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To The Chairman and Members of the Audit Committee

All other Members of the Council – for information

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Date 20 June 2014

AGENDA SUPPLEMENT

Dear Sir/Madam

AUDIT COMMITTEE - FRIDAY 27 JUNE 2014

I refer to the agenda for the above-mentioned meeting and enclose the following item:

Item No	Report Title	Page Nos
1.	<u>Minutes</u> To confirm the minutes of the meeting held on 13 June 2014.	105 - 113

Yours faithfully

Julie Britton

Senior Committee Officer

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BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 13 June 2014 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr J.W. Nunn	Mr M J Nairn
Mr C.R. Jordan (Chairman)	Mr T. Ludlow
Mr R.G. Kybird (Vice-Chairman)	Mr K. Stevens
Mrs B Canham	

Also Present

Mr K. S. Gilbert	Mr M.A. Kiddle-Morris
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In Attendance

Robert Murray	- Director, Ernst & Young
Alison Chubbock	- Accountancy Manager
Julie Britton	- Senior Committee Officer
Alison Riglar	- Assistant Manager, Ernst & Young
Simon Best	- REV Active Project Manager
James Edwards	- Performance Risk Officer
Julie Kennealy	- Strategic Director
Susan Smith	- Financial Claims Manager
Vicky Thomson	- Assistant Director - Democratic Services

16/14 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 14 February 2014 were confirmed as a correct record and signed by the Chairman.

17/14 APOLOGIES (AGENDA ITEM 2)

An apology for absence was received from Robert Childerhouse.

18/14 URGENT BUSINESS (AGENDA ITEM 3)

None.

19/14 DECLARATION OF INTERESTS (AGENDA ITEM 4)

None.

20/14 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 5)

Keith Gilbert and Mark Kiddle-Morris.

21/14 TRAINING (STANDING ITEM) (AGENDA ITEM 6)

Nothing to report.

Action By

22/14 ANNUAL REPORT ON STANDARDS ARRANGEMENTS (AGENDA ITEM 7)

Action By

Vicky Thomson, the Assistant Director of Democratic Services and the Monitoring Officer presented the report that updated Members on the work undertaken on standards matters and complaints received against District, Town and Parish Councillors from 1 April 2013 to March 2014.

The arrangements for dealing with complaints against Members had been approved by Full Council on 5 July 2012 in line with the requirements of the Localism Act 2011. As part of the arrangements, it had been agreed that the role of monitoring standards issues should be delegated to the Audit Committee in the form of an annual report.

A total of 23 complaints had been received since the implementation of the new regime; 9 of those related to the period as mentioned above. There were three stages of dealing with complaints that were received:

- Stage 1 – initial consideration of a complaint
- Stage 2 – formal consideration of a complaint
- Stage 3 – investigation.

Most of the complaints that had been received thus far had been resolved within stage one of the process. Out of the nine received for the year, seven had been found not to be a breach of the Code and one had been resolved under informal resolution and the complaint had been closed. The remaining complaint had been in relation to failing to declare a Disclosable Pecuniary Interest (DPI) and the Police had been informed in accordance with the Act. The Police had not acted on the matter and had referred the complaint back to Breckland Council where it was found not to be a failure and had since been resolved.

Opportunities had been provided throughout these arrangements to enable local resolution between the complainant and the subject member. Such informal resolution involved a copy of the complaint being given to the subject member where an apology could be offered.

Also, under the Localism Act 2011, all Town and Parish Councils had to advise their local authority whether they had adopted their own Code of Conduct or whether they had chosen to adopt Breckland's. Most had adopted the latter; however, 34 had not notified the Council and their Code was unknown. In the meantime, if a complaint was made in relation to one of their Members an assumption was made that the Code of Conduct for Breckland Council had been adopted. Additionally, a number of Parish Councillors had not submitted their Disclosable Pecuniary Interest (DPI) forms; the ones that had been received had been published on the Council's website.

The role of the Independent Person was explained; to date, no Members had had to consult with the Independent Person.

In general the new system had been working well and with the Elections coming up in 2015, the Monitoring Officer needed to ensure that Members were fully aware of their declaration duties.

Councillor Gilbert was in attendance to query the number of complaints

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received in relation to public access to meetings particularly in regard to Watton Town Council. He said that he would not be disclosing anything that was not already in the public domain. He was not asking for the decision to be changed as this had already been agreed at the Town Council, he just wanted to discuss the logical conclusion of that decision with the Audit Committee. He informed Members that he had been surprised by the total number of complaints in the Annual report as he had personally submitted 12. The reason he wanted to attend the Audit Committee meeting was to query the legalities of public access to meetings, he highlighted the Public Bodies (Admission to Meetings) Act and the Code of Conduct of both Watton Town Council and Breckland Council and pointed out that the press and the public had been excluded from a Watton Town Council meeting during their budget proposals as it had been suggested by some Councillors that it contained matters of commercial sensitivity. The document in question, did not, in his opinion, contain such information and he felt that Watton Town Council had breached the Code of Conduct. He also felt that a precedent had been set. The Chairman pointed out that the deficiency of the scheme was not the remit of the Audit Committee as it was an interpretation of the law. Councillor Gilbert explained that his intention was to contact the local ombudsman on this matter but what he really wanted to find out was why his complaints to Breckland Council had not been listed individually. The Monitoring Officer explained that complaints received from the same complainant were treated as one and arrangements were in place to deal with individual complaints. Councillor Nunn felt that the Town Council had abused the system. The Chairman said that Breckland Council could not take this matter further as it was national law and suggested that the deficiency should be flagged up with the Secretary of State for Communities and Local Government, Eric Pickles. The Vice-Chairman suggested that such a matter could be flagged up with the Town Council's auditors as the correct minuting of decisions and the process would be part of the auditor's remit. The Chairman felt that transparency and openness should be encouraged and supported the aforementioned suggestion that a proper argued case should be put to the Minister in question. Mr Ludlow asked the auditors present if they felt it to be worthy of comment. Rob Murray advised that it would and Councillor Gilbert had every right to flag this up with the Town Council's auditors. The Monitoring Officer explained that all Town and Parish Councils should have their own complaints procedure.

Referring back to the Annual Report in relation to DPI forms, Councillor Canham asked if it was the duty of Breckland Council to ensure that these forms had been completed. The Monitoring Officer advised that it was the duty of Breckland Council to publish the forms and advise the Town and Parishes of their duty to submit the forms, not to chase. Councillor Canham also asked what would happen if a complaint was made against a Councillor and that person had not disclosed the necessary information. The Monitoring Officer explained that that complaint would be lodged with the Police which could mean that the Councillor in question could be fined up to £5k and be removed from Office for a period of five years. Councillor Kiddle-Morris said that the submission of DPIs was a grey area; however, after 2015 all Councillors would have to complete a DPI. Mr Ludlow asked if Breckland Council had written to the 34 Town and Parish Councils that had not adopted a Code of Conduct. In response, Members were informed that Breckland Council had to check what Code they had in place such as whether they had adopted the Nolan Principles;

Action By

however, each Code could be subtly different.

Councillor Gilbert thanked the Audit Committee for allowing him to speak at the meeting.

The content of the report was noted.

23/14 REV ACTIVE PROJECT CLOSURE REPORT (AGENDA ITEM 8)

Councillor Kiddle-Morris presented the report and felt that this was probably one of the most successful programmes the Council had seen over the years. The REV Active project was now coming to an end and there was no scope to extend it within the current European Regional Development Fund (ERDF); however, another had been put in place called the Grants4Growth programme that broadly addressed the key aspects of REV Active.

Handouts were available that highlighted exactly what had been achieved in safeguarding and creating jobs and reducing the carbon footprint.

The Chairman congratulated the Team for a job well done.

Simon Best, the Low Carbon Business Growth Programme Manager said that this had been a three year project that had reached its natural conclusion. Members were now being asked to approve the project closure. Final checks were being undertaken and although a further audit and a project closure visit had been sprung upon the Team payment was imminent. The project that had delivered everything and more would now be archived.

RESOLVED that the Economic Development Service be authorised to proceed with formal project closure and archiving.

24/14 SERVICE TEAM PLANS AND STRATEGIC RISK REGISTERS (AGENDA ITEM 9)

James Edwards, the Performance Risk Officer, presented both agenda items 9 and 10 together.

Risk Management had continued in exactly the same format as before. No scores had been increased.

As far as operational risks were concerned, the scores had decreased and there were no closed risks or new risks at the end of Quarter 4.

Mr Stevens referred to page 42 of the agenda and asked if the Corporate Management Team (CMT) had the authority to close such risks. He felt that the risks that had been closed should still, in his opinion, be classed as a high risk; particularly in relation to contractual arrangements. Members were informed that CMT's observations had to be taken on board.

Referring to the closed risks, the Committee asked if there could be further detail behind these to explain why CMT had felt these were no longer seen as a risk. The Performance Risk Officer said that he would report the Committee's concerns to CMT.

	<u>Action By</u>
<p>Mr Stevens asked if an email could be sent to Audit Committee Members following these discussions. The Chairman also asked if a written paper could be provided in response to the aforementioned questions.</p>	JE
<p>An observation had been made to the closed risk in relation to the lack of specialist procurement support. The Performance Risk Officer said that this risk had been closed as specialists could be brought in as and when required. The Vice-Chairman felt that if there was no specialist procurement knowledge in-house how would the Council know when such advice was required? The Vice-Chairman further felt that the Business Transformation programme should be put back on the risk register. Members were informed that the new Chief Executive would be undertaking a risk review in due course. Councillor Canham felt that CMT should be asking the Audit Committee if anything should be taken off the risk registers. Councillor Nairn agreed with the aforementioned comment and felt that CMT needed to justify why these risks had been removed. Mr Ludlow said that the previous Performance Risk Officer used to do provide the commentary. The Chairman felt that the Audit Committee had been left out of the loop and asked how this had come about. Members were informed of the process carried out every quarter where CMT would review strategic risks with the responsible officers. The Performance Risk Officer stated that this was the opportune time for Members to add any new risks they felt should be included on the risk register. Rob Murray advised that the role of the Audit Committee was to ensure risk management was being operated correctly and reminded Members that the risk register itself was owned by Officers. The Chairman felt that the Committee should be forewarned before anything was taken off as the process of elimination was incorrect. He asked the Performance Risk Officer to look into all the aforementioned concerns.</p>	JE
<p>Mr Ludlow said that he had a number of questions to ask the Performance Risk Officer but as there were so many he would email them instead.</p>	
<p>The Vice-Chairman said that he would prefer the risk numbers to be reinstated and the risk ratings should be changed.</p>	JE
<p>Councillor Nairn had observed that the risk on page 47 of the agenda in relation to Microsoft had decreased and felt that this score was incorrect. The Vice-Chairman agreed with this observation and said that the risk should remain high. The Chairman stated that there should have been a complete update of IT by Norfolk County Council and he did not know whether this was still on-going.</p>	JE
<p>The reports were otherwise noted.</p>	
<p>25/14 <u>QUARTERLY RISK REPORT (QUARTER 4 2013/14) (AGENDA ITEM 10)</u></p>	
<p>See Minute No. 24/14 above.</p>	
<p>26/14 <u>ANNUAL AUDIT FEE LETTER 2014/15 (AGENDA ITEM 11)</u></p>	
<p>Rob Murray, Director for Ernst & Young presented the Annual Audit and Certification Fees 2014/15 letter.</p>	

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It was explained that the fees for 2012/13 had been higher than expected; however, the fees were expected to return to normal for 2013/14.

For 2014/15, the Audit Commission had concluded that there could be further savings to be made in the region of a 25% reduction.

RESOLVED that the Annual Audit Fee Letter 2014/15 be noted.

27/14 ANNUAL GRANT CERTIFICATION REPORT 2012/13 (AGENDA ITEM 12)

Alison Riglar, the Assistant Manager for Ernst & Young presented both agenda items 12 and 13 together.

In 2012-13, the Audit Team had certified two claims, one was in relation to the housing and council tax benefits subsidy claim and the other was in relation to national non-domestic rates, the latter being the smallest of the two. There were errors found within the housing benefit claim and additional fees had been incorporated for the extra work that had been undertaken. Members were informed that the fees would actually decrease in 2013/14 as a number of schemes no longer required certification.

The report was otherwise noted.

28/14 GRANT CERTIFICATION FEE LETTER 2012/13 (AGENDA ITEM 13)

See Minute No. 27/14 above.

29/14 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING (AGENDA ITEM 14)

Members were informed that the Local Government Audit Committee Briefing had not been issued and would therefore be included on the agenda for the next Committee meeting.

AR

30/14 ANNUAL REPORT ON TREASURY MANAGEMENT PERFORMANCE (AGENDA ITEM 15)

Alison Chubbock, the Accountancy Manager presented the annual report on the Treasury Management Service and Actual Prudential Indicators for 2013/14 as required through regulations issued under the Local Government Act 2003.

The report followed the same format as previous years and the Accountancy Manager was pleased to report that Breckland Council remained debt free. An update from Capita, the Council's Treasury Management Advisors, on the economy and interest rates had been attached at Appendix A.

It had also been confirmed that there had been no borrowing requirements and the statutory borrowing limit had not been breached.

The Chairman pointed out that this report was all about compliance.

Action By

Mr Ludlow referred to page 72 of the report and said that he had been disappointed with the interest rate. Members were informed that these interest rates referred to Iceland and would only get worse as most monies had been paid back.

Mr Ludlow also referred to the pie chart on page 75 of the agenda. The Accountancy Manager explained that the small arrears chunk referred to the instant access account with Handlesbank.

RECOMMEND to Council that:

1. the actual 2013/14 prudential indicators with the report be approved; and
2. the Treasury Management Stewardship report for 2013/14 at Appendix B and Appendix C be noted.

31/14 DRAFT STATEMENT OF ACCOUNTS (AGENDA ITEM 16)

This item was brought to the forefront of the meeting to allow Julie Kennealy, the new Strategic Director to attend the draft Statement of Accounts presentation.

The Accountancy Manager provided Members with a detailed presentation highlighting the two main areas of change to the accounting rules:

- Collection Fund – more detail could be found in the Accounting Changes section of the Explanatory Foreword
- Pensions – the adoption of the amended pension accounting standard (IAS 19) had resulted in re-classifications of costs/information which was essentially a reorganisation of existing information, but the disclosure note had a different look to previous years.

The capital out-turn report and the revenue out-turn report had been presented to Cabinet on 13 May 2014. The revenue out-turn was in line with the working budget. There had been a small change to the balance sheet due to a major addition of an investment property in Kings Lynn. The PFI assets had been revalued and had increased in value. The reduction in long and short term investments had been offset by the increase in cash and cash equivalents balance; this movement reflected the repayment of Icelandic balances in year and the limited counterparty list the Council had available for investments and its use of Money Market Funds as opposed to short term investments with banks and building societies.

The Council Tax Collection Fund balance had moved from a deficit position to a surplus position mainly due to the higher collection rate and additional second homes premium income. This surplus would be included in the 2014/15 budget.

The Council's liabilities had increased slightly mainly due to the risks being taken in relation to the new Business Rates Retention Scheme.

The Vice-Chairman asked if the Council had made any allowances for

Action By

schools changing to academies. Members were informed that provisions could be made but no provision had been made for this year.

Under the unusable reserves, the pensions had gone down slightly due to the latest tri-annual review and the capital receipts had increase this year due to the new supermarket in Swaffham.

Councillor Nunn asked if all the council tax surplus would be put forward into a future budget. Members were informed that under the accounting rules the whole amount could be taken forward and this would be addressed in next year's budget.

There were a few adjustments to be made to the Statement of Accounts prior to sign off on 19 June. The audit of the accounts would commence on Monday, 16 June and would be brought back to the Audit Committee for sign off in September 2014.

In response to a question in relation to the NNDR deficit, Members were informed that the NNDR surplus had been quite significant prior to the appeals.

Referring to page 50 of the accounts in relation to assets under construction, Mr Ludlow asked why this amount had been shown as a transfer. In response, the Accountancy Manager explained that the amount included the factory purchase in Kings Lynn.

On page 54 of the accounts, under long term debtors, a question was raised about mortgages. It was explained that the Council only had one mortgage outstanding which unfortunately was in arrears.

Another question related to page 66 of the accounts, in relation to why the figures were all in brackets. Members were informed that these could be shown either way.

In response to a query in relation to the commercial property trading account, it was explained that it was better to show the income first but this could be changed.

The Vice-Chairman felt that the Council's Corporate Plan and priorities mentioned on page 3 of the explanatory foreword had *run out of steam* and thought it would be useful to have a note included as to when these were likely to be reviewed. The Accountancy Manager and the Chairman agreed with this suggestion.

AC

RESOLVED that subject to the aforementioned changes, the draft un-audited Statement of Accounts for 2013-14 be noted.

The new Strategic Director said that she had been very impressed by the Finance Team and had been very pleased to meet everyone.

32/14 WORK PROGRAMME (AGENDA ITEM 17)

The Local Government Audit Committee Briefing would be added to the Work Programme for the next meeting in June.

33/14 NEXT MEETING (AGENDA ITEM 18)

Action By

The arrangements for the next meeting on Friday, 27 June at 10.00am in the Norfolk Room were noted.

The meeting closed at 11.15 am

CHAIRMAN