



# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 1 FEBRUARY 2023 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 1.00 PM**

#### **MEMBERS PRESENT**

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), D Anthony, M Dormer, D Goss, N Hussain, W Raja, S Rouse, R Stuchbury and N Thomas

#### **OTHERS IN ATTENDANCE**

T Butcher (Deputy Cabinet Member for Accessible Housing and Resources)

#### **Agenda Item**

##### **1 APOLOGIES**

Apologies were received from Councillors R Carington, and C Etholen. Apologies had also been received from Ms M Gibb, Head of Business Assurance and Chief Auditor.

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

Councillor L Clarke declared a personal interest in item 4 in that she was in receipt of a Buckinghamshire Council administered pension which may be discussed during that item.

##### **3 MINUTES**

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

**That the minutes of the meeting held on 23 November 2022 be approved as a correct record.**

##### **4 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS 20/21 AND 21/22 UPDATE**

The Committee received an update on the 2020/21 and 2021/22 Statement of Accounts. Mr Mark Stocks, Audit Partner and Ms Sheena Phillips, Audit Manager, from Grant Thornton, External Auditors were in attendance for this item. Mr David Skinner, Section 151 Officer introduced the item. A late paper was tabled at the meeting and published online on the day of the meeting.

Key points raised during discussion included:

- Due to the technical and detailed nature of the tabled paper, the Committee agreed that it would be useful to have a briefing arranged at a later date to go through the report in

detail and have the terminology fully explained by the Section 151 Officer and Audit Partner.

**ACTION: Mr D Skinner, Ms M Gibb and Mr L Ashton to arrange briefing session for the Committee at a suitable time and date.**

- Considerable progress on the accounts had been made since the previous Committee meeting in November, and the finance team were thanked for their efficiency and efforts in addressing queries raised by the External Auditor.
- The Committee was advised that the audit of the pension fund accounts for 2020/21 and 2021/22 was in progress and near completion with sign off anticipated in February/March. There was further work required around level 3 investments, however there was no significant issue foreseen in respect of concluding the audits, which should result in an unmodified opinion. Neither of the pension fund accounts could be signed by the external auditors until the Council Financial Statements were approved and signed off as they were a consolidated set of accounts.
- In terms of the 2020/21 accounts, there were a number of complicated transactions in respect of which the external auditor and the finance team were working together to address. The finance team had developed a methodology to address the queries raised, however it was highlighted to the Committee that this would be a longer process than previously anticipated. The external auditor had been concerned that a modified opinion may be required, however believed that using the proposed methodology would mean that reaching an unqualified opinion was possible, albeit it would require a great deal of work from both sides.
- The Committee voiced its concern around the ongoing delays and sought assurances on the way forward. There was concern that at each Committee meeting, a further delay was advised of. Resourcing was recognised as a key issue with over-reliance on individuals who had left during the unitary transition.
- It was highlighted that there were a number of areas in the accounts, on which the external auditor was comfortable with, however the significant concern related to certain balances which had been presented for audit, which had been difficult to understand and audit as necessary. The external auditors and officers believed it was worth the additional work to try and reach an unqualified opinion, and there was commitment from both sides to resource the work appropriately, although it was noted that the external audit costs were already significant.
- The Committee were re-assured that the legacy Councils accounts had been appropriately audited and signed off, however it was the large task of consolidating those statements in to a single set of opening balances where errors had been identified.
- The Council was not alone in experiencing delays with accounts sign off and as of the end of November 2022, only 50% of Councils had cleared their 2020/21 accounts. The complexities that arose from Covid and the associated additional transactions and volume of work that arose from Covid combined with the creation of a new unitary authority had significantly impacted the accounts preparation.
- The housing benefit audit for 2020/21 was near completion at which point it would be reported to the Department for Work and Pensions (DWP). It was noted that at the time the housing benefit claims were pulled together there was a reliance on IT systems of predecessor councils, certain IT records had been lost in transition which would require reporting to DWP and between the external auditors and the Council any additional testing required would be discussed. At the conclusion of the 2020/21 housing benefit audit, the work on 2021/22 would begin and it was estimated that this would be completed by the end of March.
- In relation to resourcing, the Committee had concerns that this had been an issue for some considerable time, and it was understood that the finance team had additional significant work to undertake in addition to the audit. The restructure of the finance

team had reached a conclusion, and a chief accountant had been appointed who brought with her experience and expertise. The Council was looking to approach firms, to bring in a mini team to create further capacity. Providing resourcing on a sustainable basis was recognised as being key and the Council's Management Team was committed to ensuring the right resources were in place. Grant Thornton had a large team who were also committed to the process, although there would need to be a limit on the level of time that could be committed should the accounts presented not improve. The impact on officer wellbeing was also highlighted as requiring consideration as the work required on the accounts would be a difficult process and officers would still have other significant work to undertake.

- A Member suggested that if this process was to take any longer than advised of at this meeting, evaluating the pros and cons of a qualified opinion should be considered by the Committee.
- The Committee agreed that at the point the 2020/21 accounts could be signed, a comprehensive report on lessons learnt should be considered by the committee to ensure the reasons for the delay were scrutinised and that repetition could be avoided.  
**ACTION: Mr Skinner to present a comprehensive report on lessons learned to to the Committee at the appropriate time, following the sign off of the 2020/21 accounts.**
- Mr Stocks explained that there would be a point reached in the coming months where if issues were not resolvable, a method of modification would be considered. It was explained that it was a serious situation and on the assumption that the 2020/21 accounts would be signed off by Christmas 2023, then it would be, in the best case scenario, Christmas 2024 by the time the Council accounts were back on track.
- In terms of the national infrastructure accounting issue previously raised, it was noted that for the short term, Government had issued a statutory instrument and CIPFA had issued guidance to local authorities and accounting bodies. This would be in place for the next 3 to 4 years at which point an alternative way for accounting infrastructure would be in place, which could create additional pressure for officers.

#### **RESOLVED:**

1. **That the 2020/21 and 2021/22 Statement of Accounts updates be noted.**
2. **That a briefing session on the report tabled at the meeting be held with the Committee prior to its next meeting.**
3. **That a lessons learned report be produced at the conclusion of the 2020/21 Statement of Accounts and is to be considered by the Committee.**

## **5 EXTERNAL AUDITOR'S ANNUAL REPORT**

The Committee considered the External Auditors Interim Annual report which was presented by Mr Stocks. Under National Audit Office (NAO) Code of Practice regulations, external auditors were also required to make a Value for Money assessment to consider that local authorities had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report detailed the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Grant Thornton's conclusion of the Council's Value for Money detailed assessment was provided in appendix A and summarised in section 1.5 of the report.

The Committee noted that the report was for the 2020/21 period so a portion of the contents had since been superseded. The report was 'interim' until the 2020/21 accounts were signed off.

During discussion, key points raised included:

- The report was, on the whole, positive and covered the respective areas of financial sustainability; governance; and improving economy, efficiency and effectiveness.
- It was noted that the recommendation which related to the children's services improvement plan had progressed since the 2020/21 period which had been a particular time of weakness for the service. Children's Services had since progressed to a 'requires improvement to be good' Ofsted rating. As this report covered the first year of the new Council, and the Ofsted judgment had changed, the external auditor would revisit whether it remained at the same level of material weakness for the 2021/22 year. The Committee was advised that much would depend on how sustainable the changes made by the service were considered to be.
- In relation to the governance section of the report and the references and recommendations referring to associated companies and joint ventures, the Committee recognised that the Shareholder Committee had been established and the external auditors would look at how this had been embedded and what areas had been looked at by the Committee in its first year. Whilst the Shareholder Committee was responsible for carrying out executive functions, as delegated by Cabinet, the Committee believed it would be appropriate for it to receive an annual report on the governance of these companies, should its remit allow. The external auditor agreed that this would be an entirely appropriate action to take given that the subsidiary companies were a significant investment.

**ACTION: Mr D Skinner and Mr G Watson to establish what would be most appropriate for the committee to review, whether there would require a change to terms of reference and to produce an annual report on companies' governance.**

- The Chairman raised that the financial sustainability recommendation on page 26 of the reports pack '*There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP*' was already underway and this was not necessarily a recommendation as the keen focus remained. The Chairman suggested that it could be built in to the body of the report, although as 'the next three years' referred to were coming to a close at the end of this financial year, it was not believed that this required noting as an improvement recommendation.
- The report covered the medium term financial plan and how the Council was ensuring financial resilience and it was considered that the Council was in a positive place in terms of managing overall finances.
- The Committee was advised that there had been no member/officer relationship issues that were of concern and little had been through the Council's Standards and General Purposes Committee to suggest otherwise.
- The national pressures experienced by local authorities relating to Adult Social Care, Children's Services and Statements of Educational Needs were recognised, although until there was a long term financial settlement from Government, assumptions had to be made on the resources available.
- The importance of maintaining strong partnerships, particularly with the new NHS Integrated Care Boards was discussed and this was an area which would be focused on in future reports as would the Council's devolution plans.
- The 2021/22 external auditor's annual report was in the process of being drafted and would likely be presented to the Committee at its May meeting.

**RESOLVED:**

**That the findings in the report by the external auditor on the Council arrangement for securing Value for Money (VfM) in its use of resources, the recommendations made and management's response be noted.**

*Note 1: Councillor N Hussain left the meeting at 11.00 a.m.*

## **6 TREASURY MANAGEMENT STRATEGY 2023/24**

The Committee received the Council's Treasury Management Strategy Statement (TMSS) for 2023/24 which would be presented to Full Council to agree at its meeting on 22 February 2023. Councillor T Butcher, Deputy Cabinet Member for Accessible Housing and Resources attended to present the Strategy. In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Procedures (part of the constitution), the Council was required to submit a treasury management strategy statement for the following financial year to the Audit and Governance Committee to consider prior to the Council agreeing the strategy at its meeting on 22<sup>nd</sup> February 2023. The draft Treasury Management Strategy Statement for 2023/24 was attached as Appendix 1 to this report. The strategy for 2023/24 covered the current treasury position, treasury indicators which limit the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy, policy on borrowing in advance of need, debt rescheduling, the investment strategy, creditworthiness policy and the policy on use of external service providers.

During discussion, key points raised included:

- The Committee had considered the Treasury Management Strategy extensively over the previous 12 months, and it was noted that the Strategy was wholly the same as the previous year's aside from the proposed change to amend the section for investments placed with other local authorities so that the investment could only be placed with the prior approval of the Council Leader, or deputies in the case of leave, the Chief Executive and the Service Director of Finance. Furthermore, if a local authority that the Council had invested in subsequently issued a section 114 or was given a capitalisation directive, or any other untoward financial event experienced by an authority who the Council held an investment in this would be reported to the Audit and Governance Committee at the earliest opportunity.
- It was suggested that within this proposed addition, the reference to the Service Director for Finance should also include reference to the Section 151 Officer.  
**ACTION: The Strategy to be updated to include reference to the Section 151 Officer in relation to the proposed addition in relation to investments in other local authorities.**
- The required prior approval from the Chief Executive, Leader and Section 151 Officer would provide a further safeguard when considering investing in other authorities
- The monies invested with Thurrock Council and Slough Borough Council had now been repaid to the Council and no local authority had defaulted on a loan to another local authority.
- Monthly monitoring of the treasury management position took place, at which meetings borrowing options were discussed and potential returns understood. It was also noted that the Council needed to keep a degree of liquidity to be responsive to needs, rather than tie all cash in to long term investments.
- It was clarified that the increase in 2023/24 operational boundary figures contained at point 1.8 on page 54 of the report pack reflected the £10m worth of debts repaid and the £100m Cabinet prudential borrowing allowance if Cabinet chose to use this.

### **RESOLVED:**

**That the Council's Treasury Management Strategy Statement (TMSS) for 2023/24 be recommended to Council for approval at its meeting on 22 February 2023.**

## **7 RISK MANAGEMENT GROUP UPDATE**

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 16 December 2022. At that meeting the Group reviewed and commented on the Children's Services risk registers, the key risk themes of which were noted within the report. The Group also received a detailed update on the transition of the highways contract from a single provider to an alliance partnership to take effect from 1 April 2023.

The Committee requested the timeline of the independent review being carried out by Mazars to provide assurance over the effectiveness of the transition to the new highways contracts arrangements and when this would be presented to the Committee.

**ACTION: Ms S Harlock to share the timeline with the Committee**

Members also requested that Risk Management Group review the associated delay of the completion of the 2020/21 accounts at the suitable time.

**ACTION: Ms M Gibb to add the 2020/21 Statement of Accounts to the RMG work programme at the appropriate time.**

**RESOLVED:**

**That the report be noted.**

## **8 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)**

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

During discussion, key points highlighted included:

- Recruitment to the new Business Assurance team structure, as seen on page 88 of the reports pack had been successful and just two posts remained vacant, both of which had recruitment processes underway.
- A summary of the Business Continuity Management (BCM) function was detailed on page 91 of the reports pack. The new Resilience Framework and Standards pack would be presented to the next meeting of the Committee along with the Risk and Business Continuity Management Strategy.
- From the approved plan, there were seven audits that had been recommended for deferment with the rationale behind each detailed in the report.
- There were nine overdue management actions, although it was noted that based on discussions with lead officers most actions were expected to be closed by the end of February.
- The Committee congratulated officers both in terms of progress, low deferral numbers and for the successful recruitment to the new structure.
- A Member raised reservations around the three IT audits deferred due to the significance of the area and increasing risks to the Council. The Committee was advised that disaster recovery and backups were still operating across multiple networks which should they be audited would impact on legacy IT teams dealing with the challenges of the new network migration. Assurances had been given by the Service Director that they do want the audits to take place during 2023/24. The Member advised that resourcing should not be a reason to defer this audit and suggested senior management reflect on the decision.
- In relation to the housing and regulatory audits, it was explained that resource had been

- allocated to these, and the deferment had been related to capacity within the Business Assurance Team. There had been no pushback from the service area.
- In respect of the AURA programme deferments the team would work alongside the project to provide assurance as the project develops and would have visibility of the transition plan risks which would enable future work to be planned.
  - It was confirmed that the SEND Ofsted Improvement Plan Assurance was still on schedule to be undertaken, it had not commenced at an earlier time to allow the team appropriate time to demonstrate that improvements were on track and were sustainable. The RAG rating of each audit reflected the different processes, volume of transactions and administration controls around transactions and payments.
  - The Organisational Resilience Delivery Group would be meeting for the second time the week commencing 6 February and it was confirmed that the governance structure had been established.
  - It was clarified that the Winter Framework Cell was formed from representatives from each directorate and they discussed key risks in their respective areas. The team provided assurance checks and if there were consistent issues provided a unified approach to resolve them. Lessons learnt were acted upon continuously.
  - The Chairman highlighted that during the course of the Budget Scrutiny Inquiry Group sessions held in January it became apparent that the proposed budget for demand led legal processes had been increased substantially due to the ever increasing demand. It was queried whether the low RAG rating should be higher.

**RESOLVED:**

**That the report be noted.**

**9 CONTRACT PROCEDURE RULES - WAIVERS & BREACHES**

The Committee received a report which provided a half yearly summary in relation to compliance with the Council's Contract Procedure Rules (CPR's), compliance with the Public Contracts Regulations 2015 and summarised waivers and breaches. It also provided a quick summary of the current procurement culture in the Council. Mr Simon Davis, Head of Strategic Procurement attended to present the item.

This report covered the first six months of the 2022/23 financial year and a summary of all Waivers registered during Q1 and Q2 was provided within the report. There had been one breach of public contracts regulations 2015 which had been reported in the confidential appendix.

During discussion, key points raised included:

- Mr Davis was relatively new to the role with Buckinghamshire Council and highlighted that he had been very impressed with the team and processes used by the Council.
- There was ambition to work more proactively with directorates when using or considering to use waivers so that the number of waivers could decline. Work to address this would commence over the coming months. The proper procedure was undertaken each and every time a waiver was required with legal and financial input from the appropriate teams as required.
- The strategic procurement team reviewed the contract management application on an ongoing basis to ensure that they were aware of contracts coming to an end in the next 24 months and that they could then plan their work with directorates accordingly and ensure a suitable timeline was in place.
- It was noted that in certain situations, waivers were a good tool to use, particularly where legacy councils had similar contracts ending at different times as a waiver could

help synchronise the end dates and bring a single contract on to the same timeline to receive best value. Further, certain directorates in local authorities tend to have a higher number of waivers due to their line of work and working with suppliers. The strategic procurement team attended directorate budget board meetings monthly to openly discuss contracts coming up. Where a waiver was used moving forward, the team aimed to request that the waiver be accompanied with a full procurement plan.

- The last paragraph on page 110 of the reports pack should read '*It should be noted that waivers are not always negative*'
- It was queried whether reporting on contracts and waivers and breaches went to the Finance and Resources Select Committee.

**ACTION: Mr S Davis to check the governance reporting processes and report back to the Committee**

- The Chairman advised of two waivers that appeared within the budget scrutiny inquiry group papers for the Adults portfolio, relating to CAMHS (Oxford Health NHS Foundation Trust) and Buckinghamshire Healthcare Trust, integrated therapies and queried whether the Committee had previous sight of these. The CAMHS contract was reported to the Committee in January 2022, whilst the integrated therapies waiver was retrospective and as it went through in October 2022, would be reported the next time the waivers and breaches were reported to the committee. The Chairman raised concern that this contract, which was worth over £3.75m required a retrospective waiver, particularly as the contract had previously been extended and noted that further questions would be asked by the Committee when this was reported in six months' time.
- Training was identified as a key area and improvements were being explored such as including sessions in induction training for new starters who were involved in contracts processes and making refresher training mandatory. A Member requested that where the staff numbers who had completed training were noted in the report, it would be good to include how many this number was out of along with a percentage to get an understanding of the uptake and be assured that those that required training were sufficiently trained.

**ACTION: Mr S Davis to review the way training figures were presented in future reports to the Committee.**

- Areas for improvement were also being explored in respect of contract management, as often a great amount of effort went in to procurement processes, however after the contract award there required greater engagement with directorates to ensure contracts were managed effectively.
- For those Members who were newly appointed to the Committee, it was discussed that a training session on the different technical areas and terms dealt with by the Committee would be beneficial to aid understanding.

**ACTION: Ms M Gibb / Mr D Skinner / Mr L Ashton to arrange session open to all Members of the Committee.**

#### **RESOLVED:**

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

#### **10 WORK PROGRAMME**

The Committee considered the latest work programme and noted that accounts updates would remain as a standing item for the forthcoming meetings. Where items move on the work programme, the Committee requested that the work programme be updated to include the reason for the move.

**ACTION: Ms M Gibb / Mr L Ashton to include reasons within the work programme where items had moved.**



**RESOLVED:**

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

**11 ACTION LOG**

The Committee considered the latest action log as attached to the agenda pack and agreed that each of the actions that had been marked as completed could be closed. These were: 2 – Draft Annual Governance Statement; 4 – 2021/22 Statement of Accounts and 6 – Work Programme – Constitution update.

**RESOLVED:**

**That the action log be noted.**

**12 DATE OF NEXT MEETING**

29 March 2023 at 10 a.m.

**13 EXCLUSION OF THE PUBLIC**

**RESOLVED:**

**That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 14, 15, 16 and 17, on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:**

**Minute 14 – Confidential Minutes of the Audit and Governance Committee held on 23 November 2022**

**Minute 15 – Contract Procedure Rules – Waivers & Breaches (Part 2)**

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

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

*Note 2: Councillor S Rouse left the meeting at 12.31 p.m.*

**14 CONFIDENTIAL MINUTES**

**RESOLVED:**

**That the confidential minutes of the meeting held on 23 November 2022 be approved as a correct record.**

**15 CONTRACT PROCEDURE RULES - WAIVERS & BREACHES (PART 2)**

This item followed on from agenda item 9 and detailed the breach reported to Statutory Officers as highlighted in the report for item 9. The Committee discussed this at length and questioned the officers from the relevant service area.

Following a request from the Committee in July, details were also provided on the work undertaken by the Procurement Team when a breach occurred and how directorates were supported to reduce the possibility of a reoccurrence.

**RESOLVED:**

**That the reports be noted.**

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

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

**RESOLVED:**

**That the report be noted.**

**17 ACTION LOG (CONFIDENTIAL)**

The Committee considered the confidential action log and

**RESOLVED:**

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