

**BRECKLAND COUNCIL**

**At a Meeting of the**

**GOVERNANCE & AUDIT COMMITTEE**

**Held on Friday, 16 February 2018 at 10.00 am in  
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

**PRESENT**

Mr W.P. Borrett (Chairman)  
Mr P. S. Wilkinson (Vice-  
Chairman)  
Mr P.J. Hewett

Mrs L.H. Monument  
Mr J. Newton  
Mr J. Plaskett (Independent Member)

**In Attendance**

Vanessa Boon  
Alison Chubbock

Emma Hodds  
Matthew Hogan  
Greg Pearson

Kevin Suter  
Julie Britton  
Corey Gooch

- IT Project Manager
- Chief Accountant (Deputy Section 151 Officer) (BDC)
- Head of Internal Audit for Breckland Council
- Strategic Housing Manager
- Corporate Improvement and Performance Manager
- Executive Director, Ernst & Young
- Democratic Services Officer
- Business Intelligence Officer

**1/18 MINUTES (AGENDA ITEM 1)**

The Minutes of the meeting held on 1 December 2017 were confirmed as a correct record and signed by the Chairman subject to the date being changed from the 16<sup>th</sup> February to 15<sup>th</sup> February 2019 under Minute No. 71/17.

**2/18 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)**

None.

**3/18 APOLOGIES (AGENDA ITEM 3)**

An apology for absence was received from Councillor Nairn.

**4/18 URGENT BUSINESS (AGENDA ITEM 4)**

None.

**5/18 DECLARATION OF INTERESTS (AGENDA ITEM 5)**

None.

**6/18 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)**

None.

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<b>7/18 <u>TRAINING (STANDING ITEM) (AGENDA ITEM 7)</u></b>	
<p>Councillor Newton asked if he could have some form of basic training to assist him in his Governance &amp; Audit role.</p>	<1> Emma Hodds
<p>It was agreed that an informal training session would be provided by the Head of Internal Audit.</p>	
<b>8/18 <u>QUARTER 3 2017-18 RISK REPORT (AGENDA ITEM 8)</u></b>	
<p>Due the fact that no press or public were in attendance the Chairman proposed that agenda item 19 be discussed in open session.</p>	
<p>Corey Gooch, the Business Intelligence Officer for the Corporate Improvement &amp; Performance Team, was in attendance to observe the meeting.</p>	
<p>The Corporate Improvement &amp; Performance Manager presented the report.</p>	
<p>A number of risks had been affected and amended since the previous quarter and a number of new risks had been added. The under occupancy of the Riverside units had been moved to a 'high' category; however, a significant level of marketing activity was being carried out and a marketing and letting company had been hired to promote these units – alternative uses were being considered.</p>	
<p>In response to a concern in relation to the amount of revenue the Council was losing whilst these units remained empty, Members were assured that the loss for this year could be significant but would be for 2019/20 if the remaining units were not filled.</p>	
<p>The Chairman said he would be interested to know about the process of how the Council's assets were managed/promoted when units became empty. The Head of Internal Audit advised that this formed part of the audit process within the Internal Audit Plan. The next review was due in 2019/20 but could be brought forward to this year if preferred. Another option available to Members was to call in the Strategic Property Manager to present a one-off update to next meeting on the performance of the Council's asset portfolio. In response to a further concern about how well the Council's assets were performing, the Chief Accountant advised that following an exercise carried out in 2017, there were a number of poorer performing assets that the Council was going to disinvest from and then re-invest in better performing assets. Councillor Monument was of the opinion that looking at all of the Council's assets could detract the attention from the empty units in Riverside and would rather see two entries on the register, one for Riverside and one for others. Members were reminded that the occupancy rate was actually a performance measure that was already reported to the Overview &amp; Scrutiny Commission (O&amp;SC); and in terms of day to day risks, these were monitored at an operational risk level and not at a strategic level. Mr Plaskett, the Independent Member, felt that a report showing all unoccupied buildings losing revenue should be presented to the next meeting. The Head of Internal Audit pointed out that this would be delving into the remit of O&amp;SC. Councillor Hewett drew attention to the fact that this was an emerging risk for the Council's ability to deliver the</p>	<2> Emma Hodds, Greg Pearson <3> Greg Pearson

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Medium Term Financial Plan and was also a significant reputational risk for Thetford.

It was agreed that a report on the processes of this matter would be added to the Work Programme for the next Governance & Audit Committee meeting in June 2018.

It was further agreed that a new risk would be added to the Risk Register in relation to income from commercial activities and the risk for Riverside would remain.

In terms of another risk mentioned in the report in relation to staff recruitment, Mr Plaskett asked how many key posts needed to be filled. Members were informed that the two Executive Manager posts were currently filled by interims.

It was agreed that a date would be added to mitigate this risk.

Councillor Hewett drew attention to the General Data Protection Regulation (GDPR) Implementation risk in terms of controls and mitigation and felt that more regular meetings should be held as this could have a huge impact on the Council. The Head of Internal Audit advised that all Norfolk authorities were working together on GDPR.

On the gender pay gap risk, it was noted that a report had already been included on the Council agenda for the forthcoming meeting.

Following a concern, it was agreed that the 'likelihood' score in relation to failure to deliver the Local Plan should be put back to a '2'.

Under the IT risk, Members were assured that a cyber security audit had been put in place and was now underway.

The report was otherwise noted.

**9/18 RISK MANAGEMENT POLICY (AGENDA ITEM 9)**

The Corporate Improvement & Performance Manager had been pleased with the useful feedback received from Members at the previous meeting and he highlighted the changes that had now been included in the report. Mr Plaskett asked why the operational risks had not been included. Members were informed that only risks at a strategic level would be incorporated.

Councillor Hewett highlighted further additions that he would like to see made to the policy. It was agreed that these matters would be discussed after the meeting and the report, once amended, would be brought back to the next Governance & Audit Committee meeting in June.

<2> Greg Pearson

**10/18 ANNUAL GRANT CERTIFICATION REPORT 2016/17 (AGENDA ITEM 10)**

Kevin Suter, Ernst & Young presented the Annual Grant Certification Report and summarised the results of the work carried out on Breckland Council's 2016/17 claims.

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The certification work highlighted a number of errors which were reflected in a qualification letter to the housing benefit subsidy claim (see pages 46 and 49). More errors had been found year on year which was disappointing, but this was in context with other Councils.

**11/18 2017/18 AUDIT PLANNING REPORT (AGENDA ITEM 11)**

Kevin Suter, Ernst & Young presented the report.

The style of the report had changed and some of the content in relation to sections 1 to 3 had been presented differently.

Referring to Appendix B on page 85 of the agenda pack, Members were asked to note the significant change in statutory deadlines from the 2017/18 financial year. From that year, the timetable for preparation and approval of accounts would be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audit accounts by 31 July; this was a potential source of risk for all authorities, with a need to plan carefully and work together between Auditors and finance teams to achieve the deadlines.

The Chief Accountant advised that she was happy to proceed with the new timetable.

Referring to page 58 of the report, Councillor Hewett felt that the interpretation under ISA 240 was quite harsh. He was also cynical of the Local Government's Pension Scheme and although this was out of the Council's control it did have an impact on the presentation of the balance sheet. Mr Suter advised that the pension fund may 'swing' year on year, hence the identified focus of the work in reviewing the key assumptions used to value the net liability during the audit. The Chief Accountant agreed that they were significant sums of money and had a significant impact on the Balance Sheet, however more importantly for cash flow purposes were the amounts paid each year to the pension fund for the deficit and this had been flagged up in the budget as an operational risk that the Council needed to consider.

Mr Plaskett felt that the Audit Plan report was very clear and had been well presented and in response to a question, private meetings with the auditors did take place.

The report was noted.

**12/18 UPDATED TREASURY MANAGEMENT POLICY, STRATEGY AND PRUDENTIAL INDICATORS 2018-19 (AGENDA ITEM 12)**

The Chief accountant presented the report.

It was noted that as a result of the new Codes issued in late December 2017 (see section 1 of the report) after the last Governance & Audit Committee meeting, changes to the appendices previously approved that had occurred had been highlighted in red. Additionally, the opportunity had been taken to update the tables in Appendix A to reflect the latest budget position being presented to Full Council on 22 February 2018. For clarity, a summary of the changes had been highlighted in section 2 of the report. One of the main changes highlighted was in relation to the role of

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the S151 Officer. Changes to both Codes had extended the functions of this role particularly in respect of non-financial investments with security and portfolio liquidity when investing treasury funds being a priority.

The Chairman felt that the previous training session that Members attended had been quite interesting and had covered these changes.

Councillor Hewett referred to the paragraph under table 3 on Appendix A that indicated that the Council did not have a borrowing need within this reporting period but had noticed that the outlook had been different in the previous report presented to the Committee in December. He had not been able to establish where this previous borrowing need had stemmed from and asked for an explanation as to where this money had gone and if the Council was confident that it would not appear again in the near future. The Chief Accountant explained that as part of the budget process through committees, Members had asked for a £1m budget to be removed at the previous meeting due to it being an indicative amount for the Thetford Enterprise Partnership (TEP) with no determined project to support it.

Councillor Monument asked a question in relation to the number of days highlighted in red on page 123 of the agenda pack and asked if one day would make any difference. Members were informed that the legislation had changed meaning 'either' 364 days 'or' 365 days; however, an extra word could be included as both sets of days were required in terms of treasury management.

Councillor Hewett asked why the amount in the earmarked reserves in table 4, page 101 of the agenda pack, was shown as an increase year on year until 2020/21. The Chief Accountant explained that this had been set aside in relation to renewable energy business rates so that the Council did not become over-reliant on our significant business or in case of an appeal. The Chairman said this would be the same for Doctors surgeries.

Subject to the aforementioned small amendment, it was

<2> Alison  
Chubbock

**RECOMMENDED** to Full Council that the following updated documents be approved:

- a. the Treasury Management Strategy 2018-19 to 2021-22 at **Appendix A**;
- b. the Minimum Revenue Provision (MRP) statement contained within **Appendix A** which sets out the Council's policy on MRP;
- c. the Prudential Indicators and limits contained within **Appendix A** (Tables 1-9);
- d. the Investment Strategy 2018-19 (**Appendix B**) and the detailed criteria included in **Appendix B1**; and
- e. the Treasury Management Policy at **Appendix B2**.

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**13/18 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19**  
**(AGENDA ITEM 13)**

Emma Hodds, the Head of Internal Audit presented the report which was for Members to note.

The Accounts and Audit Regulations 2015 required that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The following factors that had to be taken into when developing the audit plan were highlighted at section 1.5 of the report.

The Annual Internal Audit Plan for 2018/19 totalled 195 days, 160 of which were provided by Eastern Internal Audit Services and 35 days were provided through the arrangements in place for Anglia Revenues Partnership (ARP) arrangements.

Mr Plaskett mentioned the number of days under the income audit area for 2019/20 on page 149 of the agenda pack, Appendix 2 and also queried the wording under section 6 of the report. In response to the first question, in relation to the number of days, Members were informed that a positive assurance remained and key areas were controlled; therefore, the days were sufficient and as far as the latter was concerned the wording would be amended accordingly i.e. to remove the word "new".

<2>  
Emma  
Hodds

**RESOLVED** that the following recommendations be approved:

- a) the Internal Audit Strategy for 2018/19;
- b) the Strategic Internal Audit Plan 2018/19 to 2020/21; and
- c) the Annual Internal Audit Plan 2018/19.

**14/18 AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE FOR 2017/18**  
**(AGENDA ITEM 14)**

Members had reviewed and completed the two assessment tools following a training session on 1 December 2017; this was sent round to Committee Members afterwards for comments. Mr Plaskett had then provided the scoring in the second section as requested by the Committee. An Action Plan would now be developed for any assessment scoring under 3.

The Chairman drew attention to those areas that had scored 3 and asked the Committee whether they felt that this was an accurate reflection as he had concerns of any impact this could cause. Councillor Hewett felt that the scores were fair. Members were informed that this was an internal evaluation and these scores could be re-visited in 6 months' time at the September meeting.

<2>  
Emma  
Hodds

The report was otherwise noted.

**15/18 INTERNAL AUDIT RECOMMENDATIONS (AGENDA ITEM 15)**

Members had asked for a verbal update from the responsible Officers on

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<p>the progress of their audit recommendations that had been outstanding for some time.</p>	
<p>Matthew Hogan, the Strategic Housing Manager was in attendance for Housing and Vanessa Boon, the IT Project Manager, for the IT issues.</p>	
<p>The Strategic Housing Manager explained that since the adoption of the Affordable Housing Policy in 2009, different tenures had been sought; one example being shared equity which the Policy now needed to reflect. Additionally, the draft Policy had been included in the Local Plan which was currently with the Planning Inspectorate. He asked Members if they would be content to close down this action or keep it open until the Local Plan was adopted.</p>	<p>&lt;2&gt; Emma Hodds, Matthew Hogan</p>
<p>Members asked for this action to be closed.</p>	
<p>The IT Project Manager was currently on a year's contract to manage two key IT projects. The first was to bring the IT service back in-house, which had been completed and the other was in relation to the IT infrastructure which was now between South Holland and Dereham and not Thetford as it was previously. The process was explained and Members were reassured that Breckland Council was now in a much better place than ever before. Draft 1 was now underway and following a trial of events, data recovery should be completed by 1 April 2018.</p>	
<p>The Head of Internal Audit pointed out that an update on all outstanding audit recommendations would be provided in June.</p>	<p>&lt;3&gt; Emma Hodds</p>
<p>The Chairman was pleased with the progress.</p>	
<p><b>16/18 <u>WORK PROGRAMME (AGENDA ITEM 16)</u></b></p>	
<p>It was agreed that the following items would be added to the Work Programme:</p>	
<ul style="list-style-type: none"><li>• June 2018  Commercial Asset Report – Strategic Property Manager  Risk Management Policy update – Corporate Improvement &amp; Performance Manager</li><li>• July 2018  Audit Results Report 2017/18 – External Audit</li><li>• September 2018  Annual Audit Letter – External Audit  Audit Committee Self-Assessment Exercise &amp; Action Plan – Head of Internal Audit</li><li>• December 2018  Progress Report on Internal Audit Activity – Head of Internal Audit</li></ul>	

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Follow up report on Internal Audit recommendations – Head of Internal Audit

- February 2019

Annual Grant Certification Report 2017/18 – External Audit

Annual Audit Plan 2019/20 – Head of Internal Audit

Audit Committee Self-Assessment Exercise & Action Plan – Head of Internal Audit

Councillor Hewett and the Head of Internal Audit advised that they would not be able to attend the June meeting and asked if it could be moved.

A new date would be circulated.

**17/18 NEXT MEETING (AGENDA ITEM 17)**

To be confirmed.

**18/18 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 18)**

Not required as no press and public were in attendance.

**19/18 STRATEGIC RISK REPORT (AGENDA ITEM 19)**

Discussed under agenda item 8.

The meeting closed at 12.00 pm

CHAIRMAN