



Buckinghamshire Council

Audit and Governance Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 29 JULY 2020 IN VIA VIDEO CONFERENCE - ACCESSIBLE TO MEMBERS OF THE PUBLIC ONLINE AT [HTTPS://BUCKINGHAMSHIRE.PUBLIC-1/TV/CORE/PORTAL/HOME](https://BUCKINGHAMSHIRE.PUBLIC-1/TV/CORE/PORTAL/HOME), COMMENCING AT 10.00 AM AND CONCLUDING AT 12.25 PM

MEMBERS PRESENT

R Newcombe (Chairman), G Peart (Vice Chairman), D Anthony, R Bagge, L Clarke OBE, R Jones, P Martin, R Sangster, M Smith, R Stuchbury and A Waite

APOLOGY: A Christensen

Agenda Item

1 MINUTES
RESOLVED –

That the Minutes of the meeting held on 10 June 2020 be approved as a correct record.

2 DECLARATIONS OF INTEREST
There were none.

3 ACTION TRACKER / LOG

The Chairman informed the Committee that it would be important for Members to keep track of actions agreed at previous meetings, to ensure that appropriate action was then taken. As such, he had requested that Officers keep an Action Tracker / Log of outstanding actions to be reported to each Committee meeting.

Members noted that Actions Tracker at pages 5-6 of the agenda. All 5 identified actions had been completed since the last meeting, with no actions being outstanding.

RESOLVED –

That the Action Tracker be noted.

4 AUDIT PLAN UPDATE (DISTRICT COUNCILS)

The Committee was informed that audit plans for all the districts had been presented to the

respective Audit Committees or circulated via email to the Chairman and Vice Chairman of the Audit Committee if there had been no scheduled meetings during March 2020 before the lockdown.

Since the original audit plans, there had been two significant events : the outbreak of Covid-19 and creation of the new Buckinghamshire Council and the Audit & Governance Committee. The Audit plan update attached at Appendix 1 to the agenda provided an update on impact of Covid-19 and audit risks resulting from these events.

In the original plans, the auditor had also outlined the impact the changing risk and regulatory environment was having on audits and the discussions that were ongoing with the Public Sector Audit Appointments (PSAA) regarding the scale fee setting process. The Audit Plan update included an update on how those issues were impacting the scale fees of the District Councils that were subject to approval by the Public Sector Audit Appointments (PSAA).

Due to significant increase in fees across all the District Councils, these had been challenged but at the same time it was recognised the changes to the regulatory environment was having an impact on the audit work and ultimately the fees would need to be approved by PSAA.

Members were informed that the total consolidated budget for the District Councils' Main audit fees and Housing Benefit Fees was £277K, the total revised fees (which would have to be approved by PSAA) which included an estimated cost of extended testing for Housing Benefit forecast at £343K that would result in a forecast overspend of £66K. The Finance Service would endeavour to manage this forecast overspend within its overall budget, however ultimately this might have an impact on Council's overall General Fund position.

Members considered the Appendix 1 report from the external auditors on update of audit risks, other areas of audit focus, and update on audit fees, and in response to questions were informed as follows:-

- (i) that the increase in fees was due to a number of factors including significant changes in the regulatory environment, increased risks due to the current Covid pandemic and there had been an increase in the focus on areas of the financial statements where judgemental estimates were made, e.g. valuation of land and buildings (such as Consilio) and pension assets and liabilities. This also meant that some work was taking slight longer to complete than had been anticipated.
- (ii) that the increase in fees for the area 'Changes in expectations on delivery' was due to Councils' systems not being as advanced as had been predicted.
- (iii) that the total revised fee for the auditing of the County Council's 2019/20 financial statements of £92,828 had been reported to the Audit and Governance Committee on 10 June 2020. Again, this fee would need to be approved by the PSAA.

Members expressed concerns with the larger than expected increase in the fees for auditing of the 2019/20 District Councils' financial statements, with the increases seemingly larger than those for audits of similar Councils. The external auditors were asked to report back in due course with a breakdown of the work that had been undertaken and the fees charged for that work.

RESOLVED –

That the update on District Councils' audit plans including the increase in audit fees be noted.

5 **AYLESBURY VALE DISTRICT COUNCIL: STATEMENT OF ACCOUNTS 2019/20 AND AUDIT REPORT**

The Accounts and Audit Regulations 2015 required Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and these were required to be approved and signed by the Council's Audit & Governance Committee. Due to Covid-19, the statutory deadline for completion of draft Statement of Accounts had been postponed from 31 May 2020 to 31 August 2020. The publication of the audited statement had been postponed from 31 July 2020 to 30 November 2020.

Closing the 2019/20 Statement of Accounts and audit had been done under the challenging circumstances of lockdown due to Covid-19. The draft statement of accounts had been published on the Council's website on 8 June 2020, well in advance of the revised statutory deadline. The public inspection period for the accounts had run from 8 June 2020 to 17 July 2020 and had now ended.

Since the draft accounts, the final National Non-Domestic Rates 3 (NNDR) had been completed and this had impacted on the outturn along with other minor adjustments which had resulted in a favourable variance of £150k which had been transferred to the Earmarked Reserve. A re-adjustment of £210k to increase the value of a carpark asset had been agreed in the last few days but this did not impact on reserves. Any further adjustment above the materiality for reporting threshold of £106k would be circulated to Audit and Governance Committee members.

The Committee was informed that the audit of the accounts had commenced in June and at the time of writing this report, the plan was for the audit fieldwork to be substantially complete followed by closing procedures and final reviews with a view to signing off the audit soon after the Audit Committee meeting on 29 July.

In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) had prepared a detailed record of all matters arising from the audit of the Statement of Accounts. This Report was attached as Appendix 2. The auditor's opinion on the financial statements had yet to be confirmed and had therefore not been included in the Statement of Accounts.

Members were informed that the Statement of Accounts outlined AVDC's financial performance for the year under the Narrative Section of the Statement. The accounts provided public information on the Council's financial performance and were a key element of this performance review process by which the Council was held accountable to the public for the proper management and stewardship of financial resources. The key financial sections within the accounts were summarised as follows:-

Accounting Policies: There were minor changes to the CIPFA Code and International Financial Reporting standards. The Council was either already in compliance with these changes or some of the changes were not applicable to AVDC Statement of Accounts.

Significant movement between years

Comprehensive Income and Expenditure Account (CIES): This statement reports the net cost

for the year of all functions for which the Council was responsible and demonstrated how that cost had been financed from general government grants and income from local taxpayers. Total Comprehensive Income and Expenditure for 2019/20 had been £18.0m (credit) compared to £7.0m (credit) in 2018/19. The movement of £11.0m was summarised below:

- **Cost of Services** had increased by £6.3m resulting from Unitary transition costs of £5.2m, increased bad debt provision £0.6m, reduced income from the garden waste services £0.6m as a result of changes to the income collection policy, increased salary costs £0.6m, increased waste collection costs £0.4m, one-off contribution to Connected Counties £0.4m, reduced car parking income £0.4m and lower property rental income of £0.3m, offset by lower capital accounting entries of £2.3m.
- **Other Operating Income and Expenditure** had showed an increase in income of £0.7m, mainly as a result of increased capital receipts.
- **Financing and Investment Income and Expenditure** had increased costs by £2.1m. The reclassification of some assets as investment properties had resulted in fair value adjustments of £3.6m offset by net rental income of £0.9m. There had also been increased dividend income of £0.5m.
- **Taxation and Non-Specific Grant Income** – had increased by £2.2m resulting from accounting adjustment of collection fund account £4.6m offset by decreased government grants £0.4m and capital contributions £2.0m.
- **Other Comprehensive Income and Expenditure** for the year had moved by £16.4m to £26.0 credit in 2019/20. The main movements were due to IAS 19 pensions liability reduction adjustment of £17.9m offset by lower revaluation adjustments £1.5m.

Movement in Reserve Statement (MiRS): This was a summary of changes to the Council's reserves over the course of the year. These are broken down into two main categories :

- **Usable reserves** which can be used for capital investments or service improvements. These decreased by £5.1m as they were used to fund the unitary transition cost of £5.2m and capital programme £3.4m offset by increase in capital receipt reserve by £2.6m due to receipts from sale of ex-council houses and repayment of capital loans and contributions to capital grants reserve £0.4m for affordable housing, and contributions to earmarked reserves £0.4m.
- **Unusable reserves** which are mainly held under the regulatory requirement for specific purposes. These increased by £23.0m mainly due to increases in the pension reserve £19.6m, and capital adjustment account £3.3m.

Balance Sheet: This statement provided a snapshot of the Council's assets and liabilities. The Council's net worth was £124.8m as at 31 March 2020, which represents an increase of £18.0m on the previous financial year. The key movements were:

- **Long-Term Assets** had grown by £5.1m with key components including capital investment of £7.1m offset by decreases in the fair values of capital assets of £2.1m.
- **Current Assets** had decreased by £5.2m from last year. Short term investments had reduced by £14.0m and cash balances increased by £9.9m in line with the strategy to ease the transition to the new Council. Short term loans had decreased by £2.2m, £0.4m, that was as a result of the write-off of subsidiary loans. Other short term debtors had increased by £1.1m.
- **Current Liabilities** increased by £0.3m.
- **Non-Current Liabilities** had fallen by £18.4m mainly due to a reduction in pension liability resulting from changes in financial and demographic assumptions determined by the actuary.

Cash Flow Statement: The net increase of £9.9m was in compliance with the strategy to hold

cash to ease the transition to the new Council.

Members sought additional information on the statement of accounts and were informed:-

- (i) that contingency fees paid to Transport for Bucks were only charged if they were used and would then appear in the accounts. Councils had not been required to pay these contingencies in advance.
Action Log: Section 151 Officer to provide Cllr Clarke with a note on the above process
- (ii) that loans to Aylesbury Vale Estates and Aylesbury Vale Broadband (AVB) had been paid back in full and, as such, showed as a zero balance. AVB no longer existed as a company.
- (iii) that fuller details of Usable and Unusable Reserves was included in the Movement in reserves statement at page 14 of the Statement of Accounts. It was confirmed that Usable Reserves included earmarked reserves and general reserves.
- (iv) that while it was expected that the audit work would be delivered by the end of July, it was possible that some work would carry over into August due to the holiday season.
- (v) that Officers would check that the approval sign off for the Annual Governance Statements of the four Districts had been correctly, although it was accepted that there could be some lack of consistency due to creation of the new Council from 1 April 2020.

Having reviewed the Statement of Accounts 2019/20, and considered the audit progress and findings report from the external auditors (ISA 260 report), it was,

RESOLVED –

- (1) That the audit progress and findings report from the external auditors be noted.
- (2) That the Letter of Representation (ISA 260) be approved.
- (3) That, subject to the audit progress and findings reported to the meeting, the Statement of Accounts for Aylesbury Vale District Council for 2019/20 be approved.
- (4) That the Service Director – Corporate Finance (Section 151 Officer), in consultation with the Chairman of the Audit and Governance Committee, be authorised to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.
- (5) That the thanks of the Committee and the external auditors be passed to the Officers / Financial Teams from all of the legacy Councils for their efforts in putting together the statements of accounts this year under what had been very difficult circumstances.

Note:

- 1. Councillor Stuchbury abstained from voting on the resolutions.
- 2. Members asked that they be informed in due course of any amendments to the financial statements, which applied to all four sets of District Council financial

statements (**Action Log**).

6 **CHILTERN DISTRICT COUNCIL: STATEMENT OF ACCOUNTS 2019/20 AND AUDIT REPORT**

The Accounts and Audit Regulations 2015 required Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and these were required to be approved and signed by the Council's Audit & Governance Committee. Due to Covid-19, the statutory deadline for completion of draft Statement of Accounts had been postponed from 31 May 2020 to 31 August 2020. The publication of the audited statement had been postponed from 31 July 2020 to 30 November 2020.

Closing the 2019/20 Statement of Accounts and audit had been done under the challenging circumstances of lockdown due to Covid-19. The draft statement of accounts had been published on the Council's website on 29 June 2020, well in advance of the revised statutory deadline. The public inspection period for the accounts was from 29 June 2020 to 7 August 2020.

Since the draft accounts, the final National Non-Domestic Rates 3 (NNDR) had been completed and this had an impact on outturn along with other minor adjustments. The adverse impact of £342k had an impact on the General Fund reserves. Any further adjustment above the materiality for reporting threshold of £63k would be circulated to the Audit Committee members.

The audit of the accounts had commenced in June and at the time of writing this report, it had been planned for the audit fieldwork to be substantially complete, followed by closing procedures and final reviews with a view to signing off the audit soon after the completion of public inspection period on 7 August 2020.

In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) had prepared a detailed record of all matters arising from the audit of the Statement of Accounts. This Report was attached as Appendix 2 to the agenda. The Auditor's opinion on the financial statements had not been confirmed at the time of writing the Committee report and had therefore not been included in the Statement of Accounts.

The full draft Statement of Accounts were appended to the report and the following key points were highlighted to Members:-

Revenue Outturn

	Budget £'000	Outturn £'000	Variance £'000
Net Cost of Services	10,108	9,792	-316
Capital Financing Costs	601	234	-367
Contribution to Unitary Transition	0	1,995	1,995
Transfer to/from Earmarked Reserves	201	931	730
Budget Requirement	10,910	12,952	2,042

In terms of the Financial Outturn the most significant feature was the £1,995k contribution to the Unitary Transition budget. Excluding this the revenue budget showed an underspend of £101k. The main other points to note in the outturn were as follows:

- There had been significantly higher parking income than budgeted (£274k), which included Amersham Multi Storey Car Park where growth in occupancy had exceeded expectations.
- Waste client costs exceeded budget (£260k) due to lower green waste income and additional temporary staff costs in the Waste Admin team.
- Staff vacancies in Revenues & Benefits and Customer Services (£166k), which included the Head of Service and the Customer Services Manager.
- Savings in temporary accommodation costs (£150k).
- Savings from re-phasing of the project to develop the redundant Chiltern Pool site once the Lifestyle Centre opens. These savings were partially offset by the costs of retendering the Leisure Operator contract. Net saving were £269k.
- Additional costs in Human Resources, Finance and Legal teams as a result of transition work and supporting the insourcing of Bucks County Council's legal services (£160k).
- Additional staffing costs in Planning Services, including agency cover for Head of Service, and reduced planning and building control income (£185k).
- Investment income exceeded target and interest costs were lower due to the decision to internally finance the capital expenditure on the Chiltern Lifestyle Centre U367k)

Usable Reserves: at the end of the year reserves were as follows:-

	General Fund £000	Earmarked £000	Capital Grants £000	Total £000
Balance b/fwd	6,432	11,525	609	18,566
Use of Reserves	-1,894	-815	-133	-2,842
Balance c/fwd	4,538	10,710	476	15,724

The movement in the General Reserve was primarily the result of the £1,995k contribution to Unitary Transition costs. The movement in Earmarked Reserves mainly related to funding for the Local Plan Development and contributions to Capital Expenditure.

Members sought additional information and were informed that due to the impact of the Covid-19 pandemic there had been a slight delay in providing the statement of accounts information for Chiltern District Council and South Bucks District Council to the external auditors. As such, there was still a couple of weeks of audit work required for these accounts, mainly for the South Bucks DC accounts, so it was possible there could still be a few adjustments might still be required.

Having reviewed the Statement of Accounts 2019/20, and considered the audit progress and findings report from the external auditors (ISA 260 report), it was,

RESOLVED –

- (1) That the audit progress and findings report from the external auditors be noted.
- (2) That the Letter of Representation (ISA 260) be approved.
- (3) That, subject to the audit progress and findings reported to the meeting, the

Statement of Accounts for Chiltern District Council for 2019/20 be approved.

- (4) That the Service Director – Corporate Finance (Section 151 Officer), in consultation with the Chairman of the Audit and Governance Committee, be authorised to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

Note: Councillor Smith abstained from voting.

7 SOUTH BUCKS DISTRICT COUNCIL: STATEMENT OF ACCOUNTS 2019/20 AND AUDIT REPORT

The Accounts and Audit Regulations 2015 required Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and were required to be approved and signed by the Council's Audit & Governance Committee. Due to Covid-19, the statutory deadline for completion of draft Statement of Accounts had been postponed from 31 May 2020 to 31 August 2020. The publication of the audited statement had been postponed from 31 July 2020 to 30 November 2020.

Closing the 2019/20 Statement of Accounts and audit had been done under the challenging circumstances of lockdown due to Covid-19. The draft statement of accounts had been published on the Council's website on 29 of June, well in advance of the revised statutory deadline. The public inspection period for the accounts was from 29 June 2020 to 7 August 2020.

Since the draft accounts, the final National Non-Domestic Rates 3 (NNDR) had been completed and this had an impact on outturn along with other minor adjustments. The adverse impact of £54k had impacted on the General Fund reserves. Any further adjustment above the materiality for reporting threshold of £48k would be circulated to the Audit and Governance Committee members.

The Committee was informed that the audit of the accounts had commenced in June and at the time of writing this report, it had been planned to substantially complete the audit fieldwork followed by closing procedures and final reviews with a view to signing off the audit soon after the completion of public inspection period on 7 August 2020.

In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) had prepared a detailed record of all matters arising from the audit of the Statement of Accounts. This Report is attached as Appendix 2 to the agenda. As the Auditors opinion on the financial statements had not been confirmed at the time of writing the report it had not been included in the Statement of Accounts.

The following key points on the full draft Statement of Accounts were highlighted:-

Revenue Outturn

	Budget £'000	Outturn £'000	Variance £'000
Net Cost of Services	7722	8305	583
Capital Financing Costs	74	-88	-163
Payment to BCC Unitary Reserve	0	1,552	1,552
Transfer from Revenue Reserves	-155	0	155
Budget Requirement	7,641	9,769	2,127

In terms of the Financial Outturn the most significant feature was the £1,552k contribution to the Unitary Transition budget. Excluding this the revenue budget showed an underspend of £322k. The main other points to note in the outturn were as follows:

- Additional Waste contract costs and the authority's share of the joint procurement costs (£129k).
- Staff vacancies in Revenues & Benefits and Customer Services, which included the Head of Service and the Customer Services Manager, offset by the costs in increasing the bad debt provision for housing benefit overpayment recovery (£398k).
- Savings in temporary accommodation costs (£150k)
- Rephasing of the costs of the South Bucks Country Park project and income now being received for soil importation (£108k).
- Additional costs in Human Resources, Finance and Legal teams as a result of transition work and supporting the insourcing of Bucks County Council's legal services (£160k).
- Additional staffing costs in Planning Services, including agency cover for Head of Service, and reduced planning and building control income (£185k).
- Investment income exceeded target mainly due to interest received from Consilio

Usable Reserves: at the end of the year reserves had been as follows -

	General Fund £000	Earmarked £000	Capital Grants £000	Capital £000	Total £000
Balance b/fwd	3,193	1,602	395	4,350	9,540
Use of Reserves	-1,230	630	12	166	-366
Balance c/fwd	1,963	2,232	407	4,516	9,174

The movement in the General Reserve was primarily the result of the £1,552k contribution to Unitary Transition costs. The net movement in Earmarked Reserves mainly related to funding for the Local Plan Development and S106 contributions received.

Capital Outturn

The total capital expenditure for the year had been £8,120k. The main expenditure had been on the Tatling End housing project (£6553k), Bath Road housing project (£760k), and Housing Grants (£679k).

The Capital programme had utilised £7,360k of internal borrowing as part of an agreed strategy to minimise external borrowing to allow the new Council maximum flexibility on its treasury management decisions.

A number of other matters were also mentioned for the Committee to note:

- A significant increase of £518k in the debtor provision for non-recovery of housing benefit overpayment had been made. This reflected an assessment of the increased

risk arising from the economic impact from Covid-19 on housing benefit claimants ability to make repayments.

- Financial assets in total had reduced as a result of the strategy to convert financial investments to cash held in bank accounts to ease the transition to the new Council.
- The deficit on the Pension Reserve reduced by £6.4m to £22.3m.
- The Officer Remuneration Table and Exit Packages reflected the significant changes to the costs of senior management during the year related to the transition to the Buckinghamshire Authority.
- The Collection Fund had an overall surplus for the year of £1,022k. The Council tax collection rate had been 97.1% and 98.7% for Business Rates collection.
- Farnham Park Trust, for which the Council was the corporate trustee, was highlighted as a contingent liability due to its operating deficit which would be increased by the effect of Covid-19, making it more likely the Council would need to provide financial support at some stage in the future.
- Consilio Property Limited was wholly owned by the Council, and as such its accounts have to be shown consolidated with the Council's in the section "Group Accounts". In 2019/20 it had acquired a second property financed by a loan from the Council of £19.4m. The council had used PWLB borrowing facilities to fund the loans to Consilio. Consilio increased the overall consolidated balance sheet value by £399k.

The key issues going forward into the new Council were shown in the Annual Governance Statement which had been agreed by the South Bucks Audit Committee. These were:

ISSUE	ACTION
In the transition to the Buckinghamshire Council the identification and understanding of the material service risks currently being managed by the Council	Initial risk registers in service plans for the new Council informed by legacy authorities managers. Day one key authority wide risk register in place co-ordinated by the Corporate Risk Manager and agreed by the Corporate Management Team
There needs to be an effective and sufficiently comprehensive scheme of delegations as part of the new Constitutional arrangements for the new Council to ensure any actions are properly authorised and risk of procedural challenge minimised (e.g. Environmental Health, Planning etc.)	The Constitution for the new Council contains provision to put in place all the appropriate delegations, and these are appended to the formal document and made publicly accessible.
The business continuity arrangements for district services moving to new systems (e.g. SAP) and new operational service arrangements and management. Existing business continuity plans in many areas will no longer be effective	Review of business continuity plans, with prioritisation: <ul style="list-style-type: none"> • Services to vulnerable people • Essential organisational infrastructure elements (e.g. ICT)

Members sought additional information on the statement of accounts and were informed:-

- (i) that the audit of the Farnham Park Sports Field Charity was ongoing and would be reported to the Committee's September 2020 meeting.
- (ii) that the Government had announced on 2 July that leisure facilities would be able to apply for some compensation for income lost due to Covid-19. Information on how this impacted on the Farnham Park Sports Field Charity would be included in the Committee report.
- (iii) that the Revenue Outturn line item in the District Councils' covering report 'Payment to BCC Unitary Reserve' could be changed to more accurately be defined as 'Payment to BCC on behalf of the Buckinghamshire Council (unitary reserve)'.

Having reviewed the Statement of Accounts 2019/20, and considered the audit progress and findings report from the external auditors (ISA 260 report), it was,

RESOLVED –

- (1) That the audit progress and findings report from the external auditors be noted.
- (2) That the Letter of Representation (ISA 260) be approved.
- (3) That, subject to the audit progress and findings reported to the meeting, the Statement of Accounts for South Bucks District Council for 2019/20 be approved.
- (4) That the Service Director – Corporate Finance (Section 151 Officer), in consultation with the Chairman of the Audit and Governance Committee, be authorised to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

Note: Councillor Smith abstained from voting.

8 WYCOMBE DISTRICT COUNCIL: STATEMENT OF ACCOUNTS 2019/20 AND AUDIT REPORT

The Accounts and Audit Regulations 2015 required Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and were required to be approved and signed by the Council's Audit & Governance Committee. Due to Covid-19, the statutory deadline for completion of draft Statement of Accounts had been postponed from 31 May 2020 to 31 August 2020. The publication of the audited statement had been postponed from 31 July 2020 to 30 November 2020.

Closing the 2019/20 Statement of Accounts and audit had been done under the challenging circumstances of lockdown due to Covid-19. The draft statement of accounts had been published on the Council's website on 1 June, well in advance of the revised statutory deadline. The public inspection period for the accounts was from 4 June 2020 to 16 July 2020 and had now ended.

Since the draft accounts, the final National Non-Domestic Rates 3 (NNDR) had been completed and had an impact on outturn along with other minor adjustments. The adverse impact of £174k had resulted in a reduced contribution to the Earmarked Reserve. Any further adjustment above the materiality for reporting threshold of £86k will be circulated to the Audit and Governance Committee members.

Members were informed of a couple of typographical errors at page 32 of the statements (Comprehensive Income and Expenditure Statement) as follows:

Halfway down page 32, below the heading 'Surplus'

- Opening General Fund Balance 'at 31st March 2018' should be changed to read 'at 31st March 2019'.
- Closing General Fund Balance 'at 31st March 2019' should be changed to read 'at 31st March 2020'.

Bottom of page 32, below the heading 'Surplus'

- Opening General Fund Balance 'at 31st March 2017' should be changed to read 'at 31st March 2018'.
- Closing General Fund Balance at '31st March 2018' should be changed to read 'at 31st March 2019'.

The Committee was informed that the audit of the accounts had commenced in June and at the time of writing this report, it had been planned to substantially complete the audit fieldwork followed by closing procedures and final reviews with a view to signing off the audit soon after the completion of public inspection period on 7 August 2020.

In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (EY LLP) had prepared a detailed record of all matters arising from the audit of the Statement of Accounts. This Report is attached as Appendix 2 to the agenda. As the Auditors opinion on the financial statements had not been confirmed at the time of writing the report it had not been included in the Statement of Accounts.

The following key points on the full draft Statement of Accounts were highlighted:-

Significant movement between years

Comprehensive Income and Expenditure Account (CIES): This reported the net cost for the year of all functions for which the Council was responsible and demonstrated how that cost had been financed from general government grants and income from local taxpayers. Total Comprehensive Income and Expenditure for 2019/20 was £43.5m (credit) compared to £26.9m in 2018/19. The movement of £16.9m was summarised below:

- (i) **Cost of Services** had increased by £6.2m resulting from Capital accounting entries £780k, Unitary transition cost £3.5m, increase in Provisions £1m, increase in Waste collection £400k costs, Feasibility cost £700k offset by increase in car parking income of £300k.
- (ii) **Financing and Investment Income and Expenditure** had decreased by £5.3m resulting from Fair value adjustment of investment property portfolio £4.8m, Fair value adjustment to Property Pooled funds £1.4m offset by increase in investment income £300k and net rental income £500k.
- (iii) **Taxation and Non-Specific Grant Income** – year-on-year income has increased by £2.6m resulting from accounting adjustment of collection fund account £5.4m offset by decrease in CIL income £1.9m and Government grants £1m.
- (iv) **Other Comprehensive Income and Expenditure** for the year moved by £25.5m to £42.867 credit in 2019/20. The main movements were due to IAS 19 Pensions liability reduction adjustment of £15.3m and Revaluation of assets £10.2m due to car parks and leisure centre.

Movement in Reserve Statement (MIRS): was a summary of changes to the Council's reserve over the course of the year. These were broken down into two main categories :

- **Usable reserves** that could be used for capital investments or service improvements.

These decreased by £8.6m as they had been used to fund the unitary transition cost of £3.5m and capital programme £11m offset by increase in capital receipt reserve by £4.5m due to sale of asset and contribution to earmarked reserve of £1.8m.

- **Unusable reserves** that were mainly held under the regulatory requirement for specific purposes. These had increased by £52m mainly due to decrease in pension reserve £16.7m, increase in revaluation reserve £21.2m and capital adjustment account £11m.

Balance Sheet: This statement provided a snapshot of Council's assets and liabilities. The Council's net worth was £296.2m as at 31 March 2020, which represents an increase of £43.5m on the previous financial year. The key movements were:

- **Long-Term Assets** had grown by £26.2m with key components including increases in the fair values of capital assets amounting to £26m, increase in capital investment of £8.7m, reduced investment in long-term deposit balances of £5m and a decrease in Long-Term Debtors of £3.1m due to repayment of debt.
- **Current Assets** had decreased by £1.5m on last year. Key factors – Sale of investment property £3m, Short term investments reduced by £5.6m, investment in property pooled fund £6.4m and an increase in cash £1.5m in line with the strategy to ease the transition to the new Council.
- **Current Liabilities** had fallen by £2.6m due to reduction in Sundry creditors £1.5m and a reduction in Provisions £600k mainly in respect of Business Rates Appeals.
- **Non-Current Liabilities** have fallen by £16m mainly due to a reduction in the pension liability resulting from changes in financial and demographic assumptions determined by the actuary.

Cash Flow Statement: The net increase of £1.5m was in compliance with the strategy to hold cash to ease the transition to the new Council.

Members sought additional information on the statement of accounts and were informed:-

- (a) that Wycombe District Council had been the only one of the five legacy Councils that had been debt free at vesting day for the new Council.
- (b) that the new household waste and recycling collection contract for the southern part of the Council area did not commence until later in 2020 and, as such, it was not mentioned in these statement of accounts.

Having reviewed the Statement of Accounts 2019/20, and considered the audit progress and findings report from the external auditors (ISA 260 report), it was,

RESOLVED –

- (1) That the audit progress and findings report from the external auditors be noted.
- (2) That the Letter of Representation (ISA 260) be approved.
- (3) That, subject to the audit progress and findings reported to the meeting, the Statement of Accounts for Wycombe District Council for 2019/20 be approved.
- (4) That the Service Director – Corporate Finance (Section 151 Officer), in consultation with the Chairman of the Audit and Governance Committee, be authorised to make any final amendments to the Accounts arising from outstanding audit work prior to

the approval of the accounts by the auditor.

Note: Councillors Smith and Stuchbury abstained from voting.

9 ANNUAL REPORT - HIGGINSON PARK CHARITY

The Committee received a report on the Higginson Park Charity's audited Annual Report and Financial Statement for the year ending 31 March 2020, a copy of which was included as Appendix 1 to the agenda.

The draft Annual Report and the Financial Statements 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 Higginson Park Charity accounts had been audited by Seymour Taylor Audit Limited. The auditors report (Appendix 1) was draft and it was possible that it could change once the outstanding audit work had been completed and finalised.

The net worth of Higginson Park Charity had decreased by £110k from £5.644m in 2019 to £5.534m in 2020. The net operating expenditure for the year was £108k compared to net income of £10k in 2018/19. The main reason for significant movement was the closure of the swimming pool for renovation works, which resulted in swimming activity decreased by 32% from the previous year, while dry sports/activities remained unchanged, causing total expenditure to increase by £111k resulting in management fee rebate to the contractor running the leisure facilities.

The Committee was informed that an amendment to the accounts had been made to reflect £2m in renovation funding that had been provided by Wycombe District Council, and which had been treated as grant income. This money had been credited to restricted funds in the Statement of Financial Activities for the year ending 31 March 2020 and would be used to offset depreciation charge over the life of the asset.

Members sought additional information and were informed:-

- (i) that the Officers would ensure that the Council submitted an application to Government for the reimbursement of lost income, where this was possible.
- (ii) that the charity would continue into the future as a separate body, with the Buckinghamshire Council acting as trustee of the charity.

Having reviewed the audited Annual Report and Financial Statement, it was,

RESOLVED –

- (1) That, subject to the audit progress and findings reported to the meeting, the Higginson Park Charity's audited Annual Report and Financial Statement for the year ended 31 March 2020 be approved.
- (2) That the Service Director – Corporate Finance (Section 151 Officer), in consultation with the Chairman of the Audit and Governance Committee, be authorised to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

10 RISK MANAGEMENT STRATEGY (UPDATED)

The Risk Management Strategy had been submitted to the Audit and Governance Committee on 10 June 2020. Members had noted the Strategy and had included a “placeholder” relating to risk appetite which needed to be updated.

The Committee received a report with the updated Risk Management Strategy which included information on:-

- The aims and objectives of the Strategy.
- The approach to risk management, which included information on the risk appetites across the different Directorates, with the appetites differing None to High according to the different types of risk / activities undertaken in the areas.
- the types of risk (internal, external, strategic, and major programmes and projects) and how the organization as a whole then used a methodology to calculate risk to ensure that the Council had an accurate overview of the risks that were posed. The two criteria used for the methodology were to look at the likelihood of an event occurring and the impact that event could have. Once this was done then it was necessary to determine the strategy for managing that risk.
- Roles and responsibilities, with it being recognised that it was the responsibility of all Members and Officers to have due regard for risk in performing their duties.
- Risk reporting and escalation: ensuring that a framework was in place to provide assurance that key risks with Directorates were being identified, monitored and managed as effectively and robustly as possible. Risks would be reported regularly to the relevant Directorate Board, the Corporate Management Team and the Risk Management Group.
- Culture, awareness and training being done to effectively implement a level of understanding of the Council’s risk management approach across the organisation.
- How Risk Appetite Matrix and Risk Methodology were measured.

Also attached to the Committee report were the terms of reference for the Risk Management Group, which Members referred to as part of their discussions.

Members sought additional information and were informed:-

- (i) that they would be provided with information on the names of the various Risk Champions within the Council (**Action Log**)
- (ii) that Members of the Risk Management Group would be provided with adequate training in the principles of audit, risk and control, as mentioned in paragraph of the Group’s terms of reference.

RESOLVED –

That the updated Risk Management Strategy (Appendix A) and the Risk Management Group terms of reference be noted.

11 INTERNAL AUDIT PLAN (UPDATED)

The Committee received a report updating it on the Internal Audit Plan for 2020/21. The original plan, attached as Appendix B to the agenda, had been prepared in consultation with the S151 Officer and internal audit and risk leads from the legacy Councils, as well as discussion with the Corporate and Service Directors for the Buckinghamshire Council, and been submitted to the meeting on 10 June 2020.

Due to the impact of the Covid-19 pandemic on the council, and further to conversations with various other Heads of Internal Audit, and taking into account other advice from professional bodies, we have been carefully considering what we need to achieve in 2020/21 with regards Internal Audit work during these unprecedented times and are mindful that a proportionate approach to Internal Audit must be taken to allow council staff and members to focus on the recovery from the Covid-19 crisis and council priorities.

The Head of Business Assurance (& Chief Auditor) had been of liaising with the Corporate and Service Directors to decide which areas of audit activity should not be carried out this year, but in the context of being able to provide adequate assurance over key risk areas and provide an opinion at the end of the year. This task was further complicated by the increased risks faced through the Unitary transition and the need to ensure that the key control framework is operating effectively to mitigate the risks.

The proposed changes were included at Appendix A and were highlighted in yellow. The changes included some audits to be postponed to 2021/22, some to be amalgamated with other audits and new audit areas which have been identified as high risk. The proposed changes had been agreed by the Audit Board on 15 July 2020.

Several audits were now in progress as agreed by the Audit and Governance Committee in June 2020, and the outputs would be reported to the Committee in September. The Q2 audit were as follows:-

Directorate	Service	Audit Area	Status
Adult's, Health and Housing	Quality Standards and Performance	Quality Assurance Framework	
Children's Services	Social Care	Safer Recruitment	To be combined with HR Processes audit late Q2
Children's Services	Education	Families First Grant Verification	Completed
Communities	Neighbourhood Services	Taxi Licensing	Planning in progress
Corporate	All	Follow up of audit actions from legacy councils	In progress
Corporate	All	Covid-19 Response to include: Supplier Payments Process; Emergency Payments; Decision Making etc	Planning in progress
Deputy Chief Executive	Policy and Communications	Information Governance	Planning in progress

Planning, Growth and Sustainability	N/A	Local Enterprise Partnership (c/fwd from 19/20 BCC Audit Plan)	Draft report issued
Planning, Growth and Sustainability	N/A	LEP Growth Hub Funding – Grant Verification	Completed
Resources	Finance/HR/IT	SAP Controls	In progress through Finance Task and Finish Group
Resources	HR	SAP Payroll Migration	Planning in progress
Resources	IT	IT Security (including Cyber Security)	Planning in progress

Members sought additional information and were informed:

- (i) on the HR approach that was being taken to look at the overall staffing structure for the new Council, including such issues as recruitment, vacancies and whether or not to fill them, and the use of consultants and agency staff. Service improvement reviews had already commenced in some areas. The Council's HR team had asked audit to undertake a 'continuous' audit of HR and people as the new staffing structures evolved.
- (ii) that the Council had been talking to its insurers about claiming against business interruption insurance. The situation was complicated with negotiations required before some claims would be approved. There had been a number of delays caused by insurers asking for additional information.
- (iii) that the Vale lottery had now become the Buckinghamshire lottery, covering the whole area of the new Council, with 60% of all ticket sales going to local good causes.

RESOLVED –

- (1) That the updated Internal Audit Plan for 2020/21 be approved.
- (2) That a report in relation to the business interruption insurance be submitted to the next meeting. **(Action Log)**

12 WORK PROGRAMME / ACTION LOG

The Committee considered their future work programme, which had been updated during the course of the meeting.

RESOLVED –

That the future work programme be approved, as follows:

30 September 2020

1. BCC Statement of Accounts and Audit Report.
2. BCC Annual Governance Statement.
3. Pension Fund Accounts and Audit Report.
4. Annual Report – Farnham Park Sports Field Charity.
5. BCC 2019/20 Head of Audit Annual Opinion.
6. Internal Audit Progress Report.
7. Counter Fraud Progress Report (Part II).
8. Business Interruption Insurance report.
9. Sign off of District Council's statements of accounts (short report)

18 November 2020

1. Internal Audit Progress Report.
2. Counter Fraud Progress Report (Part II).
3. Compliments and Complaints – Annual Report.
4. Contract Procedure Rules – Breaches.
5. Risk Management Group update.