

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE & AUDIT COMMITTEE

**Held on Friday, 28 September 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)

Mrs L.H. Monument
Mr M. J. Nairn

In Attendance

Ross Bangs	- Corporate Improvement & Performance Manager (shared)
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Emma Hodds	- Head of Internal Audit for Breckland Council
Kevin Suter	- Executive Director, Ernst & Young
Leanne Neave	- Democratic Services Officer

49/18 MINUTES

The Minutes of the Governance & Audit Committee meeting held on 13 July 2018 were confirmed as a correct record and signed by the Chairman; subject to the following amendment, Mr John Plaskett to be listed as present at the meeting.

50/18 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM)

None.

51/18 APOLOGIES

Apologies for absence were received from Councillor John Newton and Paul Hewett.

52/18 URGENT BUSINESS

None.

53/18 DECLARATION OF INTERESTS

None.

54/18 NON-MEMBERS WISHING TO ADDRESS THE MEETING

None.

Action By

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55/18 TRAINING (STANDING ITEM)

None.

56/18 QUARTER 1 2018-19 RISK REPORT

Ross Bangs, Corporate Improvement Performance Manager, presented the report.

Members attention was drawn to a number of changes, three risks were currently in the high category.

Mr Plaskett commented that the failure to maximise income from investments was a concern, he suggested a more detailed review be presented at the next meeting so the Committee had a clear understanding of the risk.

The Chairman asked the reason for the deterioration.

The Corporate Improvement Performance Manager advised the Council had a number of units subject to asset appraisal with a view to dispose or re-invest. He confirmed that the appraisal of the units would inform a strategic decision as to disposal or re-let. The Chairman believed that with an increased vacancy level in the Portfolio it was not appropriate to measure it as part of the risk. The action taken by the team was with the strategic aim of maximising potential from the Portfolio. He requested that a full report be presented from the team at the next meeting.

Councillor Nairn queried the critical breach of security that showed as static, he was of the opinion that it would be far more volatile than ever before.

The Corporate Improvement Performance Manager advised there was a corporate firewall provided which gave further protection. It scanned files on a daily basis as and when they were received. Additional actions were planned up to the target date of 31st December and he reported that the team were confident the target risk impact would be achieved

Emma Hodds, Head of Internal Audit advised that whilst it may be more volatile the team had addressed risks to the Council. The impact could not reduce dramatically but the likelihood of it happening could be reduced.

Members queried the staff recruit and retention. It was asked what key recruitment was outstanding and had potential staff retirements been mapped out as there had been no significant changes in 12 months. They were advised that a piece of work was ongoing, staff turnover in quarter one was 14%, the Human Resources team were looking to benchmark this against other Local Authorities. Significant work was also being done on staff retention.

The Chairman requested the Corporate Improvement Performance

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Manager present an update on the points raised at the next meeting.

Members agreed that due to Riverside only having one vacant unit remaining the risk no longer needed reporting as an individual risk and moving forward it would be covered in the commercial property risk.

It was noted that Data Protection had levelled out. GDPR had been an unknown but a dedicated Officer was now in place and there would be an internal audit review.

57/18 ANNUAL AUDIT LETTER FOR THE YEAR ENDING 31 MARCH 2018

Kevin Suter, Executive Director, Ernst & Young began by saying this would be his last meeting as he would be handing over to Mark Hodgson for 2018-2019 Audit. He thanked Officers and Members for their support during his time.

He advised the purpose of the document presented to Members was to convey the results of the audit in a less formal form. It was aimed at the wider stakeholder audience and the public if they wished to engage. He advised there was no new information in the document.

Members attention was drawn to Section 6 which had been added as an illustration as to how audit was changing. Instead of random sampling of transactions it was more risk focussed. There was the ability to gather information in more detail, system journals could go out on a weekend but manual journals should not be done at weekends as they were done by Officers who work 9-5 weekdays. This was only made possible due to the progression in technology

It was highlighted to Members that Section 7 gave details of the new accounting standards being introduced this year. There were three new accounting standards which could delay the achievement of the deadline of July. Whilst the new revenue recognition scheme might not have a material effect on Local Authorities there would be a need to demonstrate why it does not apply. On page 45 the new leasing standard was explained. This is applicable in 2019-2020 but in this year's account there was a requirement to make a disclosure about anticipated impacts so there was a need for the process to be done sooner.

Alison Chubbock, Chief Accountant and Deputy Section 151 Officer advised that work was in progress to review these new standards and she had no major concerns. IFRS 9 would not have great deal of impact as the Council invested in simple cash deposits with banks and building societies but a piece of work to show this would be done.

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IRFS 15 again there were no issues with the Council's own accounts but there was a potential adjustment to be done with the group accounts with Breckland Bridge. She reported the investigation had started and she was confident it would be straightforward.

IRFS 16 leases, she advised this did not apply to leases out to other people (so it didn't apply to rental income from commercial tenants) it was only relevant when the Council leased from other companies, most of the Breckland leases were small value items for example photocopiers which may not be impacted by the new standard, but we are awaiting final CIPFA guidance.

Members were advised that the document would be published on the website.

The Chairman confirmed the Panel had considered the document and its contents and were happy for it to be published.

The Chairman thanked Kevin on behalf of the Committee for his unfailing good humour and support to the Committee and for producing the audit over three years. He wished him well for the future.

58/18 AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE

Emma Hodds, Head of Internal Audit reminded Members that this assessment was looked at six months ago, comments had been fed into it and Mr Plaskett had provided scores he was happy with. There were a few areas that had scored three and rather than take immediate action it had been the wish of the committee to revisit them after six months.

Mr Plaskett advised he felt he had been a little harsh in his initial scoring. Having had six months on the Committee he was able to see areas that he would now score higher than he did initially.

It was agreed to go through the scores.

- Promoting the principles of good governance and their application to decision making – Members agreed to leave this at 4 and revisit next time.
- Contributing to the development of an effective control environment – Mr Plaskett thought the 3 was too low and rescored as 4.
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks – Members were happy to leave this as a 4
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively – after re-reading Mr Plaskett believed this should

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- be 4
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence – Members were happy to leave as 4
 - Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements – Mr Plaskett would like this amended to 4
 - Supporting the development of robust arrangements for ensuring value for money – Mr Plaskett wished for the committee to discuss. Councillor Wilkinson felt this could be 4 as it was well led by Alison Chubbock and information was always clear. Emma Hodds reminded the committee that they receive a value for money conclusion annually from the annual external auditor comments. Members agreed to amend this to 4.
 - Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. Mr Plaskett was happy to mark as 4.

Emma Hodds, Head of Internal Audit asked if there were any training needs or requests from this assessment for the work programme and for confirmation of a review date.

The Committee agreed there were no training needs or requests for the work programme and they wished to review in six months time. At this review a decision would be made as to whether this remained a six monthly assessment or became annual.

59/18 WORK PROGRAMME

The Chairman wished to confirm there would be training at the next Governance & Audit Committee meeting.

Alison Chubbock, Chief Accountant and Deputy Section 151 Officer confirmed she had spoken to the Pensions fund and they were happy to come at the end of the next meeting to answer questions and give Members a presentation on the work they do.

Action: to adopt as part of the work programme a training session to follow the next meeting.

The Chief Accountant reminded Members that Treasury Management training was delivered annually and asked if the committee wished for it to follow the February meeting.

Following a discussion Members agreed that as there had been no changes to the committee membership, the previous session had been very thorough and with the Election in May a decision should

be made at June's meeting as to whether training was required.

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60/18 NEXT MEETING

The next meeting would be held at 10am on 14 December 2018.

61/18 EXCLUSION OF PRESS AND PUBLIC

Not required as no Press or Public were present at the meeting.

62/18 APPENDIX 2 FOR QUARTER 1 2018-19 RISK REPORT

Discussed under agenda item 8.

The meeting closed at 10:40

CHAIRMAN