



Buckinghamshire Council

Audit and Governance Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON MONDAY 27 NOVEMBER 2023 IN THE PARALYMPIC ROOM, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.55 PM

MEMBERS PRESENT

R Newcombe (Chairman), P Brazier, R Carington, M Dormer, D King, S Rouse, N Thomas and S Wilson

OTHERS IN ATTENDANCE

T Butcher

Agenda Item

1 APOLOGIES

Apologies for absence had been received from Councillors L Clarke OBE and N Hussain. The Committee placed on record its thanks to Mr David Anthony, who having recently resigned as a Councillor had been a Member of the Committee since the inception of the unitary authority. Mr Anthony had also been a valuable member of the Risk Management Group. It was agreed that a letter would be sent to Mr Anthony from the Chairman, on behalf of the Committee, expressing gratitude for his work and insightful input on the Committee.

ACTION: Chairman to send a letter to Mr Anthony.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

RESOLVED:

That the minutes of the meeting held on 27 September 2023 be approved as a correct record.

4 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS UPDATE

The Committee received an update on the 2020/21 Statement of Accounts; the audit backlog backstop date and its impact on the Council; the impact on future years audit and change of auditor if opinion with limited scope was issued; and a summary of audit progress covering 2020/21 to 2022/23. Mr Mark Stocks, Audit Partner, Grant Thornton, External Auditor was in attendance for this item. Mr David Skinner, Section 151 Officer introduced the item.

Key points raised during the update and in discussion included:

- It was highlighted that the backlog of accounts was not exclusive to Buckinghamshire and was an issue nationally. The Government proposal was to implement a series a backlog dates whereby accounts should be concluded. The implication of this was that some disclaimers of opinion may be issued for a limited number of years. The plan for Buckinghamshire was to conclude the 2020/21 accounts by the end of December 2023, then dependant on what came through in legislation there could potentially be a disclaimer of opinion issued for the 2021/22 and 2022/23 accounts, following which it was hoped that the 2023/24 could be concluded around winter 2024. The 2020/21 accounts would be presented to the January meeting of this Committee for approval and sign off.
- The Council continued to work cooperatively and engaged positively with the external auditor, meeting requests for information in a timely and efficient manner. The external auditor spoke highly of the Council's preparedness and the efforts made to have reached a position where an unqualified opinion on the 2020/21 accounts was now achievable. The Committee was advised that whilst it was a challenging period for the finance team who were also undertaking the budget setting process for the next financial year, there was adequate resource in place to meet these challenges although there was susceptibility to illness and unexpected time off due to the relatively small size of the team.
- The Committee heard that the finance team had accumulated knowledge of the legacy Councils and there was a more robust process in terms of the working papers. There were also more of the team involved in certain stages to avoid there being a single point of failure should someone leave the authority. From an external audit perspective, it had been evident that there was a great deal more preparation undertaken in terms of providing working papers and significant work had been completed on areas to get them to a reasonable level.
- It was thought to be the correct course of action to aim to complete work on the 2020/21 accounts as it provided assurances over the opening position for Buckinghamshire Council. Members were informed that in ordinary circumstances a disclaimed opinion would reflect poorly on the Council as it would indicate Buckinghamshire had poor accounts and record keeping, however in this instance should it be required for 2021/22 and 2022/23 it would be due to timing and Government legislation. Communication to the public would be important to ensure the right message was shared. Should there be disclaimers of opinion, it would allow the 2023/24 accounts to be completed at an earlier time.
- The Committee heard that one potential change in the future to be considered was the regulatory requirements put on local authorities and external auditors around the work required to make local authority accounts understandable and relevant for stakeholders and ease the resources required to deliver the accounts. This would require changes to the National Audit Office Audit Code of Practice and CIPFA Code of Accounting.

RESOLVED:

That the update be noted.

5 BUCKINGHAMSHIRE PENSION FUND – 2022/23 AUDITED STATEMENT OF ACCOUNTS (INCLUDING EXTERNAL AUDIT FINDINGS REPORT)

Councillor Tim Butcher, Deputy Cabinet Member for Accessible Housing and Resources and Julie Edwards, Pensions and Investments Manager presented the audited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2023. These were appended to the reports pack. The Pension Fund Accounts and Net Assets Statement showed that in the year to 31 March 2023 the value of the Buckinghamshire Pension Fund decreased by £171m to

£3.741bn. The audit work was completed remotely by Grant Thornton during August to October 2023. Grant Thornton anticipated issuing an unmodified audit report opinion.

The draft Audit Findings Report for the Pension fund was also appended to the reports pack. During discussion, points raised included:

- The Pension Fund Statement of Accounts and Audit Findings report had been considered by the Pension Fund Committee at its meeting on 15 November 2023. The previous statement of accounts for 2020/21 and 2021/22 had already been presented both to this Committee and the Pension Fund Committee, although were unable to be formally signed off until the corresponding year's main statement of accounts were signed off. There were not any significant issues identified which impacted the pension fund's reported position and the audit findings were reported to be positive, with good financial statements and working papers. Thanks were given to the Pensions and Investments Manager and the finance team.
- Attention was drawn to respective issues found with level 3 and level 2 investments. These were detailed at points 1.6 and 1.7 of the covering report appended to the reports pack and related to amounts overstated in the accounts, these related to differing dates of valuation having been used, albeit it was only a matter of days between the different dates used. It was proposed that the amounts did not require changing and the external auditor supported this approach.
- There remained a piece of work outstanding on an experience item which was being worked through with the audit manager and page 83 of the reports pack outlined some IT comments around essential controls which would be followed up as part of the next audit. The Chairman suggested that the areas highlighted could be considered by the Risk Management Group when it considered the IT risk register at its January meeting, this would assist in identifying the risks posed to the Council as a whole.
ACTION: Ms M Gibb to liaise with the IT Service Director to request the areas identified be presented to the Risk Management Group at its January meeting.
- A Member noted that on page 83 of the reports pack, two developers were individually named rather than their roles and questioned what the control structure and management override was in respect of this issue.
ACTION: Ms J Edwards to liaise with IT and provide a response to Councillor S Rouse, copying in all Committee Members.
- Members noted that SAP was RAG rated red, it was explained that SAP was a complicated system and upgrades had been completed to ensure the latest version was being used. There was said to be nothing untoward within the SAP landscape and the challenges were not unique to the Council.
- The rise in management expenses from the previous year was queried and the Committee heard that value for money work had been commissioned and the Pension Fund Annual Report detailed an analysis of fees saved by pooling as part of the Brunel fund. In terms of the increase, this was generally linked to areas such as the underlying value of assets and the structure of the fund; a significant portion was invested in private investments which was more expensive to manage; the LGA had introduced a cost transparency programme; and the management fees information which managers had been provided had been improving over recent years. The Committee was assured that the Pension Fund Committee kept a watchful eye on the Brunel Pool and administrative expenses.
- It was confirmed that around 90% of assets had already transitioned to Brunel, for which there were one off transition costs. The remaining balance was largely investments held within private markets which were difficult and expensive to transfer. As such the view had been taken that unless savings could be demonstrated there was no benefit in

selling investments, some of which were illiquid.

- It was explained that representatives from Brunel did regularly attend meetings of the Pension Fund Committee where they were questioned on performance fund and costs charged to funds. A Member queried the increase in illiquid funds and a breakdown of the increase would be provided.

ACTION: Ms J Edwards to provide an analysis of the management fees comparing liquid and illiquid funds within the pension fund to Councillor R Carington.

RESOLVED:

- 1. That the Buckinghamshire Pension Fund 2022/23 audited Statement of Accounts, including the External Audit findings report be reviewed and noted.**
- 2. That management's proposed treatment of areas identified by the auditor be endorsed subject to the points of concern raised by the Committee, as noted above.**
- 3. That the Buckinghamshire Pension Fund Statement of Accounts 2022/23 be approved and the final sign off for the Statement of Accounts be delegated to the Chairman of the Audit and 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 2022/23**
 - **The Pension Fund Committee endorsing management's proposed treatment of areas identified by the auditor.**

6 TREASURY MANAGEMENT 2023-24 MID-YEAR UPDATE

The Committee received a report which formed part of the monitoring of the Treasury function and reviewed the implementation of the Treasury Management Strategy in compliance with CIPFA code of practice. Councillor Tim Butcher, Deputy Cabinet Member for Accessible Housing and Resources and Hasina Shah, Assistant Director of Finance presented the report.

The report, which was appended to the agenda pack, detailed the treasury position, including cash position, investments, borrowing, and CCLA local authorities' property pooled fund. The report also covered capital expenditure along with compliance with treasury limits and prudential indicators, a review of borrowing strategy and debt rescheduling, and an economic update.

As of 30 September 2023, the net cash position was £177m, an increase of £63m on the position at 31 March 2023, this was detailed within the report. The Council's investment strategy sought to achieve a return on its investments in line with the Sterling Overnight Index Average (SONIA) rate. During the first half of the year the average investment return was 4.34% compared to the SONIA Rate of 4.84%. This underperformance against the benchmark was expected in the rising rate environment. The Council's investment portfolio had fixed rate investments which were placed before the rate rise and therefore were at the lower rate. As these investments matured the Council was now securing higher rates on its investment portfolio and was expecting to meet its benchmark for the second half of the year.

During the first half of the year the Council repaid £3.489m of PWLB loans and the estimated repayment for the second half of the year is £3.512m. This will bring the borrowing down to £285.728m by 31 March 2024.

There was an anticipated decrease in the capital programme of £42m with current forecast spend of £124m. During the summer months the Council undertook the Annual Review of the Capital Programme in line with the practice of recent years. The review identified a requirement

for significant re-profiling across a number of schemes. Most of the re-phasing moved into the years 2024/25.

Points raised during discussion included:

- Members queried the graph contained at paragraph 5.2 of the report, it was said that there appeared to be nine indicators on the graph, although only six appeared to be visible. There was some difficulty noted in the interpretation of the contents of the paragraph and as such the Committee requested that a brief paper be prepared for Members to define the debt liability benchmark indicator and to aid the understanding of it.

ACTION: Mr D Skinner / Ms H Shah to produce a paper for the Committee and discuss its contents at the next training session for Members when arranged.

- A Member noted that the interest rate on investments was slightly below the SONIA rate for the second year running. It was explained that this was linked to the rising rate environment and that as rates dropped there was expected to be an increase to the rate achieved, however it was requested that when the Treasury Management report for the full 2023/24 financial year was presented that it contained historic performance data against the SONIA rate to allow for ease of comparison.

ACTION: Mr D Skinner / Ms H Shah to include historic investment performance data against the SONIA rate within the full 2023/24 Treasury Management report when it was presented.

- The Committee was advised that it would be a significant concern if interest rates continued to rise dramatically as some of the longer-term borrowing would need to be repaid or replaced and if rates were significantly higher than it would detrimentally affect the Council's finances. It was, however anticipated that long term rates would fall again, and this was factored into the medium-term financial plan.
- The material adjustment to capital expenditure agreed by Cabinet at its meeting in November 2023, was questioned and the Committee was informed that local authorities faced challenges accurately profiling their capital programmes. Over recent years there had been a similar quantum of reprofiling, made further difficult this year by the increasingly challenging economic landscape.
- It was confirmed that the Council had not breached its operational boundary limit.

RESOLVED:

That the report be noted.

7 HOUSING BENEFIT GRANT CERTIFICATION 2022/23

The Committee received a report which provided a review of the Housing Benefit Subsidy claim for 2022/23. Hasina Shah, Assistant Director of Finance presented the report. The Council was responsible for compiling grant claims and returns in accordance with the requirements and timescales set by Department for Work and Pensions (DWP). Grant Thornton, as the Council's external auditor, annually reviewed the grants the Council claims through a grant certification process.

For this financial year, the Housing Benefit Records remained on three separate legacy systems until the end of October 2022. Therefore, testing had been performed equally across all three systems and Cumulative Audit Knowledge and Experience (CAKE) was carried out for eleven areas in total. The outcome of all the testing had resulted in no amendments to the headline cells. However, there were some small amendments required within subpopulation cells. A total of seven areas would roll over into 2023/24, four were now closed. The Council had made significant improvements by consolidating the system and the benefits of this would be evident from 2023/24.

As part of continuous improvements, additional training, and sample checking for each area where an error was found in 2022/23 continued for 2023/24 and a rolling review of work practices and in-year checking procedures continued to help identify and correct errors to ensure even greater accuracy of future subsidy claims. The Committee welcomed the positive report.

RESOLVED:

That the report be noted.

8 REVIEW OF EFFECTIVENESS OF AUDIT COMMITTEE - UPDATE

The Committee received a report which provided an update on progress against the improvement plan actions. The areas for improvement had been identified following an evaluation of the effectiveness of Buckinghamshire Council's Audit and Governance Committee which was undertaken in July 2023. The Committee noted the progress against actions to date.

RESOLVED:

That the report be noted.

9 RISK MANAGEMENT GROUP UPDATE

Prior to discussion of this item, the Chairman reported that Councillor D King would be joining the Risk Management Group following the resignation of Mr David Anthony. The Committee then received an update from Ms Maggie Gibb, Chief Auditor and Head of Business Assurance on the Risk Management Group (RMG) meeting held on 22 September 2023. At the meeting the Deputy Chief Executive (DCE) Directorate's Risk Register was considered, this was presented by the Deputy Chief Executive, Service Director for Legal and Democratic Services and the Head of Finance for DCE. The Head of Business Assurance also presented the Strategic Risk Register at the meeting. The risks were discussed at length by the RMG and the mitigating actions were robustly challenged. The key risk themes were outlined in the report.

Members queried how the new requirements of the Elections Act had worked at recent unitary by-elections and were advised that the elections team had assisted Milton Keynes Council with their local elections in May 2023 to gain knowledge of working practices and they had also attended relevant training courses. The new requirements had generally gone well at the recent by-elections in Buckinghamshire with minimal impact seen, although it was noted that it would be more of a significant challenge for the larger elections such as the Parliamentary election which would take place at some point in 2024.

Following a query on fluctuations in legal services, the Committee was advised that an amount of circa £800k was received annually for land charges undertaken, this was in addition to income from developers for whom legal services undertake work on section 106 and other land agreements. Should there be a significant downturn in developments this would impact income and thus was on the directorate risk register to ensure that it was managed appropriately and other sources of income explored. It was clarified that it was normal practice for the Council to give independent advice on section 106 agreements, despite the Council being party to the agreement.

A Member also raised concern around the lack of government guidance on funding for Homes for Ukraine and the number of people applying for residence permits. The relevant service director and team was said to be monitoring this closely.

RESOLVED:

That the update be noted.

10 2023/24 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)

The Committee received a Business Assurance Strategy update which contained the internal audit plan. The report provided an update on the internal audit work being undertaken by the Business Assurance Team against the approved 2023/24 plan. The 2023/24 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the directorates and working around any key service priorities. Delivery of the overall Business Assurance work plans, including internal audit, 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. Ms Maggie Gibb, Chief Auditor and Head of Business Assurance presented the report.

Since the last meeting, the business continuity function had moved to the resilience service. As a result, some responsibilities had been moved within the business assurance team, the assurance activity now came under the remit of the risk manager to align better and provide greater capacity for assurance work. The Risk Management function had focussed on assessing risks around major projects, ensuring there was greater visibility and consistency around how risks were identified and reported. Internal audit work was progressing well, the team was now fully resourced and quarters three and four were particularly busy for the team as the financial year end neared. A further update on audit activity would be provided at the next meeting of this Committee. Further, fraud statistics were contained in the report and further details and outcomes would be detailed in the annual fraud report which was due to be presented at an upcoming Committee meeting.

During discussion, points raised included:

- Two deferrals were proposed as detailed in the report, these related to managing housing waiting lists and temporary accommodation. A Housing Improvement Board had recently been implemented, and it was proposed that the team would provide proactive assurance work to the area assessing the effectiveness of the board and then audit newly embedded control processes.
- The Committee suggested that it would be beneficial to provide statistics around the increased number of audits and speed of completion now that the team was fully resourced. It was said that this would provide evidence to CMT of how having adequate resources enabled greater assurance across the authority.

ACTION: Ms M Gibb to provide further statistics around the work the team undertakes and include this in the papers for the March 2024 meeting when the Committee considers the summary of work delivered.

- It was confirmed that an internal audit on parking services and parking enforcement was completed in the previous year, as there were Members who had very recently joined the Committee this could be shared separately.

ACTION: Ms M Gibb / Ms S Harlock to share the internal audit findings with Councillor S Wilson

- There were efforts ongoing to make it clear how much money the authority recovered through counter fraud activity and to clearly demonstrate what was being brought back into the authority. Some areas were easier to demonstrate such as covid grants which were repaid, however proactive work to deter fraud would also be highlighted.

ACTION: Ms M Gibb to / Ms S Harlock to explore ways to demonstrate savings from counter fraud activity and where there was not a quantifiable saving outline the benefits of the proactive work undertaken.

- It was confirmed that there was not a separate category for social services fraud, and it

was contained within another sub-category. There were difficulties in presenting the information in a consolidated way, however when statistics were presented at year end there would be a greater breakdown provided which should help with transparency.

- It was recognised that there was an increased number in internal audits which were rated high risk, and in previous years there had been lower to medium risk audits undertaken. It was explained that increasingly sophisticated methodologies were being used to analyse factors which meant more audits were deemed high risk. When the plan was next presented, further information around how the audits were rated would be provided. Further, there was confirmation that there would be a focus in the next year on audits within both adults and health and children's services directorates respectively.

RESOLVED:

That the report be noted.

11 ANNUAL RIPA AND COMMUNICATIONS DATA REPORT

The Committee considered the Annual RIPA and Communications Data Report which was appended to the reports pack. Mr Nick Graham, Service Director for Legal and Democratic Services presented the report. The Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities. The Council was able to use powers under RIPA and IPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more or the offence is related to the underage sale of alcohol and/or tobacco (RIPA) or it relates to the prevention or detection of an offence punishable by a custodial sentence of 12 months or more, or in some cases where it relates to the prevention or detection of any crime or of preventing disorder (IPA). The report covered what respective RIPA and IPA powers covered.

Since the last report to the Committee relating to RIPA (27 September 2023) there had been no applications to use RIPA powers. The Committee also requested statistics relating to IPA applications, since January 2022 the Council had made four applications, all relating to mobile phone records. The Committee agreed that future annual reports would be presented at the first meeting of the Committee after January each year to co-ordinate with the annual statistics return to the Investigatory Powers Commissioner.

A Member noted that at paragraph 2.11 of the report, it was noted that the Council Officer designated as the Approved Rank for supervision was Head of Legal Services (Non-Contentious), however this role was not listed within the appendix under the surveillance personnel list.

ACTION: Mr N Graham to review personnel list and update to reflect the role of the Head of Legal Services (Non-Contentious)

RESOLVED:

- 1. That the report be noted.**
- 2. That it be agreed that the annual report be presented on the first Committee after January each year.**

12 2023/24 WORK PROGRAMME

The Committee considered the work programme which was appended to the agenda pack and noted its contents. The Committee highlighted that the January 2024 meeting looked to be a particularly full agenda and it was agreed that the Head of Business Assurance would review the items and consider what could be deferred to the March 2024 meeting, where the agenda appeared to be lighter.

The Committee suggested that it would be beneficial to consider the governance of value for money achieved within children's services particularly around the sufficiency of placements and home to school transport costs. The emphasis of this would be on the governance aspect as opposed to the actual policies. It was noted that these two areas would be considered in risk terms at the December meeting of the Risk Management Group, however the Committee requested that thought be given as to how the areas could be reviewed in governance terms.

A Member highlighted the boundary changes that would come into effect from the 2025 local elections and the importance of having clear governance and appropriate processes in place, not only on the Constitution side of things but also on the way officers worked with Members, particularly those whose roles were ward specific. It was noted that the Annual Governance Statement action plan required this consideration be looked at and the Committee would monitor the actions and related work. It was suggested that a task and finish group made up of Members of this Committee and the Standards and General Purposes Committee to look at these issues in good time ahead of the 2025 elections could be formed. Further discussions on this area of work would take place outside of this meeting between the Chairman, Committee Members, and Officers.

Lastly, it was requested that a review of the process of setting key performance indicators (KPIs) be added to the work programme for an upcoming meeting, this was not to review individual KPIs but to look at them more generally and ensure they were fit for purpose.

ACTION: Ms M Gibb to review the agenda items planned for the January 2024 meeting with a view to deferring some items and give consideration, in liaison with the Chairman and relevant directorates to the inclusion of the above items in the work programme.

RESOLVED:

That the work programme be noted.

13 ACTION LOG

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

- Contract Procedure Rules – Waivers and Breaches (2)
- 6. General (accessibility)
- 8. Anti-Fraud & Corruption Policy and Anti Money Laundering Policy
- 12. 2022/23 Business Assurance Strategy Update
- 20. Farnham Park Sports Fields Charity Annual Report and Financial Statements (4)
- 23. Local Code of Governance (3)

Further it was requested that the below action proposed for closing remain open:

- 24. Annual RIPA report – It was recognised that the annual report aspect of the action had been completed, however updating the Constitution remained outstanding.

Members queried action number 1 which was in relation to local member engagement, this referred to ensuring local members were adequately informed on certain issues which affected their wards. The Chairman would discuss the wording of this risk, and potential action to be taken further with the Head of Business Assurance.

RESOLVED:

That the action log be noted.

14 DATE OF THE NEXT MEETING

17th January 2024 at 10 a.m.

15 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 16, 17, and 18 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 16 – Confidential Minutes of the Audit and Governance Committee held on 27 September 2023

Minute 17 – 2023/24 Business Assurance Strategy Update – Summary of Completed Audits

Minute 18 – Confidential Action Log

16 CONFIDENTIAL MINUTES

RESOLVED:

That the confidential minutes of the meeting held on 27 September 2023 be approved as a correct record.

17 2023/24 BUSINESS ASSURANCE STRATEGY UPDATE - SUMMARY OF COMPLETED AUDITS

The Committee held a detailed discussion on a number of completed internal audits, discussing their findings and the required actions to be taken by management.

RESOLVED:

That the report be noted.

18 CONFIDENTIAL ACTION LOG

The Committee considered the confidential action log and

RESOLVED:

That the current Action Log (confidential) be noted.