

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE & AUDIT COMMITTEE

**Held on Friday, 9 December 2016 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

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

Also Present

Mr T. Ludlow Mr K. Stevens

In Attendance

Suzanne Jones	- Interim Executive Director Commercialisation and s151 Officer
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Emma Hodds	- Internal Audit Consortium Manager (IACM)
Kevin Suter	- Executive Director, Ernst & Young
Greg Pearson	- Corporate Improvement and Performance Manager
Julie Britton	- Democratic Services Officer

55/16 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 2 September 2016 were confirmed as a correct record and signed by the Chairman subject to it being noted that Mr Ludlow had also declared an interest under agenda item 11 (Minute No. 43/16 refers).

**56/16 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM)
(AGENDA ITEM 2)**

1. Quarterly Risk Report (Minute No. 45/16)

Mr Ludlow asked the Corporate Improvement & Performance Manager if he had managed to review the impact of the publication of the gender pay gap. Members were informed that the guidance had not yet been issued but the Team was looking at the assessment to identify any problem areas and it would be raised if necessary.

2. Training (Standing item) (Minute No. 52/16)

Councillor Hewett had attended the CIPFA training in November and asked the Internal Audit Consortium Manager to pass on his thanks to the training provider as he had found the session very useful.

57/16 APOLOGIES (AGENDA ITEM 3)

An apology for absence had been received from Councillor Taylor.

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58/16 URGENT BUSINESS (AGENDA ITEM 4)

None.

59/16 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None.

60/16 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

None.

61/16 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

No training requirements were requested. The presentation slides from the CIPFA training session would be emailed again as some Committee Members had not received them.

62/16 LOCAL GOVERNMENT SECTOR UPDATE (AGENDA ITEM 8)

The Local Government Sector update would be emailed to Members and removed from the Work Programme for the February 2017 meeting.

63/16 ANNUAL AUDIT LETTER (AGENDA ITEM 9)

Mr Suter, Executive Director Ernst & Young presented the Annual Audit letter. The purpose of the letter was to summarise the results of the audit; the format had changed and all jargon had been removed and was now a more streamlined document.

The only item highlighted was the Housing Benefit Subsidy claims which had since been completed on 30 November 2016 and submitted to the Department of Work and Pensions accordingly.

Councillor Hewett thought the Annual Audit letter to be very clear and simple, he liked the executive summary but found the pictures a little distracting. Councillor Monument agreed she also found the pictures distracting but liked the message it was bringing to the Committee.

The Annual Audit letter was otherwise noted.

64/16 TREASURY MANAGEMENT MID YEAR REPORT (AGENDA ITEM 10)

The Chief Accountant and Deputy S151 Officer presented the Mid-Year Treasury report which the Committee was just being asked to note.

Section 1.2 on page 34 of the agenda summarised the key issues and changes to the Treasury report - Appendix 2 (page 38) of the agenda contained the detail and the majority of the information.

The main issue was the Money Market Funds (MMF) which the Council had used for many years but as interest rates had reduced there was a small risk of negative returns through the MMF; therefore, balances were slowly being reduced and although the returns were not so good in other investments the principal was safer.

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Councillor Nairn informed the Committee why the Breckland Bridge loans had been extended. The Executive Director for Commercialisation and S151 Officer assured Members that discussions were taking place and that she was in communication with Anglian Water.

Mr Ludlow had always believed that the Council only invested funds in AAA rated MMFs but according to page 42 of the agenda, it clearly did not. The Chief Accountant and Deputy S151 Officer explained that Handlesbanken was not a Money Market account therefore, a different rating applied.

Councillor Monument could not spot any difference to figures contained in the prudential Indicator table. Members were informed that there was no difference it was just a matter that had to be reported.

Councillor Hewett drew attention to a number of spelling and grammatical errors within the report; however, he did agree with Capita's comments in section 1.2 of the report. The Chairman asked about the Council's attitude to this in terms of risk. Members were informed that the difference in percentage rates were not significant and had been notified of the risk hence why new instant access accounts were being explored.

Councillor Hewett drew attention to Appendix 1 of the report and asked if the Council had to pay anything towards this economic update from Capita Asset Services as the content, in his opinion, did not seem current. Members were informed that it cost the Council nothing as it formed part of the Capita contract. She assured the Committee that Capita would never provide the Council with any advice.

The Mid-Year Treasury report was noted.

65/16 TREASURY MANAGEMENT POLICY & STRATEGY (AGENDA ITEM 11)

The Treasury Management Policy & Strategy report would normally be presented to the Governance & Audit Committee meeting in February and due to the timing of this report, the budget information could be subject to change as it progressed to Cabinet and Council in February 2017. The reason for bringing the report forward was explained. The Chairman asked if there would be a need for the Committee to meet prior to February. The Chief Accountant and Deputy S151 Officer assured Members that there would be no requirement.

In response to a question, the meaning of HRA was noted as Housing Revenue Account.

Councillor Hewett felt that the document deserved another look prior to it being presented to Full Council as it was full of formatting, grammatical and spelling errors. The Executive Director for Commercialisation and S151 Officer suggested that if Members were happy with the content Officers would be tasked with tidying up the document then it could be circulated back to the Committee Members.

The Chairman said that he would be satisfied if the revised/corrected document be sent to Councillor Hewett and Councillor Monument then it

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would not need to come back to all Members.

In response to a question, it was noted that the Capital Loans on page 47 of the agenda were in relation to the Breckland Bridge Loans.

RECOMMEND to Full Council that:

1. the Treasury Management Strategy 2017-18 to 2020-21 at Appendix A of the report be approved;
2. the Minimum Revenue Provision (MRP) statement contained within Appendix A that sets out the Council's policy on MRP be approved;
3. the Prudential Indicators and limits contained within Appendix A (tables 1-10) be approved;
4. the Investment Strategy 2017-18 (Appendix B of the report) and the detailed criteria included in Appendix B1 be approved; and
5. the Treasury Management Policy at Appendix B2 of the report be approved.

66/16 TERMS OF REFERENCE REVIEW (AGENDA ITEM 12)

The Executive Director for Commercialisation and S151 Officer had amended the Terms of Reference as requested to reflect the recent name change and what was now expected of the Governance and Audit Committee. It was proposed and seconded that the Independent Members should receive all committee papers in future as for the purpose of this Committee they were full Members– it was agreed that this addition would be included in the Terms of Reference. Other additions/amendments under the following headings included:

1. Purpose of the Committee

- Paragraph 1.5.2 was felt to be more prescriptive but provided less assurance. It was noted that this wording had been picked up from the Council's Constitution but would be amended and reported to Full Council accordingly. It was felt that independent assurance was missing and it was proposed that the word 'ensure' should be removed and replaced with "provide independent assurance that". It was further agreed that the second sentence of this part would have 'but not limited to' added after the words 'in relation to' and would now read:

"The purpose of the Governance and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient. This is achieved through key regular items received by the Committee in relation to, but not limited to, internal and external audit, key finance items, governance reviews and strategic risk management reporting".

2. Membership of the Committee

- Paragraph 1.6.1 – to remove the apostrophe from the word 'Council's'.

In response to queries regarding this section of the report the Internal

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Audit Consortium Manager explained that this particular part of the Terms of Reference was recognising the restrictions that Members could/should be applied and was attempting to say who could sit on the Governance and Audit Committee and how many Members could be appointed to the Overview & Scrutiny Commission. It also tried to explain the role of the Chairman and who that should be as it should be about interlinkage between the two Committees.

It was suggested that the amended Terms of Reference should be emailed to Councillors Monument and Hewett prior to it going to Full Council. Members were informed that the Terms of Reference could be reviewed at any time; therefore, it was agreed that the relevant Officer would make the amendments accordingly.

RESOLVED that:

- 1) the Committee note the proposed purpose and Terms of Reference for the Governance and Audit Committee and that these be put forward to Full Council for approval and adoption subject to the aforementioned amendments; and
- 2) the Committee note the restrictions to be placed on Members of the Committee and that these be put forward to Full Council for approval and formal adoption subject to the aforementioned amendments.

67/16 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (AGENDA ITEM 13)

The Internal Audit Consortium Manager provided Members with a verbal update. A full report would be provided at the February meeting.

Six audits had been completed to date in the financial year and high level summaries of conclusions were provided.

Work in progress for Quarter 3 including cross authority review of accounts payable, Payroll & Human Resources and Licensing & Business Support (joint) would be concluded prior to the Christmas break and all audits for Quarter 4 had been booked in for completion by the end of March.

Councillor Hewett asked why the recommendation in the Content Management audit which had scored a limited assurance was disagreed. The Internal Audit Consortium Manager said that she was content with the response provided by the IT Manager as to the acceptance of the associated risk and that she would provide the detail at the February meeting.

68/16 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS (AGENDA ITEM 14)

The Internal Audit Consortium Manager provided Members with a brief summary of progress to date in implementing audit recommendations.

All audit recommendations were now on Covalent which all Managers knew how to update and therefore it was becoming a much more fluid

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process and any concerns could now be escalated through to the relevant Board and onto the Executive Management Team (as appropriate) where Officers could be called to account.

The current position as at 7 December 2016 was that 40 recommendations had now been closed and 42 remained outstanding; however, many of these would be implemented in December 2016. Many historic recommendations had been addressed and information in relation to these would be reported in February.

The Executive Director for Commercialisation and S151 Officer explained the escalation process that was now in place whereby Officers could be held to account if no action was taken as well as a mechanism to be called to Committee.

Mr Ludlow stated that there were some items already significantly overdue. Members were informed that some of them had been superseded by strategies; however, the Council was still in a less satisfactory position. The Chairman asked if a policy could be put in place so any outstanding recommendations came to Committee. The Executive Director for Commercialisation and S151 Officer said that she would bring a report to the next meeting.

Mr Stevens felt that these recommendations had been re-visited on numerous occasions and were not being taken seriously. It was agreed that a process would be put in place for Members to agree in February.

69/16 WORK PROGRAMME (AGENDA ITEM 15)

The Chairman had discussed with the Chairman of the Overview & Scrutiny Commission as to the assessment of the return on capital of the commercial activities within this authority as he felt that there was not a natural place for these to sit and be considered. Mr Suter, the Executive Director, Ernst & Young pointed out that these should be looked at through Cabinet (as an Executive function) under the Corporate Plan and the Governance & Audit Committee Members could ask for assurance that this was being done.

The Chairman wanted clarity as to whether these matters were being scrutinised elsewhere; if not, he asked for a report to come back to Committee and be added to the Work programme accordingly.

The Executive Director of Commercialisation & S151 Officer said that she would discuss this further with colleagues and a report would come back to the Governance & Audit Committee detailing the current process in place for reviewing the return on commercial activities to provide assurance for Committee Members.

Referring to the Work Programme, Mr Stevens wanted to know when the two items that had been postponed were coming back to Committee. The Internal Audit Consortium Manager advised that the ICT Service and Infrastructure Report had been approved at the Full Council meeting on 8 December 2016 and that as a priority this included improvements to the Disaster Recovery processes; therefore, this update would be removed from the Work Programme as it was no longer appropriate and if the necessary work was not completed this would be picked up through the

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audit recommendations report..

As for the Contract Management and Monitoring update this was being monitored through the risk management process and would be discussed further under agenda item 18. It was then agreed that this item was no longer required.

It was agreed that the Internal Audit Consortium Manager would email the Governance & Audit Committee's Self-Assessment Exercise and Action Plan to Members in advance of the February meeting with responses to be provided before the agenda deadline so that it could be dealt with there and then at the meeting.

It was **RESOLVED** that the following deletions/additions be made to the Work Programme:

9 December 2016

- Disaster Recovery update (postponed) - to be removed
- Contract Management & Monitoring (postponed) - to be removed

24 February 2017

- Local Government Sector Update – to be removed
- Progress Report on Internal Audit Activity – to be added
- Follow up report on Internal Audit Recommendations – to be added
- Officer report on escalating outstanding recommendations – to be added (possibly incorporated into the above report).

70/16 NEXT MEETING (AGENDA ITEM 16)

The arrangements for the next meeting on Friday, 24 February 2017 at 10.00am in the Norfolk Room were noted.

Lunch would be provided to take account of the Treasury Management training taking place after the meeting.

71/16 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 17)

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 as it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act.

72/16 STRATEGIC RISK REGISTERS/QUARTERLY UPDATE - RISK MANAGEMENT (AGENDA ITEM 18)

The Corporate Improvement & Performance Manager presented the report and highlighted that a number of major amendments had been made since the last meeting.

It was agreed that in future some risks would be discussed in open session, others, which were considered to be strategic/sensitive issues would continue to be discussed in private.

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The Chairman felt that a score/target column should be included on the risk register in future; other suggestions were also put forward.

The Internal Audit Consortium Manager pointed out that if Members had any serious concerns, Managers could be called into Committee to explain the reason why their target had not been met. It was agreed that Members would notify the report author in advance of the meeting if this was required.

It was agreed that the Corporate Improvement & Performance Manager would continue to develop the Strategic Risk Register to suit the Committee's requirements.

The contents of the report were otherwise noted.

The meeting closed at 11.40 am

CHAIRMAN