



Buckinghamshire Council

Audit and Governance Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 18 NOVEMBER 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 11.00 AM AND CONCLUDING AT 1.25 PM

MEMBERS PRESENT

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

APOLOGIES

A Christensen and L Clarke.

Agenda Item

1 MINUTES

Page 12 (Other Comprehensive Income and Expenditure) – it was noted that the figure £26 should be corrected to read £26m.

Minutes 5-8 (pages 11-22) Statements of Accounts 2019/20 and Audit Reports for the 4 legacy District Councils – in response to a question, Members were informed that the accounts for the 4 legacy District Councils had yet to be finalized and signed off. This was primarily due to Ernst and Young having not yet completed their audit work. Ernst and Young were looking at issues relating to going concerns. They had also asked other questions to which the Council Officers had promptly responded. No material changes had been made to any of the accounts that needed to be communicated to the Committee so it was hoped that, subject to Ernst and Young completing their work, that the accounts would be signed off by 30 November, or soon afterwards. Officers agreed to provide Councillors with changes made to the accounts since the committee approved the statements in July and an explanatory note on the above position .

RESOLVED –

That the Minutes of the meeting held on 29 July, 2020 be approved as a correct record.

2 ACTION TRACKER / LOG

The Committee considered the Action Tracker 2020-21 at pages 5-7 of the agenda, that listed outstanding actions from previous meetings.

Members were informed that since Covid-19 had happened before the new Council came into being on 1 April 2020, it was unlikely that the Council would be able to claim against business interruption insurance. However, issues would be looked at on a case-by-case basis. There were also complexities as the Council was able to reclaim monies from central Government for the reimbursements of some costs. A successful claim had been made for schools and for parents who had paid upfront for trips abroad that were no longer possible.

The Committee noted that all actions had been completed or were being reported to the meeting.

RESOLVED –

That the Action Tracker be noted.

3 BUCKINGHAMSHIRE COUNTY COUNCIL AND PENSION FUND STATEMENT OF ACCOUNTS 2019/20

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 the 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 the pandemic. The draft statement of accounts had been published on the Council's website on 28 August, meeting the revised statutory deadline. The public inspection period for the accounts had run from 1 September 2020 to 12 October 2020 and had now ended.

The audit of the accounts had commenced in September and at the time of publishing the Committee report, the plan was that the audit fieldwork would be substantially completed followed by closing procedures and final reviews with a view to sign off of the audit by the statutory deadline of 30 November. The audit of the Pension Fund Accounts had been completed.

In accordance with the International Standard on Auditing (ISA) 260, the External Auditor (Grant Thornton) had prepared a detailed record of all matters arising from the audit of the Statement of Accounts. This Report was attached as Appendix 2. Members were informed that subject to the completion of all work, the auditors were proposing to issue an unqualified opinion on the financial statements. However, the Value for Money opinion was likely to be qualified as the auditors still had some concerns in relation to the Ofsted Rating on Children's Services. These concerns were unlikely to change until such stage as a further Ofsted inspection was carried out.

The Statement of Accounts outlined the Council's financial performance for the year. The accounts provide 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 these accounts were summarised as follows:-

Buckinghamshire County Council Statement of Accounts – the Committee was informed of the main adjustments made to the draft accounts as a consequence of the audit and which had been agreed with Grant Thornton.

Long-Term Assets – Note 15 Property, Plant and Equipment – asset value had decreased from £1,466m to £1,461m. This was due to an error on the revaluations of the assets. Note 19 Investment Properties – asset value decrease from £188m to £187m. This was due to an error on the revaluations of the assets. This amendment had also affected the Balance Sheet, reducing the Long-Term Assets from £1,685m to £1,679m. This had not impacted on the bottom line.

Leases - Authority as a Lessor - Operating Leases – Leases relating to our investment properties had been omitted from this note. In the draft accounts we had reported having £6.942m of operating leases. Having reviewed and reworked the information we were now reporting to have £61.989m over the life of the leases and £9.192m due within the next financial year 2020/21. This was a presentational error. All income relating to these leases had been accounted for correctly. This adjustment did not affect the bottom line.

Pension Fund – there had not been any amendments to the main statements of the Pension Fund.

Investments – Note 9 – The bottom line for this note had not changed but the presentation of the numbers within the table had been amended to ensure correct categorisation of the investment figures.

Additional Financial Risk Management Disclosures – Note 13 – Market price Sensitivity Analysis table. The numbers within this table had not changed however the table did not cast correctly. This had been amended

Actuarial Position of the Fund – Note 17 – Incorrect Financial assumptions as used by Barnett Waddingham had been report in the draft accounts. These had not been amended.

Members were informed that none of the adjustments to the Statement of Accounts had impacted on the outturn position and, therefore, there had been no change to the General Fund Reserves as compared to that previously reported in the draft accounts. The overall position on the General Fund reserve was an increase of £4.534m to £30.954m. The increase was due to an underspend of £534k and a budgeted contribution of £4m. Earmarked reserves had reduced by £8.249m to £89.634m (with £14.034m earmarked for Schools). The overall outturn and level of General Fund reserves had not changed following the audit. These reserves had been rolled forward into the new authority.

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

BCC Statement of Accounts

- (i) That the “emphasis of matters” paragraph in the Audit Findings report highlighted 3 main issues: operation of land and buildings, investment in property, and investments made by the Pension Fund.
- (ii) that the outturn position for the revenue budget was a small underspend of £0.53m for the year. There had been an overall underspend of £5.46m in the capital programme, with the main variance due to slippage on primary and secondary school places projects due to delays on land purchases and building delays. However, a table was provided with the accounts that showed this was by far the smallest outturn variance (slippage) for a number of years.

- (iii) that BCC had made additional external borrowings of £40m at the end of the financial year although in hindsight this had possibly not been needed.
- (iv) that while they could see there had been some positive direction of travel to address issues identified for Children's Services, the auditors would require evidence from a further Ofsted inspection before they would be able to update the VFM opinion.

Pension Fund Accounts

- (v) it was confirmed that the 5 legacy Councils had all been up to date on 1 April 2020 with their payments to the Pension Fund, when the Buckinghamshire had commenced.
- (vi) that a few of the smaller authorities were not up-to-date with their payments to the Pension Fund. These were for small amounts, which were being actively pursued.
- (vii) that the Pension Fund liability was calculated every 3 years by the appointed actuary, with annual updates in the intervening years. The last such valuation had taken place as at 31 March 2019, which had assessed that the past service funding level of the Fund as a whole had increased from 87% to 94% between 31/3/2016 and 31/3/2019. The improvement was mainly due to good investment returns and employer contributions. All employers were projected to be fully funded by no later than 31 March 2035. The next valuation would take place as at 31 March 2022.
- (viii) that the Pension Fund liability amount of £624m was an estimate provided for inclusion with the financial accounts.
- (ix) that the Pension Fund liability related only to the liability of the County Council as at 31 March 2020. The statement of accounts produced for 2020-2021, as at 31 March 2021, would bring together the Pension Fund liability information from the 5 legacy Councils.
- (x) Actuarial Position of the Fund (Note 17) – that as the suggested amendment had been immaterial, the Council had relied on the financial assumption as used by Barnett Waddington and not made the amendment.
- (xi) Action Plan (Scheme contributions) – a revised system for the reconciliation of monthly returns from scheduled and admitted bodies had been introduced including how information was reported to the Pension Fund and senior management.
- (xii) IAS 19 (Milton Keynes Council – management was working with Milton Keynes Council to try to ensure that their data was provided ahead of year end closedown and audit in the future.

Having reviewed the Buckinghamshire County Council and Pension Fund 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 from the external auditors be noted.
- (2) That management's proposed treatment of the Valuation of Academies (Audit Findings

of BCC Accounts, Appendix C, Audit Adjustments, Impact of unadjusted misstatements) not to make an amendment as the difference was not material be approved.

- (3) That the Letter of Representation (ISA 260) be approved.
- (4) That the Service Director (Corporate Finance and Section 151 Officer) be authorized, following consultation with the Chairman, to make any final amendments to the accounts arising from outstanding work prior to the approval of the final statements of accounts.
- (5) That the Chairman and the Service Director – Corporate Finance (and Section 151 Officer), be authorized to sign off the final accounts, subject to no material amendments being required to the main financial statements.
- (6) That the thanks of the Committee and the external auditors be passed to the Officers / Financial Teams for their efforts in putting together the statements of accounts and pension fund this year under what had been very difficult circumstances.

Note: Councillor Stuchbury abstained from voting on the resolutions.

4 BCC ANNUAL GOVERNANCE STATEMENT 2019/2020

The Committee received the Annual Governance Statement (AGS) for Buckinghamshire County Council for 2019-2020. Once the Committee had approved the statement it would be signed by the Section 151 Officer and be published on the Buckinghamshire Council website with the Statement of Accounts. This was the final AGS for Buckinghamshire County Council as the organisation had ceased to exist after 31 March 2020.

The Council was responsible for making sure that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, properly accounted for and used economically and efficiently. There was also a duty under the Local Government Act 1999 to put in place proper arrangements for:

- the continuous improvement of our functions
- the governance of our affairs, including those of the Local Government Pension Scheme, which includes arrangements for the management of risk.

The Annual Governance Statement explained how the County Council had complied with the Governance Framework. It also met the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of the statement of internal control.

The Annual Governance Statement (AGS) provided an account of the processes, systems and records which demonstrated assurance for the effectiveness of the framework of governance of the County Council's discharge of its responsibilities. This principally covered the period April 2019 to March 2020, as well as covering the period to November 2020, when the accounts were to be signed.

Buckinghamshire County Council (BCC) had ceased to be a legal entity on 31 March 2020 and a single unitary council for Buckinghamshire had launched on 1 April 2020 replacing the county council and four district councils.

Each of the legacy councils had produced an AGS, and any actions would be followed up under the new Buckinghamshire Council's governance arrangements. This AGS covered Buckinghamshire County Council's arrangements only.

Members sought additional information on the AGS and were informed:-

- (i) that any outstanding actions from BCC (and all other legacy councils) would be monitored and reported on through Buckinghamshire Council's processes. A report would be submitted to the Committee in March 2021.
- (ii) that the Action Plan timescales for reporting on Covid-19 and Integrated Transport would be in January 2021, not 2020 as stated.
- (iii) that information on the transition to the new Buckinghamshire Council, including impacts on service delivery would be reported as part of the Annual Governance Statement 2020-21.

Having critically reviewed the Annual Governance Statement 2019-20 and the robustness of the governance arrangements, it was

RESOLVED –

- (1) That the content of the Buckinghamshire County Council's Annual Governance Statement 2019-20, be noted.
- (2) That the Annual Governance Statement 2019-20 be approved for inclusion in the Council's Statement of Accounts for 2019-20.

5 BCC 2019/20 ANNUAL REPORT OF THE CHIEF AUDITOR

The Committee received the 2019-20 Annual Report of the Chief Internal Auditor for Buckinghamshire County Council. The report outlined the Internal Audit work undertaken by the Business Assurance Team for the year ending 31 March 2020 and sought to provide an opinion on the adequacy of the control environment detailing the incidences of any significant control failings or weaknesses. The overall report informed the Annual Governance Statement that would be published with the Statement of Accounts.

Members were informed that The Account and Audit Regulations 2015 required the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAs) required the Chief Auditor to provide an annual opinion, based upon and limited to the work performed, and on the overall adequacy and effectiveness of the organisation's systems of internal control which consisted of a framework of governance, risk management and control.

The annual report set out the basis for the audit opinion. With effect from 1 April 2013, the Public Sector Internal Audit Standards had been introduced as mandatory guidance that constituted the principles of the fundamental requirements for the professional practice of internal auditing within the public sector.

The Internal Audit Service had operated in accordance with these standards, however, during 2019-20 there had been the following areas of non-conformance with those standards:

- The Chief Auditor had operational management responsibility for the Risk Management and Strategic Insurance functions, so was not wholly independent. The risk of conflict of interest was managed partially through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitored and reviewed the adequacy and effectiveness of the risk management strategy and process;

and, where audit activity was undertaken in areas where the Chief Auditor had operational responsibility, reports were sent directly to the Director of Finance and Procurement (Section 151 Officer) or Monitoring Officer. Regular reporting to the Corporate Management Team of Strategic Insurance team performance had occurred during 2019/20.

- A Quality Assurance and Improvement Programme had been drafted however remained incomplete, as the planned PSIA compliance assessment that was to be performed by an independent assessor had been cancelled due to their capacity issues coupled with Covid-19 pressures. In the interim the Business Assurance Team had carried out a review of its processes to ensure continuous improvement within the Internal Audit function and as part of the unitary readiness, and the outcomes of these reviews would be included in the team's business improvement plan. The Business Assurance Team performed a self-assessment of 118 standards and confirmed general compliance with 111 and partial compliance with six. The outcome of this self-assessment was being fed into a Quality Assurance and Improvement Programme, and the areas of partial compliance were not deemed significant and did not compromise the integrity of the Internal Audit function.

The Committee was informed of all the factors and information that had been considered in giving an overall opinion. Based on the work performed, on the experience and knowledge of previous years' performance and the current climate in which the Council was operating which included the unitary readiness activity, the Chief Auditor's opinion on the adequacy and effectiveness of the Council's internal control framework was of **reasonable assurance**. The overall system of internal control facilitated the effective exercise of the Council's functions and provided an **unqualified** opinion regarding the effective, efficient and economic exercise of the Council's functions for 2019/20.

The governance framework remained stable and continued to strengthen with collaboration and accountable values demonstrated by the Business Units across the Council. Although arrangements changed during the latter part of the year as the organisation prepared for the new unitary Council, the improved governance, and the enhanced accountability culture remained and through this sustained scrutiny exposed some legacy weaknesses in key systems of control. Namely, Integrated Transport where significant weaknesses were identified in the financial management, contract management and delivery of the service. A new Corporate Director and a new Service Director had been appointed in Q3, following which significant improvements had been made.

The unqualified opinion was evidenced by the outcomes of internal audits, including investigations into financial irregularity; the implementation of audit actions and the robustness of the Risk Management Framework.

Members sought additional information and were informed:-

- (i) Commissioning/Contract Management (Key Control System) – that a whole new team and Head of Service were in place, and were proactively addressing issues to improve this area, in particular the key weaknesses that had been identified in Integrated Transport.
- (ii) that a report on Counter Fraud would be submitted to the Committee in January 2021.
- (iii) that the strategic procurement team was working hard to ensure that data within CMA was provided in a timely manner.

Members thanked the Head of Business Assurance and her team for the robust report and the internal audit work that had been done by her team, and it was –

RESOLVED –

That the 2019-20 Annual Report of the Chief Internal Auditor for Buckinghamshire County Council be noted.

6 FARNHAM PARK SPORTS FIELD CHARITY ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20

The Committee received the draft Annual Report and the Financial Statements for the Farnham Park Sports Field Charity for the year ended 31 March 2020. They 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 accounts had been audited by Wilkins Kennedy. Their draft report was included at Appendix 1. It was possible that the report would change once the outstanding audit work had been completed and finalized.

Members were informed that the net worth of Farnham Park Sports Fields Charity had decreased by £342k from £1.006m in 2019 to £0.664m in 2020. The net operating expenditure for the year was £342k compared to £152k in 2018/19. The main reason for the significant movement was a 21% decrease in usage of the golf course, due to bad weather during Autumn and Winter, together with a drop in demand due to a number of courses competing for the same shrinking market. Subsequently, there is also a drop in catering income due to lower footfall.

The introduction of restrictions due to COVID-19 had had a negative financial impact upon the operation of the Charity, with loss of income forecasted to be £355k to date. Measures were in place to recover some of these losses through the Governments' Support Scheme.

Members commented that while they were content with the accuracy of the accounts, they had concerns that the net worth of the Charity had decreased significantly in recent times. As such, it was suggested that an urgent review of the Charity was required to look at what actions might be taken to ensure it could remain a viable concern and not incur further losses that might need to be funded by the Council. For example, if the golf course catering was making a loss then it could be closed.

An undertaking was given to report back to the Committee's January 2021 meeting on the financial viability of the Charity going forward and Members suggested that this should include:

- If the Charity continued to make losses, what would then become of the assets.
- What annual contribution was the Council currently making to the running/operation of the Charity?
- What responsibility would the Council have to fund the Charity if it did not have any funds of its own?
- What would happen if the Charity was unable to repay the £1.4m that was owed to the Buckinghamshire Council?

RESOLVED –

- (1) That the audit progress and findings from the external auditors be noted.
- (2) That the Service Director (Corporate Finance and Section 151 Officer) be authorized, following consultation with the Chairman, to make any final amendments to the accounts arising from outstanding audit work prior to the approval of the Farnham Park Sports Field Charity Annual Report and Financial Statements for 2019-2020.
- (3) That the Chairman and the Service Director – Corporate Finance (and Section 151 Officer), be authorized to sign off the Annual Report and final accounts, subject to no material amendments being required.
- (4) That the Service Director – Corporate Finance be requested to inform the relevant Cabinet Member(s) of the Committee's concerns regarding the financial viability of the Charity.
- (5) That a report on the Charity's financial viability, as discussed at the meeting, be submitted to the next Committee meeting in January 2021.

7 OUTCOME OF INSPECTION FROM THE INVESTIGATORY POWERS COMMISSIONER'S OFFICE (IPCO)

The Regulation of Investigatory Powers Act (RIPA) provided extensive powers for public authorities which were necessarily intrusive. It was an important part of the Council's governance arrangements that Officers adhered to the Council's policies and the law when using these powers. An additional safeguard was a regular inspection by the Investigatory Powers Commissioner's Office (IPCO).

The Committee received a report and were informed that upon the formation of the unitary Council the Cabinet had received a report from Officers and approved the new Council's arrangements for undertaking surveillance activities under RIPA including the approval of a revised and comprehensive RIPA policy.

On 4 September 2020 the Council had been notified that the IPCO wanted to undertake an inspection of the Council's arrangements. The request provided an outline of the issues that the Inspector wanted to consider together with a detailed list of questions and requests for information. A copy of the request was provided at Appendix 2 of the Committee report.

Officers had met with a Surveillance Inspector from the IPCO on the 17 September 2020 for the inspection. The Council's Chief Executive had then been provided with a copy of the outcome of the inspection on 21 September 2020, a copy being attached at Appendix 1 to the Committee report.

Members were informed that, overall, the policy had been commended although there was one change required relating to the authorisation period for covert surveillance for juvenile sources. This should be for a 4 month period with monthly reviews. Although not in the report, the Commissioner had been keen to hear if the Council used RIPA powers in relation to the implementation and enforcement of local lockdown powers which have recently been granted to local authorities.

The Commissioner had found in other authorities that data obtained from surveillance activity

had not been processed correctly, ie, not properly labelled, and not properly part of a retention arrangement. The Council's policy was considered to address this area, but needed to ensure that this was cross referred to other policies in the Council and that it formed part of the officer training arrangements.

In response to questions the Committee was informed that a copy of the RIPA policy was accessible on the Council's website, and that a report on use of RIPA would be submitted to the March 2021 meeting.

RESOLVED –

- (1) That the successful outcome of the inspection of the Council's arrangements for its use of its powers under the Regulation of Investigatory Powers Act, together with the additional recommendations from the IPCO report, be noted.
- (2) That Officers be asked to implement the additional recommendations from the IPCO report.
- (3) That an update on the use of the RIPA powers generally by the Council be reported to the Committee in March 2021.

8 REDMOND REVIEW ON THE EFFECTIVENESS OF LOCAL AUDIT AND ACCOUNTABILITY TO THE PUBLIC

The Committee received a report and was informed that Sir Tony Redmond had carried out a review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audits in England. The objectives of the review were:

- (i) Whether the audit and related regulatory framework for local authorities in England was operating in line with the policy intent set out in the Act and the related impact assessment.
- (ii) Whether the reforms had improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils.
- (iii) Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account.
- (iv) To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

The Redmond key findings had been:

- (a) Local Audit arrangements – the most significant finding was the lack of coherence in local audit arrangements. No coherence in approach to procure audit. There were serious concerns regarding the effectiveness of local audit. Some of this was linked to the fee structure.
- (b) A view that the cost was 25% less than it should be and as a result the quality of auditors had reduced. There was concern that the auditors did not have the experience or knowledge of local authorities. 40% of audits for 2018/19 had not been complete by the deadline.
- (c) Governance arrangements – it was questioned whether Audit Committees understood the issues to question and challenge in an effective way? There were relatively low numbers of independent Audit Committee Members, little communication between the Audit Committee and Inspectors and no formal exchange of views. There seemed to be no real relationship between the Audit Committee and Full Council with very few reports

- submitted to Council.
- (d) Internal Audit was not used much by External Audit as code of practice did not require them to liaise with internal audit work.
 - (e) Reporting – Current arrangements did not allow for the public to understand the accounts. More could be done to improve transparency of what local authorities did.

The recommendations in the Redmond report were:

Local Audits –

- A new 'Office of Local Audit Regulation' to be established and have responsibility for procuring, managing, overseeing and regulating local audits. It would include the current responsibilities fulfilled by Public Sector Audit Appointments (PSAA), National Audit Office (NAO) and Financial Reporting Council (FRC). The Office would provide facility for feedback and commentary in how the local audits are done and be able to impose sanctions where there were significant issues in a LA. e.g. If financial resilience issues where MHCLG are needed to intervene.
- Fee structure needed to be revised to reflect the true cost with local audit firms.

Governance –

- At least 1 independent member would be required on each Audit Committee.
- Would be a requirement for three statutory officers to meet External Audit annually.
- Audit Committee members would have a requirement to be trained.
- Audit completion would move from 31 July to 30 September.
- An annual report to be presented by the External Auditor to the first Council meeting after 30 September.
- Auditors must have skills and training but also needed to be in place for LA finance staff. An induction/training mechanism was needed for new Section 151 Officers on Final Accounts.
- NAO had issued a new Code of Practice on VFM and these were to be endorsed.

Financial Reporting –

- A new standardised statement of services and costs would be required to enable a comparison of budget setting Council Tax information to outturn. CIPFA would be consulted upon this between September and December. Statement will be used in trial basis for YE 2020/21. Following year, the statement would be subject to audit. This would be a standard format and would be a requirement although it would not need to be published.
- CIPFA would also be tasked with reviewing the accounts. Property, Plant & Equipment and Pension Fund issues needed to be reviewed (as add little value for a local authority).

The Committee was informed that the PSAA Public Accounts Committee had written to MHCLG regarding the report and requested a full response by December 2020. A report would be brought back to the Audit and Governance Committee at the appropriate time following the

response from MHCLG.

RESOLVED –

That the report be noted.

9 2020/21 INTERNAL AUDIT PLAN UPDATE

The Committee received a report and was informed that the 2020/21 Internal Audit Plan had been reviewed and updated having regard to the impact of the Covid-19 pandemic on both the risk profile of the Councils and the resources needed to deliver the internal audit activity.

The original 2020/21 Internal Audit Plan had been prepared in consultation with the Section 151 Officers and internal audit and risk leads from the legacy Councils, as well as discussions with the Corporate and Service Directors for Buckinghamshire Council.

Due to the impact of the Covid-19 pandemic on the Council, careful consideration had been given to what needed to be achieved in 2020/21 for Internal Audit work during these unprecedented times. Through conversations with various other Heads of Internal Audit, and taking into account other advice from professional bodies, Officers were mindful that a proportionate approach to Internal Audit had to be taken to allow Council staff and Members to focus on the recovery from the Covid-19 crisis and Council priorities.

Unplanned Covid-19 related audit and assurance activity had been required during Q1 and Q2, such as verifying the lost income compensation return to MHCLG and proving assurance over the small business grants process which had not been included in the original plan. The current audit plan had been reviewed again at the start of the second lockdown, and would continue to be discussed with Corporate and Service Directors for approval at Audit Board and by this Committee.

The proposed changes to the Plan were included at Appendix A to the Committee report and were highlighted in yellow. The changes included postponing some audits to 2021/22, amalgamating some with other audits and new audit areas which have been identified as high risk.

Members were informed that several audits were now in progress as agreed by the Audit and Governance Committee, and the outcomes would be reported in due course.

The Committee was informed that a summary of SEND – Complaints could be provided to due course so Members could get a better understanding of the types of complaints received.

RESOLVED –

That the updated Internal Audit Plan for 2020-21 be approved.

10 CONTRACT PROCEDURE RULES - WAIVERS AND BREACHES

The Committee received a report in relation to compliance with the Council's Contract Procedure Rules (CPR) and the Public Contracts Regulations 2015. The report covered the period from 1 April 2020 to 30 September 2020.

The Council, as a public body, had to comply with the Public Contracts Regulations 2015 when undertaking procurement exercises and awarding contracts. The Regulations placed a great deal of restrictions on how the Council was permitted to run procurement exercises and in some

cases the Council could be sued by bidders for not following the Regulations.

Members were informed that it was the relevant service area/ directorate that was responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The procurement team developed the corporate policy, supported high risk/value procurement exercises and provided training on procurement & contract management.

The report detailed information on the Council's CPR's relating to contracts, waivers and breaches including that all purchases over £25K were subject to competition. There were requirements on the number of written quotes required and in some instances a full tender process or compliant Framework Agreement would have to be followed if the contract cost was more than the relevant procurement threshold. Where possible, local suppliers were given an opportunity to bid.

CPR Rule 6.18 allowed a Waiver to the requirement for competition and allowed a contract to be placed by direct negotiation with one or more suppliers however, a waiver could not be granted if over the relevant procurement thresholds. The threshold amounts were explained in the report.

If a direct award was made that was above this threshold (if a legal alternative such as a Framework was not used) a breach had occurred, and officers were obliged to report this to the S151 Officer and Monitoring Officer (statutory officers). In some instances, there might be legal permitted changes within the Public Contracts Regulations 2015.

It was explained that Service areas could complete waiver forms to waive internal rules, but not Procurement Law. Service areas had to demonstrate why a waiver was needed and must include why this was best value. The Procurement team carried out commercial assessments on all waivers using a risk-based approach. Legal and financial input was requested when appropriate. Information was provided on the sign off process for waivers and the main factors considered in the risk-base approach.

Waiver Summary for Quarters 1 and 2 – FY 2020-2021

A summary of activity for the period was as follows:-

- 30 Waivers had been completed, total value approved had been £8,165,786.
- the highest value Waiver had been for £3,644,487. This related to a social care contract for Integrated Community equipment. Legal had advised that although this was in excess of the thresholds set out by CPRs this contract fell under Regulation 72 of PCR 2015 and therefore extension was permissible. Regulation 72 provided a number of permitted modification of contracts for certain reasons. In this instance, the impact due to COVID19.
- the lowest value Waiver had been for £31,450.

There had been one breach reported to the Statutory Officers in the period since the last report. A full report on the breach was included in a confidential appendix to the agenda.

The Committee was also provided with information on the requirements for the publication of contract opportunities and award notices on the Government's Contract Finder website.

The Council had been investigated by the Procurement Review Service in June 2020, following an allegation from a company that the Council had not complied with the Public Contracts Regulations 2015 when awarding a contract to a supplier. The Procurement Review Service had

investigated and found that the Council had acted within the Regulations and had considered best value. The complaint had not been upheld.

One of the newest issues of bringing together 5 Councils was for the procurement and contract management culture of relevant services areas/directorates. In order to develop a new positive culture and ensure a high level of assurance the Procurement team was providing training on several areas relating to procurement and contract management.

In response to a question, Members were informed that waivers were signed off by the relevant Cabinet Member and information was then reported periodically to the Audit and Governance Committee.

RESOLVED –

That the information on waivers and breaches of the Council's Contract Procedure Rules for quarters 1 and 2 of 2020-21, together with the work of the Strategic Procurement team, be noted.

11 RISK MANAGEMENT GROUP UPDATE

The Committee received a report and update on the work undertaken by the Risk Management Group (RMG) during September-November 2020.

The inaugural meeting had been held on 14 September 2020 and primarily focused on training, and on getting a common understanding of the Council's Risk Management Framework including the risk scoring methodology. The group had then considered the Strategic Risk Register (SRR) which was owned by the Corporate Management Team (CMT). The SRR currently held the 12 most significant risks faced by the council, with each risk owned by a member of CMT. The SRR was reviewed and updated on a monthly basis.

The main themes of the strategic risks were internal and external financial risks, market failure and safeguarding. Each of the risks had a number of actions identified to mitigate the risk, and the actions were monitored and updated on a monthly basis. The RMG discussed each of the key risks in detail and members suggested that a new risk relating to Climate Change should be considered.

The agenda for the meeting of the RMG on 2 November 2020 had included Adults and Health Risk Update, Strategic and Covid-19 Risk Registers, and the Corporate Fraud Risk Register. Senior Officers from the Adults and Health Directorate had attended the meeting to present the key risks that had been escalated to the Adults and Health Board in line with the Risk Escalation Framework. The key risk these were as follows:-

- Safeguarding – Systems & processes;
- Impact of national environment - policy changes, Covid and EU Exit (D-20);
- Care Market Stability - Provider oversight; financial sustainability;
- Transformation – Implementation of new 'strengths-based' approach; programme delivery and capacity; delivery of AIS (case management system) replacement;
- Service Quality/Delivery – Partnership working; workforce recruitment & retention; and
- Finances – Reducing resources; rising costs; increasing demand; strain on existing budgets.

An update on the Strategic and Covid-19 Risks Registers had been considered, and it had been noted that the risk information was largely similar to that presented in September. All risks had been reviewed and updated by the relevant Corporate Director. The most significant risks

continued to relate to contracts/market failure, external financial pressures and safeguarding.

The RMG had discussed the risk “gap” (the difference between the current score and the target score), and the need for the Council to have robust actions in place to close the gap. A more detailed update on the risk of insufficient capacity would be submitted to the next RMG meeting.

The Group had also considered the Fraud Risk Register, which had been produced following a detailed review of the key fraud risks faced by Buckinghamshire Council. This would be used to inform the Counter Fraud and Internal Audit Plan activity going forward. The most significant risks related to council tax, business rates, housing tenancy, procurement and cyber.

The Committee was informed that the original terms of reference for the RMG, approved in July 2020, had envisaged the RMG meeting approximately 4 weeks in advance of each Audit and Governance Committee meeting. However, in order to cover all the various Risk Registers and speak to Service areas, it had been agreed that the RMG would need to meet more frequently. An update on the terms of reference would be submitted to the next meeting.

RESOLVED –

That the update on the work undertaken by the Risk Management Group (RMG) during September-November 2020 be noted.

12 WORK PROGRAMME

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:

20 January 2021

1. Treasury Management Update
2. Redmond Review
3. 2021/21 Business Assurance Strategy Update (including Internal Audit Plan)
4. Risk Management Group Update
5. Counter Fraud Update
6. Farnham Park Sports Field Charity update
7. Constitution Working Group update
8. Update on the signing of the legal Councils’ accounts

10 March 2021

1. Contract Procedure Rules – waivers and breaches
2. 2020/21 Business Assurance Strategy Update (including Internal Audit Plan)
3. Public Sector Internal Audit Standards External Assessment
4. Audit Committee Review of Effectiveness
5. Risk Management Group Update
6. Counter Fraud Update
7. RIPA Update