

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE & AUDIT COMMITTEE

**Held on Friday, 24 February 2017 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr W.P. Borrett (Chairman)	Mr P.J. Hewett
Mr P S Wilkinson (Vice-Chairman)	Mrs L.H. Monument

Also Present

Mr T. Ludlow	Independent Member
Mr K. Stevens	Independent Member

In Attendance

Christine Marshall	- Executive Director Commercialisation (S151 Officer)
Mark Stinson	- Executive Manager Governance (Deputy Monitoring Officer BDC)
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Greg Pearson	- Corporate Improvement and Performance Manager
Emma Hodds	- Internal Audit Consortium Manager (IACM)
Alison Riglar	- Manager, Ernst & Young
Julie Britton	- Democratic Services Officer

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Opening Remarks

Members of the Committee joined the Chairman in thanking Tim Ludlow and Keith Stevens for all their work as Independent Members for the Governance and Audit Committee over the past six years.

1/17 MINUTES (AGENDA ITEM 1)

a. Terms of Reference Review (Minute No. 66/16)

Under the second recommendation it was agreed that the word Members be changed to membership.

b. Minutes

Subject to the above amendment (a), the Minutes of the meeting held on 9 December 2016 were agreed as a correct record and signed by the Chairman.

2/17 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

Work Programme (Minute No. 69/16)

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Referring to the Self-Assessment Exercise and Action Plan which according to the Minutes should have been emailed to Members in advance of the February meeting, Members were informed that the documentation had only recently been received from CIPFA and would be emailed to Members prior to the next meeting. The Internal Audit Consortium Manager was pleased to inform Members that the format of the questionnaire had changed and was now more succinct.

3/17 APOLOGIES (AGENDA ITEM 3)

Apologies for absence were received from Councillor Nairn and Taylor.

4/17 URGENT BUSINESS (AGENDA ITEM 4)

None.

5/17 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None.

6/17 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

None.

7/17 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

Training would be arranged for any new Members appointed at the Annual Full Council meeting May 2017.

The Chairman advised that a Standards complaint had been received and under the adopted arrangements three Members of the Governance and Audit Committee would have to sit on a Hearing Panel if the complaint was not resolved. Training had been arranged at 11.30am on 21 March 2017 followed by the Hearing at 2pm.

The Executive Manager for Governance explained that it was the Monitoring Officer's responsibility to select those three Members.

8/17 REVIEW OF STANDARDS LOCAL ARRANGEMENTS (AGENDA ITEM 8)

The Executive Manager for Governance & Deputy Monitoring Officer presented the report which sought the adoption of a revised set of Local Arrangements for dealing with Standards Complaints, subject to consultation with the Independent Person.

The Council's current arrangements had been in place for almost five years and, whilst appropriate at the time, were now on occasions cumbersome and unnecessarily complicated.

This revised set of arrangements (see appendices B to E) would reduce the number of steps involved in dealing with complaints. Members' attention was drawn to the key changes that had been highlighted at section 2 of the report.

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A number of questions and concerns were raised and a number of changes were proposed to the following appendices under the following headings (highlighted in italics) including:

Appendix A – Code of Conduct

Gifts and Hospitality

It was agreed that Officers would be tasked to clarify whether the amount of £100 was still applicable.

- To add the following wording to paragraph 2.3.1 to read: notify the Monitoring Officer in writing of any gift *offered*

Appendix B – How to make a complaint about a District, Town or Parish Councillor In Breckland

What factors will be taken into account in deciding whether to investigate the complaint:

- To add another bullet point at the top of this list to read: *is this matter for the Police?*
- Question marks to be added to all bullet points accordingly.

Investigation

- To add the following words to the final sentence to read: “The Monitoring Officer may delegate the investigation to any *Breckland Council Officer*

At the end of the investigation

- To add a further bullet point to read: *report to Council of which the Councillor is in breach*
- To add the following words to the fifth bullet point to read: *Requirement that the member to undergo training*
- To add a separate list of sanctions for Parish and Town Councils

Appendix C – Councillors’ Code of Conduct Complaint Form

- To add the following wording to the final paragraph under Section 1 to read: If you have serious concerns about *the release of your name and a summary.....*
- To add the following wording to the first paragraph under Section 4 to read: *...and specify the relevant paragraph(s) of the Code.*

The Executive Manager for Governance understood the Committee’s concerns and suggested that further work to tighten up the wording within this document was required.

It was noted that throughout the document the words Councillors, Members and Councils were used quite frequently and it was agreed that consistency in relation to the definitions was required.

It was further agreed that when completed, the Executive Manager for Governance would circulate the report to Members for their agreement prior to its submission to the Full Council meeting in April 2017.

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9/17 PROCESSES IN PLACE FOR REVIEWING FINANCIAL & CORPORATE PERFORMANCE (AGENDA ITEM 9)

The Chief Accountant and Deputy S151 Officer presented the report.

At the previous meeting the Governance & Audit Committee Members had questioned the process for reviewing performance at the Council. This report provided the Committee with those current processes in order to provide assurance that a relevant and fit for purpose process was in place at the Council (see paragraphs 1.2 to 1.11 for details)

The Chairman thought that it had been agreed that this Committee would be provided with some form of an annual return for, for example, the Council's property portfolio. Members were informed that this came under Cabinet's remit; it was not the role of Governance & Audit Committee to scrutinise and review, it was there to review the governance framework. Councillor Hewett mentioned the Annual Governance Report that this Committee signed off and therefore felt that it did form part of that process. The Executive Director for Commercialisation & S151 Officer explained that if the Council had an issue that had not been dealt with then that would be when the Governance and Audit Committee should intervene. The Internal Audit Consortium Manager advised that the Governance & Audit Committee's role was to review the processes and it did receive reports throughout the year and this report being discussed was there to provide Members with assurance. Councillor Wilkinson agreed that there was a rigorous system in place.

Councillor Hewett drew attention to section 1.6 of the report and asked what constituted an area of concern. He also asked what the process involved in relation to 'horizon scanning'. In response to the first question, the Chief Accountant & Deputy S151 Officer explained that an area of concern was when there was a risk to the budget. Members were informed that performance issues were 'flagged up' on the Covalent system. Referring to the Governance Framework, i.e. the internal Boards that were in place, the Internal Audit Consortium Manager reminded Members that this had been reviewed in 2016 and was given a substantial assurance.

Councillor Hewett felt that the processes the Council used were very good.

The Chairman assured Members that if any substantial amendments to the Framework were made it would be reported back to this Committee.

RESOLVED that the report be noted.

10/17 ANNUAL CERTIFICATION REPORT (FOR INFORMATION) (AGENDA ITEM 10)

This was the Claims & Returns Annual Report, the final report for 2015/16.

Alison Riglar, the Manager, Ernst & Young advised that for 2015/16 just the certification of the housing benefits subsidy claim was required. Members' attention was drawn to the table highlighted on page 42 of the

Action By

agenda pack and it was noted that the methodology determined by the Department for Work and Pensions was followed and although the claim was not amended, a qualification letter was submitted.

Page 43 of the agenda pack highlighted the fees that had been set by PSAA which had been reduced by £2,716.

Mr Ludlow asked for an explanation in relation the second issue where it stated that errors would always result in an underpayment of benefit. Members were informed that this was a requirement that had to be reported.

The Annual Certification Report was otherwise noted.

11/17 BRECKLAND 2016/17 AUDIT PLAN (AGENDA ITEM 11)

The Manager, Ernst & Young presented the Audit Plan for the year ending 31 March 2017. The key areas within the report were highlighted. In response to a question Members were informed that it was the PSAA who set the fees.

Members noted the report.

12/17 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (AGENDA ITEM 12)

The Internal Audit Consortium Manager presented the report which examined the progress made between 1 April 2016 and 10 February 2017 in relation to the completion of the Annual Internal Audit Plan for 2016/17. The report also included abbreviated executive summaries in respect of the audit reviews that had been finalised in the course of this period.

Members were reminded that only a verbal report had been provided at the previous meeting and that this report which included that verbal update now brought the Committee up to date with current progress.

Members' attention was drawn to page 67 of the agenda which highlighted the significant changes to the approved Internal Audit Plan, the progress made in delivering the agreed audit work and the outcomes that had arisen from the agreed audit work. It was noted that the main part of the plan of work had been completed by TIAA Ltd, with West Suffolk Audit completing the Revenues and Benefits audit reviews through the ARP arrangements. In summary 93 days of programmed work had been completed by TIAA Ltd and 25 days completed by West Suffolk Audit, totalling 118 days of the revised 176 days (71%). All remaining work had been timetabled in with all work to be completed by 24 March 2017.

Attention was drawn to section 4.6 of the report which provided Members with an overall view of the assurances awarded.

Referring to Appendix 2 of the report, Mr Hewett was surprised that Payroll and Human Resources had been reimbursing mileage claims without evidence of receipts. The Internal Audit Consortium Manager advised that a recommendation had already been implemented to address this issue and she would be meeting with the HR Manager as

Action By

VAT could not be claimed without this evidence.

RESOLVED that the outcomes of the eight audits completed by TIAA, in the period covered by the report, and the amendments to the 2016/17 internal audit plan were noted.

13/17 FOLLOW-UP REPORT ON AUDIT RECOMMENDATIONS (AGENDA ITEM 13)

This report provided Members with the position on the progress made by Management in implementing agreed Internal Audit recommendations as at 1 February 2017.

Due to formatting and printing issues, replacement copies of the appendices were circulated at the meeting. Copies of the appendix that had been omitted from the agenda were also circulated.

In 2015/16 there were 12 recommendations still outstanding (one urgent, 10 important and one needing attention). The management responses in relation to these outstanding recommendations had been highlighted in Appendix 3 and a management response had been provided in relation to these (see Appendix 4).

Referring to audit reference BRK 1704, Environmental Services - contaminated waste, the Chairman felt that this could have huge financial implications to the Council and was surprised to read that no extension had been agreed and no update had been provided. Members were informed that this risk was going to be discussed at the Joint Performance, Risk and Audit Board meeting next week. The Chief Accountant & Deputy S151 Officer advised that the Serco contract cost against budget was measured on a monthly basis on the Covalent system, so that variances were highlighted promptly.

Mr Ludlow felt that there had been some improvements made but in his opinion there were still far too many recommendations outstanding and felt that a realistic timetable should be set. The Internal Audit Consortium Manager assured Members that the use of Covalent, the new Performance Management System, had improved matters considerably but a watching brief would still be kept.

The Chairman felt that the historic outstanding recommendations should be looked at and he asked if it would be appropriate to inform the Executive Members of the Committee's concerns. Members were reminded that Officers could be called into the Governance & Audit Committee if they felt that the response was inadequate. In response to the latter question, Christine Marshall, the Executive Director for Commercialisation & S151 Officer explained that this could be actioned through the Minutes. The Internal Audit Consortium Manager pointed out that all remaining relevant recommendations would be included in the Annual Report & Opinion. Although he appreciated that everyone was very busy, Mr Hewett highlighted Capita and the risks that had been on the report for two years. He also highlighted the website risks and felt that the dates should not be extended. Members were informed that Capita had a separate action plan. Greg Pearson, the Corporate Improvement & Performance Manager advised that the forthcoming meeting of the Internal Performance, Risk & Audit Board would pick up all

Action By

these outstanding issues. The Internal Audit Consortium Manager assured Members that Breckland Council was in a good position compared to other authorities.

The contents of the report were otherwise noted.

14/17 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2017/18
(AGENDA ITEM 14)

The Internal Audit Consortium Manager presented the report which provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2017/18 to 2019/20 and the Annual Internal Audit Plan for 2017/18.

The Annual Internal Audit Plan would then serve as the work programme for the Council's Internal Audit Services Contractor, TIAA Ltd. It would also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of Breckland Council's framework of governance, risk management and control.

Members were informed that these were important documents and needed to be noted and approved. Attention was drawn to the most important appendix, the Annual Internal Audit Plan, appendix 4 of the report; this highlighted the work to be provided by Eastern Internal Audit Services (EIAS) which encompassed 20 audits, 10 of which would be jointly carried out at Breckland and South Holland DC. The Internal Audit Consortium Manager advised that for the joint audits, the report would either be a joint one, or two separate ones; however, the testing would be carried out at the same time regardless. It was noted that the appendices provided the scope and the timing of these reviews.

Councillor Hewett drew attention to appendix 3 of the Progress Report on Internal Audit Activity (Agenda item 12) in comparison to appendix 5 of this report and had noticed that the number of performance measures had decreased. Members were informed that going forward Internal Audit would only be measuring a total of 11 indicators.

The scrutiny function of which the Governance & Audit Committee did not have was discussed.

The Chairman asked if the auditors were looking at the way the costs were shared between Breckland and South Holland District Council. The Executive Director for Commercialisation & S151 Officer advised that this matter had been subject to a great deal of debate but was more of a scrutiny role and was subject to review.

RESOLVED that the following reports be noted and approved:

- a. the internal Audit Charter for 2017/18;
- b. the Internal Audit Strategy for 2017/18;
- c. the Strategic Internal Audit Plans 2017/18 to 2019/20; and
- d. the Annual Internal Audit Plan 2017/18.

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15/17 EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT (AGENDA ITEM 15)

The Internal Audit Consortium Manager presented the report which concerned the results of an external review by the Institute of Internal Auditors of EIAS' conformance with the Standards.

The Internal Audit Consortium Manager was pleased with the outcome of the assessment as it demonstrated that the contract currently in place was working well.

RESOLVED that the results of the assessment and the resultant action plan be noted.

16/17 STRATEGIC RISK REGISTERS/QUARTERLY UPDATE - RISK MANAGEMENT (AGENDA ITEM 16)

Greg Pearson, the Corporate Improvement & Performance Manager presented the report that informed the Committee on the current status of the Council's strategic risks.

The Chairman mentioned the low return of the Council's assets and asked when the Governance & Audit Committee would be looking at this in terms of risk appetite. Members were informed that they would be able to comment on the risk appetite but it was the Council that set it and therefore it would be the Council that took that risk.

The Internal Audit Consortium Manager explained that every report that this Committee had did have risk implications which Members were obliged to consider. The Chairman said that he now had a greater understanding of the Committee's role. Mr Ludlow agreed this ensured that there was an effective risk management process in place.

The Chairman congratulated the Corporate Improvement & Performance Manager for all his hard work in getting this register to the requested standard; the Committee now had a direction of travel.

It was agreed that this report and the restricted report at agenda item 20 would be discussed together. The Committee then moved to exclude the press and public.

17/17 WORK PROGRAMME (AGENDA ITEM 17)

Noted.

18/17 NEXT MEETING (AGENDA ITEM 18)

The arrangements for the next meeting on Friday, 9 June 2017 at 10.00am in the Norfolk Room were noted.

19/17 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 19)

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Schedule 12A to the Act.

Action By

**20/17 RESTRICTED STRATEGIC RISK REGISTERS/QUARTERLY UPDATE
- RISK MANAGEMENT (AGENDA ITEM 20)**

Following a number of questions it was highlighted that the Risk Strategy was still under development and would be brought to this Committee accordingly.

It was noted that with the exception of one item everything else had remained the same. It was agreed that a watching brief should be kept on this this item.

The Corporate Improvement & Performance Manager advised that there was further work required in relation to risk appetite.

The contents of the report were otherwise noted.

The meeting closed at 12.20 pm

CHAIRMAN