



# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 23 NOVEMBER 2022 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.37 PM**

#### **MEMBERS PRESENT**

R Newcombe (Chairman), D Anthony, M Dormer, D Goss, R Stuchbury and N Thomas

#### **OTHERS IN ATTENDANCE**

J Chilver

#### **Agenda Item**

##### **1 APOLOGIES**

Apologies were received from Councillors R Carington, A Christensen, L Clarke OBE, T Dixon, C Etholen and S Rouse.

The Chairman welcomed Councillor R Stuchbury to the Committee who had replaced Councillor Majid Hussain.

##### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

##### **3 MINUTES**

###### **RESOLVED:**

**That the minutes of the meeting held on 27 September 2022 be approved as a correct record.**

##### **4 STATEMENT OF ACCOUNTS UPDATE**

The Committee received an update on the 2020/21 and 2021/22 Statement of Accounts. The Committee also considered the management response to the Audit Risk Assessment attached at Appendix A to the report. Prior to discussion, the Chairman welcomed Mr Mark Stocks, Audit Partner and Ms Sheena Phillips, Audit Manager from Grant Thornton, external auditors.

The revised reconciled and completed Statement of Accounts were submitted to the auditors on 23 September 2022. Due to reduction in Gross Expenditure on the Comprehensive Income and Expenditure Account (CIES) the audit materiality had decreased which had resulted in additional sample testing. The external auditors had resumed their audit from 1 November 2022. Officers

were working to resolve outstanding audit queries promptly and held regular bi-weekly meetings with auditors to monitor progress. Due to additional sampling, it was anticipated that the audit would be completed in January 2023 and the final accounts for 2020/21 would be presented to the Audit and Governance Committee for approval at its February meeting.

Work continued to progress on the 2021/22 Accounts draft accounts ensuring all the issues raised by the auditor on 2020/21 accounts were addressed. However, the accounts would not be finalised until the audit for 2020/21 was completed as this could potentially have an impact on the opening figures.

The Audit Risk Assessment report covered areas of auditor risk assessment along with the management response. The Committee considered the management response to aid in fulfilling its responsibilities in relation to the financial reporting process.

Key points raised during discussion included:

- Mr Stocks advised that there remained a focus on the completion of the 2020/21 accounts and an external audit team was working on the audit which would require a good deal of Council officer time to support and resolve queries. A team from Grant Thornton would also shortly be undertaking the Pension Fund Accounts 2021/22 audit, and associated sign off of admitted bodies to the Pension Fund. January/February 2023 was the target date for completion. It was noted that officers would be stretched at this time of the year, with budget preparation amongst a range of other priorities.
- Financial planning was as it should be for the 2021/22 accounts, although there could be resourcing issues in addressing the backlog of queries for 2020/21. Should all queries be resolved, officers would work with the external auditors to establish a timeline for the 2021/22 Accounts. It was anticipated that the 2021/22 accounts would be ready early on in the new financial year.
- The national infrastructure issue which affected all upper tier or unitary authorities was still awaiting legislation to pass through Parliament. If this had not been rectified by February 2023, the 2020/21 accounts would be signed off 'subject to' any infrastructure accounting points arising from the legislation.
- The Committee heard that many of the challenges encountered with the 2020/21 accounts were when establishing an opening position and the associated work that went with this. All local authorities who had been through the unitary process had encountered similar delays. Challenges were compounded by resourcing issues, and key staff leaving the Council which meant there was a lack of knowledge transfer from legacy Councils. As the team built its resilience it was anticipated that there would be a more 'normal' approach able to be taken with future Statements of Accounts work.

**RESOLVED:**

- (i) **That the 2020/21 and 2021/22 Statement of Accounts updates be noted.**
- (ii) **That the management response to the auditors be noted as accurate.**

**5 DRAFT PENSION FUND ACCOUNTS TO 31ST MARCH 2022**

The Committee considered a report which contained the draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022. The Pension Fund Account and Net Asset Statement show that in the year to 31<sup>st</sup> March 2022 the value of the Pension Fund increased by £275m to £3.913bn. This was the net result of the contributions made (£169m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £144m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £17m plus net returns on investments

(£267m). The accounts had been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The external audit of the pension fund draft accounts 2021/22 would commence shortly. A further report, incorporating the findings of Grant Thornton would be brought to this Committee at a future meeting where representatives from Grant Thornton would be in attendance.

Key points raised during discussion included:

- An updated version of page 81 of the reports pack was tabled at the meeting, this added the missing '£000' text from the table headings of column 3 and 4 on the third table down the page which related to 2021/22 Exposure to interest rate risk.
- A Member queried whether the accounts should display where investments were placed by category, such as funds held in emerging green energy markets. The Committee was advised that this aspect of the pension fund was reviewed by the Council's Pension Fund Committee and the information contained within the Statement of Accounts was done so in compliance with proper practices. It was explained that there was a [Pension Fund Annual Report](#) published on the Council's website which had further analysis included.
- Inflation costs were discussed and it was confirmed that those in receipt of a pension as of 1 April 2023 would receive a 10.1% CPI increase, this was the level of CPI in September 2022. Members heard that continued inflation increases could potentially impact the pension fund accounts in the future with actuaries currently working on assumptions that inflation may remain high for two years then return to levels which were more ordinary. Longevity assumptions assumed that there would be peaks and troughs which would level out over a number of years. The finance team were working on modelling with the Brunel pool and investment managers to ensure there was sufficient cash flow to match outgoings.
- In relation to management expenses, the Committee was assured that these were reasonable and competitive. Significant savings had been achieved in recent years from moving to the pooling model, whilst fees were linked to the value of assets so should they perform well, the management fees would be higher.

**RESOLVED:**

**That the Committee reviewed the Draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2022 and the timing and requirements for completion and authorisation of the final Statement of Accounts be noted.**

**6 TREASURY MANAGEMENT MID-YEAR UPDATE REPORT**

Councillor John Chilver, Cabinet Member for Accessible Housing and Resources attended to present to the Committee the treasury management mid-year report which detailed the treasury management activity for the first six months of the financial year. A summary of the Council's borrowing and the treasury cash (investments) position was summarised within the report as was the budget monitoring position. Approximately £296m was held in loans, whilst circa £197m was in investments.

The report noted that in the current economic climate it was considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

In overall budget terms, the Council was forecast to be £2.8m net better off during the year, the increase in interest rates meant that the Council was forecast to achieve £1.884m more investment income than budgeted for. The Council was forecast to spend £8.379m on interest for external borrowing activity in the financial year, an underspend of £916k compared to the budget of £9.295m. The budget assumed that the Council would undertake new borrowing in 2022/23, to date no new borrowing had been undertaken. Another factor, however, was the continuation of the Council's strategy to use surplus cash instead of borrowing, to reduce risks and keep external financing costs low. The Council would continue the strategy of internal borrowing while it made sense to continue to do so.

Key points raised during discussion included:

- To date there had been no new borrowing in 2022/23, or indeed since the start of the unitary Council. The priorities highlighted in order within the Treasury Management Strategy were security, liquidity and then yield.
- There was no prospect of early redemption of LOBO loans, although the Council would consider this if the opportunity arose.
- Treasury Management loans would be covered under item 7, however in response to a query raised, the Committee was advised that in relation to the loan to Thurrock Council, assurances had been received from the Section 151 Officer at Thurrock that funds would be repaid in full as they matured in January 2023. Thurrock had made arrangements directly with the Treasury to ensure that they could satisfy cash flow requirements.
- It was confirmed that the Council continued to have a low risk appetite in respect of investments and borrowing and this approach had not changed during the recent economic crisis.
- It was further confirmed that the sovereign credit rating system was used by the Council when considering investing in other countries, who required a minimum AAA rating, as set out in the Treasury Management Strategy.

**RESOLVED:**

**That the Treasury Management Mid-Year Update for 2022/23 be noted.**

**7 TREASURY MANAGEMENT LOANS TO OTHER LOCAL AUTHORITIES**

Councillor John Chilver, Cabinet Member for Accessible Housing and Resources presented to the Committee a report which detailed the Council's approach to loaning funds to individual local authorities, the parameters for which were set in the Council's Treasury Management Strategy. The report was brought before the Committee due to recent publicity around loans to other local authorities who had found themselves in financial difficulties. The Committee was advised that there was minimal risk to funds loaned to other local authorities, even those under significant pressures. There was specific protection under the Local Government Act 2003 which made clear that all loans were secured on future revenues and this included the ability to take legal action if any debts were not repaid.

Members were informed that no local authority had ever defaulted on a loan and the Council's Treasury Management Strategy, agreed in February 2022 tightened the control procedures around new investments in local authorities who were issuing Section 114 notices or requested capitalisation directives to require approval from the Section 151 Officer and relevant Cabinet Member. No such proposals had been made this financial year and measures had been strengthened further to require approval from the Leader and Chief Executive of the Council prior to making any local authority loan. There was a Treasury Management watch list held which included authorities who had requested capitalisation directives or where commissioners had been appointed regardless of any formal notices or directives.

The Treasury Management Strategy 2023/24 would be updated to reflect the actions from the 27<sup>th</sup> September Audit and Governance Committee meeting and would be presented to the Committee at its meeting on 1 February 2023.

During discussion, key points raised included:

- The Treasury Management watch list was kept under regular review and local authorities were added as necessary. Members were reminded that a previous investment in Slough Borough Council, who had issued an S114 notice was recovered in full on time. The thorough due diligence review that the Council would now undertake before a local authority loan was made would complement the watch list and act as an additional measure before making a decision on whether to add an authority to the watch list.
- The Council's Treasury Management Advisors advice was still for Local Authorities to be continued with as a counterpart investment option. Members were assured that there was every confidence Thurrock would repay their loan when it matured in January, as noted in the minute for the previous item.
- A question was raised around whether the Council was made aware what the investment would be used for by the borrowing Local Authority. The Committee was advised that the Council would not take account of what the funds would be used for when making a decision, and would focus on ensuring the overall financial standing of that local authority was satisfactory.
- The Committee raised concern that there was a reputation risk to the Council in lending to authorities who ultimately issued Section 114 notices or found themselves in financial difficulties and were assured by the Cabinet Member that the Council would not expose itself to unnecessary risk.

**RESOLVED:**

**That the additional controls implemented for loans to other Local Authorities be noted. It was further noted that the Treasury Management Strategy 2023/24 would take into account the new range of government interventions and not just the capitalisation directives and S114 notices.**

## **8 ANNUAL GOVERNANCE STATEMENT**

The Committee considered a revised draft Annual Governance Statement (AGS) for 2021/22. This was the second AGS for Buckinghamshire Council and related to the second year of the Council's operation as a unitary authority. Recovery from the COVID-19 pandemic was a key feature of the year. The Committee made some initial comments on the earlier draft at its meeting in September 2022. This revision incorporated the amendments suggested by members of the Committee at the last meeting and since. In particular, the Committee felt that OFSTED's SEND inspection (Special Educational Needs and Disabilities) should be reflected in the AGS and its associated action plan for 2022/23. This had been done.

The Statement now also included the following as raised by members of the Committee:

- a) 'COVID-19' – standardised reference to this throughout
- b) Risk Management Group – importance of the challenge made to directors on acceptable risk levels, page 2 and 15
- c) The learning of lessons generally and also from other authorities' experience - page 2 and 16
- d) Council – role in approval of 'budget and policy framework', page 6
- e) Deputy Cabinet Members – role in support of Cabinet, page 6
- f) Audit & Governance Committee – attendance by the Council's statutory Section 151 Officer (current Service Director of Finance), page 6

- g) Select committees – more detail on their coverage and contribution, page 6
- h) Community Boards and High Wycombe Town Committee - roles, page 7
- i) Internal and External Audit – reflect their counter-fraud role, page 8
- j) General Data Protection Regulation – GDPR policy to be referenced, page 10
- k) Induction for members – include reference to ICT training on data security, page 10
- l) Constitutional change – emphasise dual role of this Committee and the Standards & General Purposes Committee, page 10
- m) Election petition – correct the previous reference by referring to “the Totteridge & Bowderdean Ward”, page 11
- n) Community Board experience – highlight that the ‘rapid review’ also included engagement with unparished communities, page 12
- o) Community Board experience – reflect that a range of stakeholder views across parished and unparished areas were sought on their experience of community boards, page 12
- p) SEND Inspection – clear articulation of the SEND Inspection, page 12-13; and inclusion of it in the Action Plan for 2022/23, page 18
- q) Refugee support – include reference to Ukrainian refugees in addition to support for Afghan refugees, page 13

A Member welcomed the inclusion of the reference to the SEND inspection, noting that much of the action required was not only the Council’s responsibility but also the responsibility of key partner organisations.

#### **RESOLVED:**

**That the Annual Governance Statement 2021/22 be approved.**

## **9 BUSINESS ASSURANCE STRUCTURE UPDATE**

The Committee received a report which provided an update on and attached the new Business Assurance structure, following completion of the service review process. The new structure went live on 1 November 2022 and the team now reported in to the Service Director for Legal and Democratic Services, and the Head of business Assurance retains a ‘dotted line’ reporting arrangement to the S151 Officer. CIPFA highlighted a number of considerations which had been taken in to account as part of the service review.

During discussion, key points raised included:

- There were a number of vacancies within the structure, for which there had been a good number of applicants, with interviews due to take place in the coming weeks. It was hoped that by the next meeting of the Committee in February, an update on appointments would be available. All roles were advertised internally, with some advertised externally as well and the more specialist posts posted in specific publications. There had been a number of internal applicants from individuals seeking promotion opportunities.
- The structure was created with career progression opportunities in mind and ‘Grow your own’ was promoted with trainee and apprenticeship roles included within the structure which made for good succession planning.
- Within the structure, particularly the addition of trainee and apprenticeship roles, there would be the opportunities for increased audit work to be undertaken internally, rather than relying on external providers. It was, however noted that the external resource remained a good option to use particularly for specific specialisms such as IT.
- In relation to the busier periods of the year, the Committee was advised that quarter 4 tended to be the pinch point when a number of key financial system audits were undertaken, although these were planned well in advance. It was hoped that the new structure would help alleviate the risks at this time of year.

- The Committee was advised that the manager posts also involved day to day work tasks, this went right up to the Chief Auditor post dependant on the complexity and sensitivity of the work required.
- A Member noted that the CIPFA review had raised the need to meet demand for information and data auditing, and the Committee was advised that the team would be using a system called Ideal moving forward which would involve training and the building up of skills within the team. Data and information governance were noted as key areas across the whole of the organisation.
- A further risk highlighted by CIPFA was the reliance on the Head of Audit and Audit Manager roles which was hopefully mitigated through the addition of the Deputy Chief Auditor post and Audit and Fraud Lead posts. The Committee congratulated Selina Harlock on her appointment to the Deputy Chief Auditor role.
- A Member noted that the statement on page 141 of the reports pack should read 'The Business Assurance Team vision is to be a...' rather than 'The Business Assurance Team vision is be a...'. The Member also suggested that the vision statements could be simplified.

**RESOLVED:**

**That the report be noted.**

**10 RISK MANAGEMENT GROUP UPDATE**

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 7 November 2022. At that meeting the Group reviewed and commented on the Adults and Health directorate risk registers, the key risk themes of which were noted within the report. The Group also reviewed the external audit carried out by Mazars in respect of the southern waste round re-organisation. It was agreed that an update on progress against actions would be presented to the RMG in March 2023.

**RESOLVED:**

**That the report be noted.**

**11 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)**

The Committee considered a report which outlined the Internal Audit, Risk Management, Assurance and Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023. The Council continued to work towards a combined assurance model, with Internal Audit operating as the third line of assurance. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

During discussion, key points highlighted included:

- An additional audit on 'Social Care – Placement and Panel decisions' had been included on the audit plan following a request from the relevant Corporate Director for this area of work.
- Within Resources, the 'Teachers Pensions – new system in place' audit had been deferred to 2023/24 because of the new system being implemented. Processes and controls would be reviewed as the new system went live.
- The Chairman referred to paragraph 3.2 on page 157 of the reports pack and explained that more emphasis was needed on major change projects and the need to escalate them in terms of risk as they took place. It had become apparent that in a number of circumstances, a particular service had reviewed its risk ahead of certain projects, however had not taken in to account that the risk elevated during the time the project

was rolled out.

- In terms of the Community Boards audit, noted on page 164 of the reports pack as 'fieldwork in-progress', the Chairman highlighted that the Constitution Working Group had been considering Community Boards, their governance and how they fit in to the Constitution. Should the audit identify any areas that should feed in to the Constitution the Chairman suggested they relay this to the Service Director for Democratic and Legal Services.
- The Chairman highlighted that there had been some flexibility given to services moving the timing of certain audits in the early years of the unitary authority, although the Committee's position was now clear that Council services must be audited at the right time rather than at the time which was convenient to the service. It was noted that on occasion, internal auditors could help design processes for certain departments as part of the audit process.
- A Member raised concern around a number of the Social Care audits that had yet to start and was advised that it was the audit work that had not yet started, as this was planned across the year, rather than the work by the service itself. It was confirmed that the relevant Corporate and Service Directors had been liaised with and accepted the need for the audits. The timing had been agreed for the SEND Ofsted Improvement Plan Assurance audit later in the year to give the opportunity for the service to implement their improvement plan following the Ofsted inspection. The outcome of the audit would be reported back to the Committee in the usual manner within the completed audits within part 2 of a future agenda.
- Concern was also raised about legislative changes within Adult Social Care which would have a significant impact on service delivery. The Committee was assured that the scope of the work would be flexible and the audit team would always ensure that they were working to the most up to date legislation on any area of risk being focused on.
- Members were advised that in future the 'other cases currently under investigation' details noted on pages 162 and 163 of the agenda pack would be presented in a more interpretable manner as there was now a new system in place which would be able to generate reports and tables.
- The Chairman queried whether there were any proceeds of crime orders or compensation for the prosecution noted on page 162 of the reports pack. This would be looked in to further and reported back.

**ACTION: Chief Auditor to look in to details of the case further and report back to the Committee.**

- Clarity was provided on external clients, Buckinghamshire & Milton Keynes Fire Authority were a long standing external client who were provided circa 100 days of internal audit resource. An academy had recently approached the Council to provide an internal audit service as well, and there had been similar approaches in the past. These were recognised as good income generating opportunities although required the internal resource to provide the service, which needed the new structure to be in place. Members noted that as a Council, providing this service to academies would also provide a measure of reassurance as to the education being provided by academies to ensure it was of a high standard.

**RESOLVED:**

**That the report be noted.**

## **12 WORK PROGRAMME**

The Committee noted that the 2020/21 Statement of Accounts should be ready for the meeting on 1 February, the annual Business Continuity Management Update and Risk and Business Continuity Management Strategy would also be presented to that meeting, along with a number



of other policies and the Contract Procedure Rules – waivers and breaches as noted on the work programme.

The Treasury Management Strategy 23/24 would also be presented in February as would the Pension Fund Accounts 21/22 if available. The Chief Auditor would liaise with the Director of Legal and Democratic Services to establish when best to bring a report on updates to the Constitution.

**ACTION: Chief Auditor to add Constitution update to the work programme for the most appropriate meeting following consultation with the Service Director for Legal and Democratic Services.**

**RESOLVED:**

**That the latest Work Programme be noted.**

**13 ACTION LOG**

The Committee considered the latest action log as attached to the agenda pack and agreed that each of the actions that had been marked completed could be closed. These were:

Action 2 - Treasury Management Annual Report; Action 4 – Business Assurance new team structure; and Action 7 – Treasury Management Training Session.

**RESOLVED:**

**That the action log be noted.**

**14 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 15, 16 and 17, 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 15 – Confidential Minutes of the Audit and Governance Committee held on 27 September 2022**

**Minute 16 – 2022/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report**

**Minute 17 – Action Log (confidential)**

**15 CONFIDENTIAL MINUTES**

**RESOLVED:**

**That the confidential minutes of the meeting held on 27 September 2022 be approved as a correct record.**

**16 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE: COMPLETED AUDITS AND AUDIT ACTIONS SUMMARY REPORT**

The Committee held a detailed discussion on the Summary of Completed Audits and Audit Action Tracker.

**RESOLVED:**

**That the report be noted.**

**17 ACTION LOG (CONFIDENTIAL)**

The Committee considered the confidential action log and

**RESOLVED:**

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