



# Buckinghamshire Council

## Audit and Governance Committee

### Minutes

**MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 10 MAY 2023 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.10 PM**

#### **MEMBERS PRESENT**

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), R Carington, S Rouse, R Stuchbury and N Thomas

#### **OTHERS IN ATTENDANCE**

T Butcher

#### **Agenda Item**

##### **1 APOLOGIES**

Apologies for absence had been received from Councillors D Anthony, M Dormer, C Etholen, D Goss and N Hussain.

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

Councillor L Clarke OBE declared a personal interest in item 5, Buckinghamshire Pension Fund Accounts 2021/22, in that she was in receipt of a Buckinghamshire Council administered pension.

Councillor R Stuchbury declared a personal interest in item 5, Buckinghamshire Pension Fund Accounts 2021/22, in that whilst not in receipt of a Buckinghamshire Council administered pension, he was a Member of Buckingham Town Council, whom were a scheduled body of the pension fund.

##### **3 MINUTES**

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

**That the minutes of the meeting held on 29 March 2023 be approved as a correct record.**

##### **4 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS 2020/21 AND 2021/22 UPDATE**

The Committee received an update on the 2020/21 and 2021/22 Statement of Accounts. Mr Mark Stocks, Audit Partner, Grant Thornton, External Auditor was in attendance for this item. Mr David Skinner, Section 151 Officer introduced the item.

Prior to discussion, Mr Skinner advised that in line with the requirement of the Treasury Management Strategy to report to the Committee at the earliest opportunity any local authority that the Council had an investment with who subsequently issued a section 114 or was given a capitalisation directive, or any other untoward financial event, an update was provided on a loan made to Birmingham City Council. The Council had a £10m loan with Birmingham City Council which was due to be repaid on 1 September 2023, this loan was made before the additional sign off requirements were introduced which required the sign off from the Chief Executive, Leader of the Council and Section 151 Officer. The loan was covered by the statutory underpin and there was nothing to suggest that there would be an issue with the repayment or indeed the overall financial stability of Birmingham City Council. Birmingham City Council had experienced some issues with its implementation of a new Enterprise Resource Planning (ERP) system, so it was thought appropriate to report it to the Committee at this stage.

Key points raised during the update and in discussion included:

- In relation to the 2020/21 audit, as agreed with the auditors, the cleansed data on long term debtors and creditors, and fees and charges had been submitted. 76 samples had been selected and the Council was working through these to provide the appropriate evidence.
- Work was ongoing in relation to cleansing other operating expenditure, short term debtors and creditors and this would be submitted to the audit team by the end of June 2023. Work was also underway in respect of cash, and cash equivalents and this would be submitted in July 2023. All other queries had been addressed and the relevant information supplied to the auditors.
- The housing benefit work for 2020/21 had been completed and was with the external auditors for final sign off, whilst work on 2021/22 was well underway.
- The finance team was appropriately resourced with all vacancies having been filled either with permanent or interim staff. There was the option to draw on further staff from external firms who were on standby if required.
- The majority of the external audit team were now focused on NHS audit work and would resume work with the Council in July 2023. At present, progress was on schedule and nothing untoward had been identified.
- Mr Stocks advised that the auditors interim annual report for 2021/22 had been issued to management and it was hoped that this would be finalised within the next month and reported to the Committee at its next meeting in July 2023.
- The Committee noted that budget outturns were reported to Cabinet and to the Finance and Resources Select Committee quarterly. The final accounts themselves would only be presented to this Committee for review and approval.

**RESOLVED:**

**That the update be noted.**

**5 PENSION FUND ACCOUNTS 2021/22**

The Committee received the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2022. Councillor Tim Butcher, Deputy Cabinet Member for Accessible Housing and Resources, attended to present the item along with Mr David Skinner, Section 151 Officer and Ms Julie Edwards, Pensions and Investments Manager. Prior to discussion the hard work of the pension team and the audit team was recognised, and the Deputy Cabinet Member, S151 Officer and Committee Members thanked officers for their diligent work. Members also thanked the Deputy Cabinet Member, who was the Chairman of the Pension Fund Committee for the positive performance of the Pension fund in what had been a difficult financial landscape.

The Pension Fund Accounts and Net Assets Statement showed that over the year the value of the Pension Fund increased by £275m to £3.913bn. The audit work was completed by Grant Thornton who had not identified any adjustments to the financial statements which had an impact on the Pension Fund's reported financial position. The formal sign off for the Pension Fund accounts would take place at the same time as the formal sign off for Buckinghamshire Council's accounts which was anticipated to be during 2024.

Four recommendations were identified because of issues identified during the audit. The recommendations related to IT deficiencies, investment management expenses, employer body changes and errors identified from member data controls testing. Details of the issues and risks and recommendations were documented on pages 19 to 21 of the Audit Findings Report. The management response to the draft Audit Findings Report for the Buckinghamshire Pension Fund for the year ended 31st March 2022 was attached as Appendix 3.

The audit work identified four issues in respect of the valuation of Level 3 investments. The 31<sup>st</sup> March 2022 value in the accounts was overstated by £2.623m compared to the value on the 31<sup>st</sup> March 2022 capital statements. The capital statements were provided by the investment managers quarterly in arrears. The 31<sup>st</sup> March 2022 value in the accounts was based on the 31<sup>st</sup> of December 2021 valuation adjusted for any payments to the fund or distributions received. There was always a difference, however the 31<sup>st</sup> March 2022 difference was greater than usual reflecting the impact of the war in Ukraine on asset valuations. Although a large monetary amount, the £2.623m represented 0.07% of the Pension Fund net asset value and management proposed not adjusting the Statement of Accounts since the amount was not material. The Committee agreed with management's proposed treatment of not adjusting the Statement of Accounts to reflect the £2.623m overstatement. The external auditor was comfortable with the recommendation not to change the accounts for the £2.6m.

An updated set of recommendations was tabled at the meeting, with an additional recommendation to read:

*To approve the Buckinghamshire Pension Fund Statement of Accounts 2021/22 and delegate final sign off of the Statement of Accounts to the Chairman of Audit & Governance Committee and the S151 Officer subject to:*

- *No material changes in the accounts*
- *Final sign off by the external auditors of Buckinghamshire Council accounts 2021/22.*

The Chairman explained that this recommendation was suggested as the Pension Fund Accounts could not formally be signed off until Buckinghamshire Council's corresponding year's Statement of Accounts was signed off. Approving this recommendation would avoid the need for the Committee to re-consider the Pension Fund Accounts at a future meeting, unless there were significant material changes which arose before the audit of the main accounts was completed.

Points raised during further discussion included:

- That the normal procedure was for the Pension Fund Accounts to be presented to the Pension Fund Committee prior to the Audit and Governance Committee, however due to the timings of the meetings the decision was made to present it to this meeting prior to the Pension Fund Committee. Should the Pension Fund Committee be uncomfortable with any significant aspect of the accounts, they would be brought back to the Audit and Governance Committee to be re-considered.
- It was confirmed that the Pension Fund had no Liability Driven Investments (LDIs). These

were a financial instrument offered to pension funds to aid liabilities being covered. As of the latest triennial valuation the market value was sufficient to cover 104% of the liabilities and the long-term view had been taken not to purchase LDIs. Should the Pension Fund Committee proposed to use LDIs or a similar instrument, the Pension Fund Committee Members would take appropriate advice prior to any decision being taken.

- The IT system was provided by a third party for the administration of the pension fund; however, this was subject to the same stringent cyber security controls of any Council software.
- The Committee requested that the accounts be checked for consistency of wording. In certain areas of the report there was reference to the Buckinghamshire Pension Fund, whilst in others it was referenced to as the Pension Fund. It was also requested that reference the Buckinghamshire Fire and Rescue Service be updated to Buckinghamshire and Milton Keynes Fire and Rescue Service.

**ACTION: Ms J Edwards / Mr D Skinner to undertake a check of the wording used throughout the accounts and update it to ensure it is consistent throughout.**

- Attention was drawn to the Management responses outlined in appendix 3, with Members querying areas such as user access rights, member data controls testing, and delays associated with the list of scheduled and admitted bodies. Access rights had been reviewed and appropriate controls were in place. The procedure for identifying new starters was outlined in the appendix and there were controls in place to check starters were genuine. Where a record already existed, further controls were in place to reconcile this.
- Assurance was provided that there was commitment to working more closely with the external auditors, and officers and the external audit team were looking at how to improve processes and make them run as efficiently as they could to avoid any delays in providing documentation in the future.
- The Committee was advised that the Pension Fund Committee decided on asset allocation following each triennial valuation, taking into consideration the advice of Mercers and the projected forward returns required to cover liabilities. The triennial valuation was a requirement of Government legislation, and Members raised that with issues such as the war in Ukraine and US financial institutions this may not allow sufficient time to react. Assurance was provided that the Pension Fund Committee monitored returns closely and advice was taken from Mercer.
- Following a query being raised, it was confirmed that Milton Keynes Council was an active contributor to the pension fund, and they had a representative, currently the Leader of Milton Keynes Council as a Member of the Pension Fund Committee.

**RESOLVED:**

- 1. That the audited Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31<sup>st</sup> March 2022 be noted.**
- 2. That management's proposed treatment of areas identified by the auditor be approved.**
- 3. That the Buckinghamshire Pension Fund Statement of Accounts 2021/22 be approved and final sign off of the Statement of Accounts be delegated to the Chairman of Audit & Governance Committee and the S151 Officer subject to:**
  - **No material changes in the accounts**
  - **Final sign off by the external auditors of Buckinghamshire Council accounts 2021/22.**
  - **Wording within the Pension Fund Statement of Accounts being checked for consistency as noted above.**

## 6 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)

The Committee considered a report which outlined the Risk Management, Business Continuity Management, Assurance, Internal Audit, Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023. Delivery of the Business Assurance work plans helped ensure that there was an appropriate governance and control framework in place and that risk management was embedded across the council to enable the achievement of set objectives.

Key points raised during discussion included:

- In terms of risk management, the training programme continued to be rolled out and work was progressing on ensuring greater visibility of programme and project risks and ensuring they were captured and escalated as appropriate. This would be reported to the Risk Management Group in further detail.
- The new framework was being implemented in relation to business continuity. There was a focus on cyber resilience and the development of a cyber resilience framework. As part of business continuity plans, it was being reviewed as to what level of assurance there would be for cyber security controls of any external partner.
- There had been no significant changes to the internal audits since the time of the last meeting, given the short timescale, however these audits had continued to progress and would be reported to the next meeting of the Committee when finalised. The team had undertaken significant grant assurance certifications and would continue to do this in to 2023/24.
- Appendix 1 summarised the internal audit activity and detailed those deferred to form the Q1 Internal Audit Plan (item 7 on the agenda). Some of these audits had commenced, whilst others were in the planning stage. These would be reported to either the July or September 2023 Committee meeting.
- The full 2023/24 Internal Audit Plan would be presented to the Committee in July 2023. Members would be invited to comment on its contents and on any other area they feel would be of importance to look at.
- Future plans for Council owned property were discussed, there were no plans for internal audit to look at anything specific at this time. The Finance and Resources Select Committee could choose to review Cabinet Member decisions made in relation to property and this may form part of their 2023/24 work programme.
- Assurance was given that all IT audits deferred to 2023/24 would be delivered within quarter 1 of the year.
- A Member asked for clarity on the proportion and responsibility level of staff who were undertaking risk management training. These details would be provided in the next update, along with data on the uptake of the risk management e-learning package. The Committee noted the importance of this training, as officers had often not taken account of the wider risk and reputational issues to the Council whilst undertaking projects in their day-to-day roles.  
**ACTION: Ms M Gibb to provide further information and statistics on Risk Management Training delivery.**
- In relation to the three vacant posts within the Business Assurance team structure, the Committee was advised that the Assurance Lead post would be re-advertised, whilst the Senior Auditor was acting up into the Audit Lead role, with their role being backfilled through the arrangement with Mazars. The advert for the Fraud Officer was live and a further update would be provided at July's meeting.

**RESOLVED:**

**That the report be noted.**

## **7 2023/24 INTERNAL AUDIT PLAN UPDATE**

The Committee considered the report which followed on from the previous item and noted that due to capacity constraints within the management team, some activity had not progressed in line with planned timelines. The Internal Audit function were working to complete the 2022/23 approved engagements. As of 20 April 2023, there were 16 audits at draft reporting stage, 19 at fieldwork stage and two at planning stage as noted in Appendix 1. These audits would be reported to the committee in July 2023.

The 2023/24 Internal Audit planning process was in progress. The Audit, Assurance and Fraud Manager had met with the senior management teams (Service Directors and their direct reports) of each directorate. A schedule of audits had been developed which was now being discussed and agreed with the senior leadership teams. Once a draft plan had been put together this would be presented to the Corporate Management Team and Audit Board for agreement.

The 2023/24 Internal Audit Plan would be presented to the Audit and Governance Committee for approval at the July 2023 meeting.

### **RESOLVED:**

**That the report be noted.**

## **8 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL**

The Committee received a draft of the Annual Report of the Audit and Governance Committee. The report would be presented to the Full Council meeting, provisionally scheduled for 12 July 2023. The annual report had been prepared to inform Council of the work carried out by the Council's Audit and Governance Committee during the 2022/23 financial year. The wide-ranging items considered by the Committee throughout the year were detailed within the report.

A revised section 2.7 of the report was tabled at the meeting which read:

*The Committee has received regular updates from the relevant Cabinet Member and Deputy Cabinet Members/Pension Fund Committee Chairman, senior officers and the external auditors on the production and audit of the financial statements and is monitoring the plan to catch up. Only 9% of authorities across the country completed their accounts by the due date and that position has remained. Buckinghamshire Council is experiencing delays in accounts sign off along with many other Councils for a variety of factors including the challenges and complexity inherent in putting together the financial statements of the five legacy authorities for the first time, changing regulatory requirements of both councils and auditors and staffing shortages. In addition, there have been other national complexities such as the changing requirements for infrastructure asset accounting requiring legislative changes. There are about 630 delayed audit opinions outstanding in England.*

Points raised during discussion included:

- Due to complications with the timing of future meetings, the report was presented to this meeting in its slightly unfinished form, with the final version to be presented at the Full Council meeting on 12 July 2023. As the next meeting of this Committee would take place after the agenda had been published for that meeting of Full Council, any amended version would be circulated electronically to Committee Members for agreement.
- There was a placeholder at section 2.17 of the report as in line with CIPFA guidance, a self-assessment was required as to how the Committee had discharged its responsibilities. A self-assessment tool would be sent to Committee Members, with the

responses to be collated and results shared with Members. A narrative would then be added into the report at section 2.17. A deadline date for responses would be given to Members.

**ACTION: Ms M Gibb to share self-assessment tool with Committee Members**

- Members noted that the figures in section 2.8 of the report would be outdated at the time Full Council received the report, however, it was suggested by the Chairman that whoever presents the report at that meeting could provide a verbal update on the figures.
- The Committee expressed concern that the revised wording of section 2.7 did not adequately reflect how challenging the Committee had been in respect of the Statement of Accounts and appeared relatively passive. It was requested that this wording be revisited to factor in the rigorous challenge and scrutiny undertaken by the Committee. This revised wording would be circulated to Members along with the wording the section 2.17 for agreement.

**ACTION: Ms M Gibb to share revised version of the report to Members electronically inviting comments, prior to the report being submitted to Full Council.**

**RESOLVED:**

**That the draft annual report of the Audit and Governance Committee be approved to be presented at Full Council on 12 July 2023, subject to Members completing the self-assessment tool, and subject to the revised report and wording for section 2.17 and section 2.7 being approved electronically by Committee Members.**

**9 WORK PROGRAMME**

The completed work programme for 2022/23 was appended to the agenda pack. The work programme for 2023/24 would be presented at the first Committee meeting of the new municipal year in July.

**RESOLVED:**

**That the work programme be noted.**

**10 ACTION LOG**

The Committee considered the latest action log as attached to the agenda pack and agreed that the following actions could be closed:

- Action 10 – Contract Procedure Rules – Waivers and Breaches
- Action 14 –Statement of Accounts 20/21, as Members received a verbal update advising that property valuation dates had been aligned between the external auditor and Carter Jonas for the 2022/23 valuation cycle.
- Action 16 – Pension Fund Audit Plan 21/22, as the IT report had been circulated prior to the meeting.
- Action 19 – RMG Update, as the referenced letter had been sent to the Leader).

Further points noted included:

- That the 'last updated' date at the top of the document was incorrect and required updating.
- Action 1 – Local Member Engagement - The Principal Governance Officer advised that following discussion with the Service Director this had not been deemed a priority area of work, although some issues would be factored into the Annual Governance Statement. A further conversation was required with the Service Director to determine a way forward as the Committee remained of the opinion that this was an important piece of work.
- Action 3 – Business Assurance Strategy update 22/23 – This action would remain open as

the Committee requested further information be provided on proceeds of crime orders and compensation orders ordered by the court rather than the penalty imposed.

- Whilst not on the action plan, following being raised by a Member, the Committee was informed that the internal audit of Community Boards had been completed, with the report in draft stage. This would be presented to the next meeting of the Committee.

**RESOLVED:**

**That the action log be noted**

**11 DATE OF THE NEXT MEETING**

Wednesday 5 July 2023 at 10 a.m. (subject to Full Council approval on 17 May 2023). Members noted that there would be a short meeting at the conclusion of Full Council on 17 May 2023 to elect the Chairman for the next municipal year.

**12 EXCLUSION OF THE PUBLIC**

**RESOLVED:**

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

**Minute 13 – Confidential Minutes of the Audit and Governance Committee held on 29 March 2023**

**Minute 14 – 2022/23 Business Assurance Strategy Update: Fraud Cases and Audit Actions Summary Report**

**Minute 15 – Action Log (confidential)**

**13 CONFIDENTIAL MINUTES**

**RESOLVED:**

**That the confidential minutes of the meeting held on 29 March 2023 be approved as a correct record.**

**14 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE: FRAUD CASES AND AUDIT ACTIONS SUMMARY REPORT**

The Committee held a detailed discussion on Fraud Cases and the Audit Actions Summary Report.

**RESOLVED:**

**That the report be noted.**

**15 ACTION LOG (CONFIDENTIAL)**

The Committee considered the confidential action log and

**RESOLVED:**

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