



# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 10 JUNE 2020 VIA VIDEO CONFERENCE, COMMENCING AT 10.00AM AND CONCLUDING AT 12.10PM.**

#### **MEMBERS PRESENT**

D Anthony, R Bagge, A Christensen, R Jones, P Martin, R Newcombe, G Peart, R Sangster, M Smith, R Stuchbury and A Waite. Councillor K Wood attended also.

#### **Agenda Item**

##### **1 ELECTION OF CHAIRMAN**

RESOLVED –

That Councillor Newcombe be elected as Chairman of the Audit and Governance Committee for the ensuing year.

##### **2 APPOINTMENT OF VICE CHAIRMAN**

RESOLVED –

That Councillor Peart be appointed as Vice Chairman of the Audit and Governance Committee for the ensuing year.

##### **3 VIRTUAL MEETING PROCEDURE RULES**

RESOLVED –

That the procedural rules and guidance for conducting virtual meetings of the Audit and Governance Committee, as detailed at pages 5-9 of the agenda pack, be noted.

##### **4 STATEMENT OF ACCOUNTS - TRAINING**

Members received a presentation and training to assist them in interpreting, reviewing and challenging of local authority accounts, as the Committee was responsible for approving the Council's final accounts. The training provided insight into the respective responsibilities for the Committee, the Section 151 Officer and the External Auditors, along with what was included in the Statement of Accounts.

The presentation and training covered the following areas:

- That the purpose of a local authority's published Statement of Accounts was to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.
- On the timetable of work to be undertaken by the external auditors for the 2019/20 Statement of Accounts for the 5 legacy Councils, as well as for audits of the Pension Fund and two charity accounts. The Statement of Accounts and Audit reports for the 4 legacy District Councils would be submitted to the next Committee meeting in July 2020.
- Relevant legislation, including a detailed explanation of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the respective responsibilities of the authority, the auditor and the Audit Committee.
- Primary statements – Balance Sheet, Comprehensive income and expenditure statement (profit and loss account), cash flow statements and movement in reserves statement. collection fund (supplementary statement) and the Pension Fund accounts.
- Areas of the Statement of Accounts where the Audit Committee may wish to focus its challenge, namely the Narrative Statement, Annual Governance Statement and the Financial Statements. To assist with this challenge, a series of questions were suggested that the Committee may wish to ask. In addition to the questions, it was also suggested to Members that they should analyse figures compared to budget / prior year, and ask about any significant changes. In doing this, they should use their knowledge of the authority, budgets for the year and events to inform their lines of questioning.
- Other aspects of audit reporting – Whole of Government Accounts, SerCOP (providing a consistent framework for reporting local authority data), Value for Money recommendations, and Member objections whereby local residents challenged non material information within the accounts.

Members sought additional information and were informed that the Council's Section 151 Officer was responsible for approving the content of the Narrative Statement prior to it being submitted to the Committee.

RESOLVED –

That the content of the Statement of Accounts presentation and training be noted.

## **5 2019/20 TREASURY MANAGEMENT ANNUAL REPORTS (LEGACY COUNCILS)**

The Council was required by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Regulations (B5.2) to provide the Audit and Governance Committee with a report on the previous year's Treasury Management activity.

The Committee was informed by the Deputy Leader of the Council / Cabinet Member for Resources on the overall treasury management position for all legacy Councils for 2019/20. Treasury management activities had been conducted within the framework of CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition. Each of the legacy Council's had their treasury management strategies approved during February 2019. The general policy for all was the prudent investment of their treasury balances, and the cost effective borrowing to finance long term investment in the Councils' assets.

The report covered the following areas:-

- Borrowing – the legacy Councils had arranged a combination of Public Works Loan Board

(PWLB) loans and short term loans from other local authorities to meet their borrowing requirements in 2019/20. Outstanding loans totaled £365.448m (PWLB £335.448m and Lenders Option Borrowers Option (LOBOs) £30m).

- Treasury Position – all legacy Councils' investment policies had set out an approach for choosing investment counterparties, based on a system of credit ratings provided by the 3 main credit rating agencies, and supplemented by additional market data provided by treasury advisors. A summary was provided of the treasury outturn position.
- Covid-19 – that the Council had considered the impact of Covid-19 on its cash flow and in the short-term there had been a favourable impact as the government funding in respect of business grant (£91.8m), general allocation (£25.6m) and Council Tax hardship fund (£2.8m) had been received in advance of spend. In addition to short-term risks, the Council had also considered medium to long-term risks and its impacts and mitigation for Liquidity Risk, Market Risk and Credit Risk. A summary of the impacts and mitigation was detailed in the Committee report.

The Committee considered the Treasury Management Annual Report for all the five legacy councils in respect of 2019/20 that were attached as appendices to the Committee report and their attention was drawn to the tables at Capital Financing Requirements (page 36) and at Gross Borrowing and the CFR (page 37), where the bottom line additions needed to be corrected. Officers gave an undertaking to update this information on the website.

RESOLVED –

That the Treasury Management Annual Report for 2019/20 be noted and agreed.

## **6 UPDATE ON 2019/20 CLOSING OF ACCOUNTS**

The Committee was informed that this item had been withdrawn as an update and information on 2019/20 Closing of Accounts had been provided earlier in the meeting during the Statement of Accounts training session.

## **7 EXTERNAL AUDIT PLAN**

The Committee received a report on the 2019/20 External Audit plan for the audits of the Buckinghamshire County Council's financial statements and the Pension Fund. The audit activity would be delivered in accordance with the plan, and findings reported to the Chief Finance Officer (Section 151) and the Audit and Governance Committee. The Audit Plan included information on the following:

- Scope of the audit and the current circumstances, i.e. impacts of the Covid-19 pandemic on the audit and the value for money (VFM) approach.
- Significant Risks – which had been identified as the Valuation of land and buildings, Valuation of net pension fund liability, Management Override of Controls, and the impact of Covid-19.
- Materiality – the planning materiality level had been determined to be £14m which equated to 1.5% of prior year gross expenditure, a lower threshold than for the previous year's audit. As such, this would slightly increase the amount of audit work that needed to be undertaken.
- Value for Money arrangements.
- Audit Logistics including that the scale fee for the audit would be £67,828. However, further issues identified during the course of the audit would likely incur additional fees and it was indicated that the revised scale fee was £92,828. This revised fee would need to be approved by the Public Sector Audit Appointments (PSAA).

- Independence – the external auditors confirmed that they had complied with the Financial Reporting Council’s Ethical Standard and, as a firm, each covered person had confirmed that they were independent and were able to express an objective opinion on the financial statements.

Members sought additional information and were informed:

- (i) That the audit of the Pension Fund was a standalone audit and opinion, and would not include a Value for Money conclusion.
- (ii) That where current circumstances impacted on issues such as changing valuations or on material uncertainty amounts, then an explanation and reasons for this would be provided.
- (iii) With an apology that there were a number of typographical errors in the External Audit Plan. A corrected version would be produced and re-issued.

RESOLVED –

That the 2019/20 External Audit Plan for the audits of the Buckinghamshire County Council’s financial statements and the Pension Fund be noted.

## **8 2020/21 BUSINESS ASSURANCE STRATEGY (INCLUDING INTERNAL AUDIT PLAN)**

The Committee received a report on the draft Business Assurance Strategy and the draft Internal Audit Plan, which also provided the context behind the impact of the Covid-19 pandemic. It was explained to Members that at this stage they were only being asked to approve a small element of the draft 2020/21 Internal Audit Plan, i.e. proposed Q2 audits, to enable assurance activity to commence in June 2020.

The original Internal Audit Plan for 2020/21 (Appendix B) had been prepared in consultation with the Section 151 Officers and internal audit and risk leads from the legacy Councils, as well as from discussions with the Corporate and Service Directors for Buckinghamshire Council. The plan had been considered by the Chief Executive’s Implementation Group (CIG) and agreed in principle whilst recognizing that it needed to be fluid and adaptable to react to the changing risk landscape and emerging issues.

Due to the impact of the Covid-19 pandemic on the council, and following wider consultation on what internal audit needed to be achieved in 2020/21, it was now being proposed that a proportionate approach to internal audit must be taken to allow council staff and Members to focus on recovery from the Covid-19 crisis and council priorities.

A number of officers from the Business Assurance Team had been redeployed to support the council’s response to Covid-19, as the continuation of business as usual within this team had not been a high priority. The majority of audit and assurance activity had been put on hold, the exception being on risk management activity to support the Covid-19 response and the work within the Counter Fraud team which had focused primarily on the Business Rate Grants process.

As a result, the Head of Business Assurance (and chief auditor) had started the challenging task of liaising with the Corporate and Service Directors to decide which areas of audit activity should not be carried out this year, whilst also 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 risk faced through the unitary transition.

The review of the draft Internal Audit Plan would take place during June 2020 and a revised plan would be submitted to the Committee in July 2020 for approval.

Members considered the draft Internal Audit Plan which included a list of a number of audits which it was recommended needed to proceed. The audit team was in the process of liaising with the relevant Service Directors to commence the planning process for the reviews.

Members sought additional information and were informed:

- (i) That Officers were speaking to Corporate and Service Directors about school transport as this was recognized as a high risk area.
- (ii) That Officers from the legacy councils had successfully TUPE transferred to the new Council on 1 April 2020. Service reviews of a number of areas had now been timetabled to commence from July 2020. The audit team would be providing assurance to the service improvement activities over the next 18 months.

RESOLVED –

- (1) That the Business Assurance Strategy for 2020/21 be noted.
- (2) That the proposed Q2 audits from the Internal Audit Plan for 2020/21 be approved.

## **9 INTERNAL AUDIT CHARTER**

The Public Sector Internal Audit Standards (PSIAS), which took effect from 1 April 2013, provided a consolidated approach across the whole 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 a charter was to formally define the Internal Audit activity's purpose, authority and responsibility.

The Committee was informed that the Internal Audit Charter, that was attached as an appendix in the agenda, had been reviewed and signed off by the Section 151 Officer, with the document then being agreed by the Cabinet Member for Resources prior to vesting day for the new Buckinghamshire Council.

RESOLVED –

That the Internal Audit Charter be approved.

## **10 2020/21 DRAFT COUNTER FRAUD PLAN**

The Committee received a report outlining the internal and external fraud risks faced by the council and the proposed areas of pro-active audit fraud work to be delivered across the year, in addition to reactive fraud investigations.

As with any crisis, fraudsters were capitalizing on the Covid-19 pandemic to take advantage of those who were seeking help and, as such, there had been an increased in the risk of fraud across the sector. This included fraudulent applications for Business Rate Grants, fake PPE providers and a significant number of phishing emails. As such the Counter Fraud Plan for 2020/21 would seek to pro-actively review a number of the key risk areas as a result of the impact of Covid-19.

Members discussed the draft Counter Fraud Plan for 2020/21 and, it was

RESOLVED –

That the Buckinghamshire Council Counter Fraud Plan for 2020/21 be approved.

## **11 RISK MANAGEMENT FRAMEWORK (INCLUDING TOR FOR RISK MANAGEMENT GROUP)**

The Committee was informed that the Council's Risk Management Strategy had been agreed by the informal Shadow Executive in November 2019, and then been approved by the Shadow Authority's portfolio holder for Resources in March 2020. The Strategy was now being submitted to the Committee for Members' awareness and information.

Members were informed that the Risk Management Strategy provided a framework designed to support Members and Officer in ensuring that the Council was able to discharge its risk management responsibilities. The key objectives of the Strategy were to:

- Embed risk and opportunity management into the culture of the organization.
- Develop a balanced approach to managing the wide range of business risks facing the Council.
- Manage risk in accordance with legislation and best practice.
- Establish a common understanding of the Council's expectations on risk management with partners, providers and contractors.

The Strategy would eventually set out the Council's risk appetite, which was likely to be different across different areas of the Council. Risk appetite was currently being discussed alongside the Directorate and Service Planning process and, as such, the strategy provided a "placeholder" for this.

The Strategy stated the responsibility for managing risk belonged to everyone across the Council and that there needed to be a good understanding of the nature of risk by all stakeholders. The details of the roles with specific responsibilities for managing risks would need to be further developed when structures and teams were clarified. This should be done as part of establishing the "ways of working" and can be an engaging process to support the development of an effective risk management culture. A Risk Champion had been identified in each of the Directorates to support this process.

The strategy would be supported by a risk management framework and process to be developed through engagement with the Corporate Directors and Leadership team. Engaging in the development of the framework was an important part of embedding an effective risk management culture. Each directorate would work to a risk escalation framework tailored to the business needs and risk appetite.

Members were informed that a programme of workshops and training sessions was being developed for Q2, including an e-learning package. It was proposed that a Risk Management Group be established as a sub-group of the Audit and Governance Committee. The membership of the sub-group would be agreed by the Chairman of the Audit and Governance Committee and would meet quarterly in private. The draft terms of reference were detailed at Appendix B to the Committee report.

Members sought additional information and were informed that the draft terms of reference for the Risk Management Group required further work and would be reported back to the Committee for approval.

RESOLVED –

That an updated Risk Management Strategy be reported to the next Audit and Governance Committee meeting for approval.

## **12 WORK PROGRAMME**

The Committee received a report on their future work programme, which was updated during the course of the meeting.

RESOLVED –

That the future work programme be approved, as follow:

### **22 July 2020**

1. Statement of Accounts and Audit Report – AVDC.
2. Statement of Accounts and Audit Report – CDC.
3. Statement of Accounts and Audit Report – SBDC.
4. Statement of Accounts and Audit Report – SDC.
5. Annual Report – Higginson Park Charity.
6. Pension Fund Accounts and Audit Report (TBC).
7. BCC 2019/20 Head of Audit Annual Opinion.
8. Risk Management Strategy (updated).
9. Internal Audit Plan (updated).

### **30 September 2020**

1. Statement of Accounts and Audit Report – BCC.
2. Annual Report – Farnham Park Sports Field Charity.
3. Pension Fund Accounts and Audit Report (if not reported in July 2020).

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