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**BRECKLAND COUNCIL**

**At a Meeting of the**

**AUDIT COMMITTEE**

**Held on Friday, 31 July 2015 at 10.00 am in  
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

**PRESENT**

Mr W.P. Borrett (Chairman)	Mr T. Ludlow
Mr J.W. Nunn (Vice-Chairman)	Mr K. Stevens
Mr M J Nairn	Mr P S Wilkinson

**In Attendance**

Julie Britton	- Senior Democratic Services Officer
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer)
Mark Finch	- Finance Manager
Emma Hodds	- Internal Audit Consortium Manager (IACM)
Julie Kennealy	- Executive Director (Commercialisation)(S151 Officer)
Rob Murray	- Audit Director, Ernst & Young
Alison Riglar	- Assistant Manager, Ernst & Young
Sue Allen	- Standards Officer
Rory Ringer	- Democratic Services Team Leader

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As this was the Finance Manager's last meeting, the Chairman and Members thanked Mark Finch for all he had done for the Audit Committee over the years and wished him well for the future.

**31/15 MINUTES (AGENDA ITEM 1)**

The Minutes of the meeting held on 19 June 2015 were confirmed as a correct record and signed by the Chairman.

**32/15 ACTIONS ARISING FROM THE MINUTES (STANDING ITEM)  
(AGENDA ITEM 2)**

**Minute No. 29/15 Work Programme**

The Executive Director for Commercialisation and S151 Officer had been asked to provide Members with an update on the Intellectual Property Working Group which had originally been included on the Work Programme but had since been removed.

The Committee was informed that the Group had met on one occasion only and at that meeting the Terms of Reference had been agreed. There was no evidence that any of the actions scheduled for future meeting consideration had been progressed.

All intellectual property rights (IPR) had been previously shared jointly

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between Breckland and South Holland Councils as set out in the Memorandum of Understanding; however, at the Full Council in December 2014 changes had been approved to amend this section.

Emma Hodds, the Internal Audit Consortium Manager had since been asked to look into IPR in relation to staff employment contracts.

Breckland Council had been protected in the Grants4Growth programme in relation to the use of the brand name but in the light of that experience the Executive Director of Commercialisation & S151 Officer had requested the auditors to consider if all staff contracts should include the confidentiality and IPR clause.

Members requested a list of all logos and brand names used for business purposes across all service areas be provided at the next meeting.

Mr Ludlow stated that IPR was not just about protecting the Council's trademarks etc. it was also important for the Council to ensure compliance in terms of the IPR of others. It was agreed that this particular action was an important aspect of the IPR considerations.

Mr Stevens reminded the Committee that the issue he raised in regard to employment contracts was in relation to consultants and whether they would be covered by the Council's IPR. The Executive Director for Commercialisation & S151 Officer advised that consultants came through from a range of agents. Mr Ludlow mentioned consultants' rights – owning the rights to their work which he felt the Council would have to be mindful of.

The Chairman felt that a common sense approach should be applied and suggested that all employees of the Council should be made aware that they could be breaking the law. Mark Finch, the Finance Manager assured Members that the Comms Team was aware of copyright rules. The Internal Audit Consortium Manager pointed out that she was in the middle of looking at software licenses and part of that work included a software inventory.

Mr Ludlow said that all the Committee could do was raise awareness.

The Executive Director of Commercialisation and the S151 Officer stated that with the transparency agenda and the ability to FOI all was becoming increasingly difficult to secure IPR in the public sector. Simplicity was good; therefore, if such matters could not be policed or enforced, then the Council needed to ensure that it had a defensible position. She would request that the Council's IT Users Policy be updated to reflect the Council's requirement for staff to comply with all copyright and licensing rules of others.

Councillor Nairn asked if someone wrote an excel programme would that become the property of the Council. Members were informed that the ICT User Policy was being updated to provide the Council with the relevant protection.

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**33/15 APOLOGIES (AGENDA ITEM 3)**

Apologies for absence were received from Cllrs Hewett and Wilkinson.

**34/15 URGENT BUSINESS (AGENDA ITEM 4)**

None.

**35/15 DECLARATION OF INTERESTS (AGENDA ITEM 5)**

None.

**36/15 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)**

None.

**37/15 ANNUAL REPORT ON STANDARDS ARRANGEMENTS (AGENDA ITEM 7)**

Sue Allen, the Council's Standards Officer presented the report.

Members were informed that the report updated the Committee on complaints received by Breckland Council against district, town and parish councillors regarding alleged breaches of the Code of Conduct from 1 April 2014 to 31 March 2015.

Under the Breckland Council arrangements it had been agreed that standards issues would be delegated to the Audit Committee and report to update Members be presented annually.

From 1 April 2014 to 31 March 2015, the Council received 11 complaints from members of the public alleging breaches of the Code of Conduct by councillors.

One complaint was against a Breckland Council member, 5 complaints were against town councillors and 5 were against parish councillors.

One complaint had been referred to the Police but after further consideration by them it was determined not to deal with the matter and referred it back to Breckland Council to be dealt with under the Council's arrangements.

The Monitoring Officer consulted with the Independent Person on 10 of the complaints.

No complaints had escalated to either a stage 2 complaint or a stage 3 complaint (investigation and Hearing).

The complaints were in relation to failure to declare an interest, failure to treat with respect, anti-social behaviour towards the complainant, misappropriating council funds and failure to comply with the 7 Nolan Principles.

As far as the Council was aware, all Disclosable Pecuniary Interest

forms were up to date. Mr Ludlow was pleased to hear that all such forms had been updated.

The report was otherwise noted.

**38/15 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING (WITH QUESTIONS) (FOR INFORMATION) (AGENDA ITEM 8)**

This Briefing paper was for information only.

The current contracts with audit suppliers ran until 2017, with a possible extension for up to three years, no announcement had been made about the possible extension as discussions were still on-going. Clarity on this matter would be provided at a future meeting.

The report was otherwise noted.

**39/15 AUDIT RESULTS REPORT (AGENDA ITEM 9)**

Rob Murray, the Audit Director for Ernst & Young presented the Audit Results report. The report summarised the key findings from the 2014/15 audit and the areas of work highlighted on page 34 of the agenda had since been completed and an unqualified audit opinion on the financial statements had been issued.

He expected to sign the audit opinion that afternoon, two months earlier than in previous years. He thanked the Finance Team for producing this work in such good time.

The report also outlined the audit risks as reported in the Audit Plan. The area in relation to commercialisation would be reviewed in 2016 as it would then be a complete year since the LABV had been initiated.

Members' attention was drawn to page 49 of the Statement of Accounts in relation to the notes to the core financial statements. Audit had identified a number of misstatements which the Team had highlighted to management for amendment. These primarily related to disclosure and presentation items with one classification error; all had been corrected during the course of the audit work and would be amended in the following year.

The Chairman asked if this correction would make much of a difference. Members were informed that it would not as it was just a change in disclosure.

It was noted that the Council had strong arrangements in place for securing value for money (see page 38 of the agenda) and referring to the fees (on page 40 of the agenda), Members were informed that the audit fees had been contained at the level planned; the fees for the non-audit work related to the work that was requested to be carried out on the LABV.

The Audit Results report was otherwise noted.

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**40/15 AUDITED STATEMENT OF ACCOUNTS 2014-15 (AGENDA ITEM 10)**

The Chief Accountant and Deputy Section 151 Officer presented the Statement of Accounts.

Members were reminded of the previous agenda item, the Audit Results report which had included the external auditor's opinion on the accounts and value for money.

The few changes that had been made to the Statement of Accounts since the last Audit Committee meeting on 19 June 2015 had been highlighted at paragraph 1.2 of the report.

The Accounts and Audit Regulations 2011 (as amended) required that the Statement of Accounts be considered and approved by the Audit Committee no later than 30 September each year. At the last meeting the report had detailed the earlier timetable requirements in future years which the Council had already followed for this year and had actually been completed two months early.

The Committee was being asked to approve the recommendations so that the Chairman could sign the relevant documentation to enable the Auditors, Ernst & Young to issue their certificate.

**RESOLVED** that:

- 1) the audited Statement of Accounts for 2014-15 be approved;
- 2) the Annual Governance Statement (AGS) for 2014-15 be approved; and
- 3) the letter of representation for 2014-15 at Appendix B of the agenda be approved.

The Chairman signed the Statement of Accounts for 2014-15.

**41/15 BRECKLAND BRIDGE LTD - LOANS (AGENDA ITEM 11)**

The Executive Director for Commercialisation & S151 Officer presented the report which requested that the necessary authority be put in place to allow the Council to exercise its option to finance agreed projects in the approved Business Plan of Breckland Bridge Ltd subject to due diligence. The reason for this request was that specific agreement had not been made for the remaining two schemes within the LABV and the application for Mileham had now been received.

Mr Ludlow asked if these loans would be secured by any assets. Members were informed of how the Breckland Bridge had been set up. There was an agreement in place for a number of types of debt and the Council had the absolute right to take site possession. The Committee was reminded of the very sound advice received and provided by PwC.

Mr Ludlow asked about the Council's requirement to borrow. The Chief Accountant explained that all these potential loans would be short term; therefore, there would be no impact on the Council's longer term CFR

**Action  
By**

based on the current capital estimates.

In response to a question, the Executive Director for Commercialisation & S151 Officer explained that the Council had to lend into the LABV at a commercial rate and a very strict formula had to be applied. The commercial rate calculation was explained.

Councillor Wilkinson drew Members' attention to paragraph 1.8 of the report in relation to the legal advisors that had yet to be appointed. The Executive Director suggested that 'instructed' would have been a better word to use as the Council had retained Trowers & Hamlins to do this work.

The Chairman reminded Members of the amendment that been received for recommendation no. 2 (previously circulated) additional wording to be added to the end: *and update the capital budgets accordingly to reflect the investment and repayment of the loan*. The Finance Manager explained that as the loan was a capital investment the capital budget would need to be updated.

**RECOMMEND** to Full Council that:

1. the Treasury Management Policy be amended to enable loans to be made to Breckland Bridge Ltd to enable the Council to exercise its option to finance agreed projects (in addition to Riverside funding approved at Full Council on 26 March 2015);
2. any loans to be approved by the S151 Officer on a project by project basis; subject to the project being part of a Business Plan approved by Full Council and the necessary due diligence being undertaken and update the capital budgets accordingly to reflect the investment and repayment of the loan; and
3. the total value of loans not to exceed £5m at any one time and no loans to be made for periods in excess of 2 years without prior approval of the Audit Committee or Full Council.

#### **42/15 WORK PROGRAMME (AGENDA ITEM 12)**

Referring to the next meeting in September in relation to the Breckland Training Services Annual report, Councillor Nairn asked if the Committee could be informed of whether full cost recovery had been achieved. Mr Ludlow felt that all cost related activities to generate income should be included so that Members would know whether BTS was operating as a stand-alone business. Councillor Wilkinson believed that with any new business there would be lots of losses before income.

The Work Programme was otherwise noted.

#### **43/15 NEXT MEETING (AGENDA ITEM 13)**

The arrangements for the next meeting on Friday, 25 September 2015 at 10.00am in the Norfolk Room were noted.

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The meeting closed at 10.50 am

CHAIRMAN