

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE & AUDIT COMMITTEE

**Held on Tuesday, 13 June 2017 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr P. S. Wilkinson (Vice-Chairman) Mr J. Newton
Mrs L.H. Monument

Also Present

Mr S. H. Chapman-Allen Mr J.P. Cowen
Mrs J. Hollis Mr J. Plaskett (to observe only)

In Attendance

Greg Pearson	- Corporate Improvement and Performance Manager
Julie Britton	- Democratic Services Officer
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Emma Hodds	- Head of Internal Audit for Breckland Council
Alison Riglar	- Manager, Ernst & Young
Sarah Wolstenholme-Smy	- Legal Services Manager

Vice-Chairman in the Chair

21/17 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 24 February 2017 were agreed as a record and signed by the Chairman.

22/17 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

None.

23/17 APOLOGIES (AGENDA ITEM 3)

Apologies for absence were received from Councillors Bill Borrett (Chairman), Paul Hewett and Mike Nairn.

24/17 URGENT BUSINESS (AGENDA ITEM 4)

None.

25/17 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None.

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26/17 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

Councillors Phil Cowen, Sam Chapman-Allen and Jenny Hollis.

The Chairman introduced Mr John Plaskett, the new Independent Member, who was in attendance to observe the meeting. His role as the Independent Lay Advisor on the Governance & Audit Committee would commence in September 2017.

27/17 ANNUAL REPORT ON STANDARDS ARRANGEMENTS (AGENDA ITEM 7)

The Legal Services Manager presented the report.

The report updated Members on the work undertaken on standards matters and complaints received against district, town and parish councillors from 1 April 2016 to 31 March 2017.

New arrangements for dealing with complaints against members had been approved at the Full Council meeting on 6 April 2017; therefore, the complaints listed had been dealt with under the previous arrangements.

The number of complaints received and the different stages each case had to follow were highlighted.

A discussion took place about the time limits of dealing with standards complaints under the new and old procedure.

The report was otherwise noted.

28/17 QUARTER 4 2016-17 RISK REPORT (AGENDA ITEM 8)

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

One risk, the ICT provision remained in the high risk category, eight risks fell into the medium category and 3 risks in the low category.

The Council's risk scoring mechanism had been reviewed and was now comparable with best practice in other similar organisations. Following the review, the score to two medium risks had changed compared to the last quarter. The first, 'failure to maximise trading opportunities', the risk score had decreased from nine in the previous quarter to six, as a result of the recent revision in the Council's budget. The second, 'uncertainty over future government funding settlement' had increased from four to six, due to the uncertainty surrounding the proposed 'Fair Funding Review' of the Council's finances and the 100% business rates retention scheme proposals.

Due to there not being any press or public in attendance, the 'exclusion of press and public', at agenda item 18 was considered to be irrelevant. Appendix B of the report was then discussed.

Members were informed that the Capita Action Plan (Appendix B) was now

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moving forward in a positive way but the current risk score would remain for the interim.

The Chairman reported that Councillor Hewett had sent a number of questions prior to the meeting which Emma Hodds, the Internal Consortium Manager and Alison Chubbock, the Chief Accountant and Deputy Section 151 Officer would respond to accordingly outside of the meeting.

The Corporate Improvement & Performance Manager pointed out that Councillor Hewett had raised a question in relation to the ICT risk in conjunction with the recent NHS attack. He assured Members that Breckland Council was managing its ICT structure well and appropriate action had been taken prior to the attack. Further investment in the Council's ICT structure was being considered.

Councillor Cowen mentioned the outburst by Councillor Claussen at the recent Planning Committee meeting in relation to Capita and asked the Corporate Improvement & Performance Manager to investigate the accusations.

Councillor Monument referred to page 26 of the agenda pack and thought it was unusual that the Council was not aware if it had a gender pay gap. Members were informed that this matter was currently being looked at but the Government had not determined as yet how this should be calculated and a definition was awaited.

The content of the report was otherwise noted.

29/17 UN-AUDITED STATEMENT OF ACCOUNTS 2016-17 (AGENDA ITEM 9)

Councillor Cowen was in attendance at his first Governance & Audit Committee meeting as the new Portfolio Holder of Finance.

The Chief Accountant & Deputy S151 Officer presented the un-audited statement of accounts 2016-17. A presentation in line with previous years was also provided.

Members were reminded that the Annual Governance Statement (AGS) focused on the work that the Internal Audit Consortium Manager had done throughout the year. The AGS was audited by Ernst & Young, the Council's external audit providers, to be signed off by the Chief Executive.

The Management Accounts had already been presented to the Cabinet meeting on 30 May 2017 the detail of which could be found on the Council's website.

There was no statutory requirement for the Governance & Audit Committee to review the unaudited Statement of Accounts; however, it was felt that it was good practice to do so.

Members were made aware of a number of changes to the Statement of Accounts including a brand new statement called the Expenditure & Funding Analysis that highlighted the spend in each Directorate. The headings had also changed on the Comprehensive Income & Expenditure Statement making them more relevant.

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Members were then provided with a detailed overview of the draft un-audited Statement of Accounts including an explanation on each statement.

Members were informed that although Breckland Council had a good strong financial standing, available cash for future projects would be limited.

The Chairman thanked the Chief Accountant & Deputy S151 Officer and her Team for putting this comprehensive piece of work together and for making it so much easier for Members to understand.

A spelling error was pointed out on page 35 of the agenda under the last sentence of the first paragraph which should read: 'failing' not 'falling'.

In response to a question, the valuation of the pension fund liability and how that figure had been derived was explained. Councillor Cowen was going to ask the same question as these figures could send out a different message in relation to the reduction of staff and felt that it was a very fine balancing act that needed to be monitored. He also asked about the other Breckland Bridge scheme in Attleborough. Members were informed that the figures for this scheme would appear in next year's Group Accounts.

The un-audited Statement of Accounts for 2016-17 and the Annual Governance Statement were otherwise noted.

30/17 TREASURY MANAGEMENT OUT-TURN REPORT (AGENDA ITEM 10)

The Chief Accountant & Deputy S151 Officer presented the report which included a recommendation to Full Council.

The Council was required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2016-17. This report met with the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

An update from Capita, the Council's Treasury Management Advisors, on the economy and rates had been attached at Appendix A of the report.

Attention was drawn to Appendix B and the table at the bottom of page 144 of the agenda pack which highlighted what the Council had spent in the year. The underlying reasons for the variances between the estimated spend and actual spend were explained.

Appendix C of the report was the same report that was presented to the Cabinet meeting in May 2017.

The Council had complied with all legislative and regulatory requirements.

Councillor Monument spotted a small mistake on page 149 where a figure had been covered in error under one of the segments within the Counterparty Exposure chart. Members were informed that the figure should read £1,526,164.

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Councillor Cowen was aware there was £18m sitting in the bank earning little interest and asked why the Council did this. The Chief Accountant & Deputy S151 Officer explained that the whole Treasury Management process was based on Local Government guidance following the Icelandic events and this approach had to be taken and therefore for security reasons all the Council's investments were short term only – security came first, liquidity second and yield came last.

Mr Plaskett felt that the Council should be getting a better return. In response, Members were informed that there were better returns out there but they were felt to be too risky.

RECOMMEND to Council that:

1. the actual 2016-17 prudential indicators be approved; and
2. the Treasury Management stewardship report for 2016-17 at Appendix B and Appendix C of the report be noted.

31/17 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (AGENDA ITEM 11)

It was noted that the next three reports on the agenda were very interlinked.

Emma Hodds, the Head of Internal Audit for Breckland Council presented the report.

The report examined the progress made between 11 February and 10 May 2017 in relation to the completion of the Annual Internal Audit Plan for 2016-17 and included abbreviated executive summaries in respect of the audit reviews which had been finalised during this period.

Internal Audit Services (TIAA Ltd) had issued five assurance reports and three position statements during the specified time period. As a result of the assurance audits concluded by TIAA, 25 recommendations had been raised; 6 priority one (urgent), 11 priority two (important) and 8 priority three (needs attention); all of which had been agreed with management.

In relation to a number of issues raised in the Housing Needs, Allocations, Homelessness and Housing Register, the Manager was already being requested to attend the performance, Risk & Audit Board in June 2017 to ensure that the proposed progress remained on track.

The West Suffolk Internal Audit services had concluded on the ARP audits and the findings had been summarised at section 4.10 of the report.

Councillor Monument drew attention to page 159 of the agenda pack where the word 'off track' had been used which she did not like. The Head of Internal Audit explained that this was the terminology used by West Suffolk Internal Audit which was not used by TIAA – the term used by them was 'outstanding'.

Councillor Cowen pointed out that Councillor Claussen as the Portfolio Holder for Place had recently been appointed to the ARP Joint Committee and felt it would be worth the Head of Internal Audit getting him involved in ARP

matters. National non-domestic rates were also very important and keeping on top of the proposed actions was vital.

Mr Plaskett made three observations; firstly he felt, that Breckland Council was very lucky in having a very good company working for them. The second observation was in relation to transformation which he felt all councils had been working on forever and finally the number of actions from the internal audit action plan that did not get completed on time was his bugbear. The Chairman asked Councillor Chapman-Allen about transformation. Members were informed that it was all on track, the work was still on-going but there were also a number of tangible outcomes.

RESOLVED that the outcomes of the nine audits completed by TIAA and the three completed by West Suffolk Internal Audit be noted.

**32/17 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS
(AGENDA ITEM 12)**

The Head of Internal Audit presented the report that provided Members with the position on progress made by the management in implementing agreed Internal Audit recommendations as at 31 March 2017; thus providing the year ending position for 2016-17.

Attention was drawn to page 192 of the agenda pack where the status of agreed actions had been highlighted. 57 recommendations had been raised by internal audit in 2016-17, one of which was disagreed, 21 had already been implemented by the agreed date; however, 5 were still outstanding and 30 were not yet due. The management responses in relation to the outstanding recommendations had been highlighted at Appendix 4 of the report.

The Performance, Risk & Audit Board was working well but assurance was needed that good reasons for these outstanding recommendations came forward and not excuses.

Councillor Monument referred to page 194 of the agenda pack and mentioned the three outstanding recommendations from the review that had been completed in 2014-15 that were still outstanding and appeared to have stalled completely. The Head of Internal Audit explained that these were taking a great deal of time to complete and the Performance Risk & Audit Board was keeping a watching brief on these. The Corporate Improvement & Performance Manager advised that both pieces of work should be completed in the next two months.

Councillor Cowen had noticed that Corporate Health & Safety had outstanding recommendations for the past six months and felt that conflicting work flows should not be allowed to interfere with such an important issue. The Head of Internal Audit said that she would look at the performance module (Covalent) to check these recommendations and call the responsible Officers to the next Board meeting to explain and then also to Committee if needed.

The Corporate Improvement & Performance Manager asked if audit was satisfied with Parkwood's (the Leisure Centres) health & safety. In response, Members were informed that the work was underway and Officers were

working towards completion. The Chairman presumed that Parkwood would carry out its own health & safety assessment on a regular basis. It was noted that a review would be carried out to ensure that the auditors were happy with what Parkwood was doing.

The report was otherwise noted.

33/17 ANNUAL REPORT AND OPINION 2016/17 (AGENDA ITEM 13)

The Head of Internal Audit presented the report.

The report provided the Council with an Annual Report and Opinion for 2016-17, drawing upon the outcomes of Internal Audit work performed over the course of the year. The report also concluded in the Effectiveness of Internal Audit.

Attention was drawn to section 2.2 of the report on page 206 of the agenda pack where the overall opinion in relation to the framework of governance, risk management and control at Breckland Council had been given as **reasonable**. Section 3 of the report provided a summary of the work undertaken. Under Section 4 of the report (third party assurance), Members were informed that the Anglia Revenues Partnership had taken on a new partner, Fenland District Council. Members were also informed that all Heads of Internal Audit for the seven authorities were now trying to develop an approach whereby one audit of each of the ARP areas would be undertaken for the seven councils as opposed to numerous auditors reviewing the same. This was something that the ARP Committee had been requesting for a while as it would make efficiencies across the board and the head of Internal Audit was hopeful that this could be achieved.

Finally, section 5.3 of the report referred to the effectiveness of the Head of Internal Audit, Emma's role. Her work had been forwarded to the S151 Officer and the Deputy S151 Officer for independent scrutiny and verification.

The Chairman felt that the report had included very clear answers to a great deal of questions.

RESOLVED that:

1. the contents of the Annual Report and Opinion of the Internal Audit Consortium Manager be approved;
2. the **reasonable** audit opinion given in relation to governance, risk management and control for the year ending 31 March 2017 be noted;
3. the opinions expressed together with significant matters arising from internal audit work contained within the report be given due consideration and noted when developing and reviewing the Council's Annual Governance Statement for 2016/17; and
4. the conclusions of the Review of the Effectiveness of Internal Audit be noted.

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34/17 ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE (AGENDA ITEM 14)

The Head of Internal Audit presented the report which summarised the work of the Governance & Audit Committee during 2016-17 to confirm that it had operated in accordance with its Terms of Reference and had sought to comply with best practice and demonstrated effective challenge during its four meetings in year.

It was noted that this report, if approved, would be taken forward to the Full Council meeting in July 2017.

Councillor Wilkinson (Vice-Chairman in the Chair) stated that the Chairman, Bill Borrett, had been quite content for the report to be forwarded to Full Council.

RECOMMEND to Full Council that the content of the Annual Report be approved.

35/17 TRAINING (STANDING ITEM) (AGENDA ITEM 15)

The training had been deferred until the September meeting.

36/17 WORK PROGRAMME (AGENDA ITEM 16)

The Annual Report on the Treasury Management Service and Actual Prudential Indicators 2016-17 would be removed from the July meeting as it appeared twice albeit under a different title.

The self-assessment on the work programme for September would be shared with Members two weeks prior to the meeting for discussion after the meeting as part of training; followed by a training session for new Members.

37/17 NEXT MEETING (AGENDA ITEM 17)

The arrangements for the next meeting on Friday, 28 July 2017 at 10.00am in the Norfolk Room were noted.

38/17 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 18)

See Minute No. 28/17 above.

39/17 QUARTER 4 2016-17 RISK REPORT - APPENDIX B (AGENDA ITEM 19)

See Minute No. 28/17 above.

The meeting closed at 11.35 am

CHAIRMAN