wanting to gain an understanding of new Council processes, following the legacy Councils coming together. The Committee noted that an increasing number of Heads of Service were attending training sessions although commented that thought should be given to making training courses mandatory, as this could lower retrospective waiver numbers. Members noted that training was further important given the legislative changes expected.
- Members requested that within future reports it would be beneficial to understand what proportion of staff had been reached by the training sessions, to provide greater clarity as to whether the numbers included in the report were positive. Presenting these as a percentage of expected attendance was recommended.
- Following Brexit there was a move to transform public procurement rules, and a White Paper, on which Buckinghamshire Council had commented, had been presented to Parliament in May this year. Whilst changes were not expected to be seen until mid-2023, there were key principles relevant now on transparency and value for money. The six current procurement procedures were reducing to three which it was hoped would provide more flexibility to local authorities to design processes to best fit their needs.
- The Chairman, on behalf the Committee congratulated the Procurement team for having been shortlisted for four awards at the Procurement GoAwards – these included the categories of Procurement Team of the Year, Best Procurement Delivery, Continuous Improvement Award and Individual Achievement of the Year Award for Mr Cael Sendell-Price.
- The Committee suggested inclusion of historic data in future reports to allow for greater understanding of trends, giving the example that table summaries within the report displayed figures for Q3 and Q4 although had not included Q1 and Q2. This request was noted and the Committee was advised that both the total number of Waivers and

Retrospective Waivers had reduced quarter on quarter for 2021/22.

- The Committee was advised that retrospective waivers were difficult to monitor at times as often the Procurement Team were not aware when these were occurring, although when going through the process of issuing a retrospective waiver, evidence had to be provided as to how the decision was reached so reputational risk was reduced. The Contract Management Application sent contract expiry reports to relevant officers 18 months prior to contract expiry to make officers aware that they needed to take action. The Procurement Team aimed to provide support to service areas as required, and the team would do what it could to reduce retrospective waiver levels, with an ambition to halve the current figure, although this was very much reliant on respective service areas.

**RESOLVED:**

**That the report and work of the Strategic Procurement Team be noted.**

**13 ACTION LOG**

The Committee considered the latest action log as attached to the agenda pack and agreed that Risk 2 – 2022/23 Internal Audit Plan, could be closed.

**RESOLVED:**

**That the action log be noted.**

**14 WORK PROGRAMME**

Members received the Work Programme which covered meetings through 23 November 2022. The work programme would be reviewed for the next meeting on 27 September due to the large number of items expected at that meeting.

**RESOLVED:**

**That the work programme be noted.**

**15 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 16, 17, 18 and 19, on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:**

**Minute 16 – Confidential Minutes of the Audit and Governance Committee held on 11 May 2022.**

**Minute 17 – Contract Procedure Rules – Waivers and Breaches (6 month update)**

**Minute 18 – Business Assurance Strategy Update – Completed Audits and Management Actions**

**Minute 19 – 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).**



**16 CONFIDENTIAL MINUTES**

**RESOLVED:**

**That the confidential Minutes of the meeting held on 11 May 2022, be approved as a correct record.**

**17 CONTRACT PROCEDURE RULES - WAIVERS AND BREACHES (6 MONTH UPDATE)**

This item followed on from agenda item 12 and detailed each of the three breaches reported to Statutory Officers as highlighted in the report for item 12. The Committee discussed these at length, and questioned officers from the relevant service areas on their respective breaches.

**RESOLVED:**

**That the breaches be noted.**

**18 BUSINESS ASSURANCE STRATEGY UPDATE - COMPLETED AUDITS AND MANAGEMENT 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.**

**19 ACTION LOG (CONFIDENTIAL)**

The Committee considered the confidential action log and

**RESOLVED:**

**That the current Action Log (confidential) be noted.**