

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 11 December 2015 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr W.P. Borrett (Chairman)	Mr T. Ludlow
Mr J.W. Nunn (Vice-Chairman)	Mr K. Stevens
Councillor E. Gould	Mrs J Hollis (Substitute Member)
Mr M J Nairn	Mrs L.H. Monument (Substitute Member)

Also Present

Mr H E J Clarke	Mr P M M Dimoglou
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In Attendance

Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Emma Hodds	- Internal Audit Consortium Manager (IACM)
Julie Kennealy	- Executive Director (Commercialisation)(S151 Officer)
Greg Pearson	- Corporate Improvement and Performance Manager (shared)
Teresa Smith	- Democratic Services Officer

57/15 MINUTES

Mr Ludlow referred to minute reference 51/15, and asked for the wording to be amended as follows:

“Mr Ludlow said that he had expected to receive both strategic and operational risks with more frequency and was concerned that the report only covered strategic risks and did not include sufficient detail to enable the Committee to gain assurance about the management of the risks. The Committee had been used to receiving additional information such as gross and net risk scores; direction of travel and how the risks would be mitigated. He felt that these issues raised a question as to whether the Committee was fulfilling its terms of reference in this area”.

Subject to this amendment, the minutes of the meeting held on 25 September 2015 were confirmed as a correct record.

58/15 APOLOGIES

Apologies for absence were received from Councillors Taylor and Hewett. Councillor Hollis was substitute for Cllr Taylor, and Councillor Monument was substitute for Cllr Hewett.

59/15 URGENT BUSINESS

None.

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60/15 DECLARATION OF INTERESTS

None.

61/15 NON-MEMBERS WISHING TO ADDRESS THE MEETING

The Chairman welcomed Councillors Dimoglou and Clarke to the meeting.

62/15 TRAINING (STANDING ITEM)

The Chairman reminded Members that training on the Terms of Reference and Treasury Management would take place immediately after the meeting.

63/15 QUARTERLY UPDATE - RISK MANAGEMENT

The Corporate Improvement & Performance Manager presented the report to Members. He highlighted that the report covered the strategic risks, and operational risks would be monitored by the Performance and Risk Board; which was Officer based and met monthly. Any risks considered to be high would be escalated through as a Strategic Risk. The Covalent system had been implemented but was a work in progress.

Mr Ludlow asked if the total Risk Score was Gross or Net and what controls were in place. The Corporate Improvement & Performance Manager confirmed it was the Gross figure and that the net score would also be included in future reports.

Mr Ludlow felt that the high level operational risks should be included for Members to see. The Corporate Improvement & Performance Manager said that Operational risks were reviewed on a monthly basis by the newly formed Performance, Risk and Audit Board. A risk deemed under the board's Terms of Reference as high level would then be escalated as a Strategic risk and would be reported to the Audit Committee.

Councillor Clarke felt that Members should have sight of the Operational risks at a high level. He also added that the risk scores should include previous scores and also the direction of travel of that risk should be added.

The Corporate Improvement & Performance Manager said that he would like to show Members the Covalent system, however technology would not allow it at this time. This issue was being resolved, and he hoped to show Members the system at a future meeting. He had taken on board the comments from Members and the amendments would be shown in future reports.

Mr Ludlow raised concern that the risk score seemed low for the Business Continuity Plan especially when the Disaster Recovery for ICT had not been resolved.

The Internal Audit Consortium Manager (IACM) said that Business Continuity was well established and was reflected fairly within the risk score. Work on the Disaster Recovery was almost complete with testing of the ICT recovery plan taking place in February 2016.

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The Chairman felt that Members should have an idea of the broad high level operational risks, and see the process of how a risk developed from operational to strategic. He also agreed that the addition of the direction of travel would be of use.

The Executive Director Commercialisation advised that a communications plan should be in place should any concerns be raised as to why a direction of travel had changed on a strategic risk.

The Corporate Improvement & Performance Manager said that work was currently underway looking at how risks were measured and monitored. A more robust procedure would be in place and would be presented at the next Committee, incorporating assurance on how operational risks in particular are managed and monitored.

Councillor Nunn added that with the Devolution discussion at the moment, Officers would spend a lot of time on this piece of work and felt there could be a risk of the slippage of day-to-day work as Officers would be devoting time to Devolution.

Mr Ludlow suggested that the risk should sit under 'Failure to deliver the Council's Corporate Priorities risk'. The Chairman added that as the workload increased on Devolution he would also expect to see the risk score increase.

Members noted the report.

64/15 TREASURY MID YEAR REPORT 2015-16

The Chief Accountant presented the report which summarised information on the Treasury activity.

Members noted the report.

65/15 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The IACM presented the report which outlined progress against the delivery of the Annual Internal Audit Plan between 1 April and 1 December 2015.

Members were informed that the terminology for the assurance level and recommendation priority had changed and a comparison had been included in the report.

As a result of the Internal Audit, eight final reports had been written which contained 34 recommendations, and a position statement issued on risk management. These had been reviewed and agreed by management.

Mr Ludlow was under the impression that all outstanding recommendations had been swept clean but asked for confirmation of this.

The IACM said that the old recommendations had been closed down but a review had been carried out to see if they were still required. If that was the case then the recommendations had been written to reflect the

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changes.

Mr Ludlow referred to the Executive Summary for the Risk Position Statement and in particular reference to the reporting of risks to the Audit committee being suspended, but could not find where this had been discussed in the minutes of previous meetings. The IACM recalled the discussion but could also not find reference to this, however the audit took assurance from the IACM attendance at that meeting when the agreement was reached.

Councillor Clarke asked for an update on the out of hours reporting of dangerous structures for Capita. The IACM said that the recommendation regarding dangerous structures had been closed down as the issues had been identified and resolved and that this service was now adequately covered.

RESOLVED that the outcomes of the nine completed audits finalised in the period covered by the report had been noted.

66/15 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The IACM presented the report and informed Members that 11 recommendations remained outstanding. Management had provided satisfactory responses and continually provided feedback to Internal Audit which was encouraging.

Mr Ludlow said that historically the Council did not have a good track record in achieving the Level 2 priority work within a 3 month period and he felt this should be monitored.

The IACM said that ideally work on a Level 2 priority would be completed within the 3-month timescale. However where that was not the case, management would be expected to give a satisfactory and realistic timeframe of when the implementation was proposed. High level detail would be provided to the Audit Committee if a Level 2 Priority recommendation was repeatedly outstanding.

Members noted the report.

67/15 BRECKLAND TRAINING SERVICES (BTS)

The Chief Accountant presented the report to Members which provided updated detail on Breckland Training Services' (BTS) finances, and also suggested that it formed part of the Transformation programme to provide commercial support.

The Chairman welcomed the report.

Mr Ludlow asked what the predicted costs would be for Quarter 3 and mentioned that the report provided no indication of the costs of delivering training to Breckland. The Chief Accountant said that the finances did not show a true reflection of BTS as some costs and income had not been included as detailed in the report.

Mr Ludlow followed on by asking if BTS began to charge the Council for training could the Council seek an alternative provider if BTS were not

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financially viable. It was confirmed that this would be acceptable.

Mr Ludlow said he was in agreement with BTS presenting its financial report to Overview and Scrutiny but wanted to have assurances that this would be continually monitored. The Chief Accountant confirmed that as BTS would form part of the Transformation Project it would be reported as part of this, rather than to the Audit Committee.

The Chairman added that if he felt it was necessary then he would ask for a report on BTS to be presented to the Audit Committee.

Councillor Nunn raised concern about BTS moving towards a commercial trading company. He would have expected it to have made a profit over the last three years. However, as this had not been the case it should be monitored carefully.

The Corporate Improvement & Performance Manager confirmed that two Members of staff had moved back into the HR function to focus solely on internal training for Council Staff and it also made the reporting lines clearer.

The Executive Director for Commercialisation added that a formal business case would be put forward through the Commercialisation Task & Finish Group where all Members would have the opportunity to consider the re-focus of BTS.

The Chairman felt that the Audit Committee had acted as a catalyst for the information and wanted to ensure that BTS would continually be monitored.

The Executive Director for Commercialisation said that BTS could become a trading unit as part of Commercialisation and she suggested that Audit Committee Members should review the accounts of any traded commercial activity annually.

Councillor Gould raised concern and felt that the Council should have been treated as a client of BTS and therefore invoiced accordingly, and was disappointed that this had not happened.

The Executive Director for Commercialisation agreed that this should have been done, but added that if it was agreed that BTS should become a formal trading unit then formal invoicing would happen.

The Chairman said he would be keen to see the accounts of BTS.

The Executive Director for Commercialisation assured Members that the BTS business case would be comprehensive containing all facts and figures and all Members would have access to that information. She also added that support would be provided to BTS on becoming a trading unit and ensuring that income would be measured.

RESOLVED that:

- 1) the content of the report was noted.
- 2) Members supported the inclusion of BTS in the Transformation programme.

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The Corporate Improvement & Performance Manager said that concerns had been raised on Intellectual Property Rights for Officers, particularly with interim consultants and IT consultants.

New employees had the Intellectual Property Rights covered in their contract, however concern had been raised that employees that had been employed over a longer period might not be covered. The possibility of changing contracts to pick up on Intellectual Property Rights would need to be a Council decision as it would be a change in terms and conditions.

The IACM said that with regards to the use of others property, for example screen savers, this was covered through the IT Security Policy and a recent audit of software licenses also made recommendations to improve this element.

Councillor Gould asked if the Council could control staff in not using their own equipment to access Council systems as it could also be used by an associated person.

Councillor Nunn clarified to Members that the question had been raised regarding individual Officers developing work and then leaving the organisation taking the work with them, enabling them to trade against the Council. He asked how the Council prevented trading platforms and stolen information being used for the individual to set up on their own.

The Corporate Improvement & Performance Manager confirmed that a clause had been added to new contracts which prohibited Officers from using the information outside the Council.

The Chairman asked how many Officers above a certain grade would not be covered by the clause and asked to see an audit of this.

The Corporate Improvement & Performance Manager said he was aware that the Senior Management Team were on the new Terms & Conditions and all Senior Managers Grade 5 and above were governed by the new clause.

The Executive Director for Commercialisation added that the managers that were reviewed as part of the shared management re-structure would have had their contracts renewed. Those that had not been affected by the review would not have been picked up.

The Chairman asked for an audit of the number of staff this would affect.

The Corporate Improvement & Performance Manager asked for clarification from Members on the grade of Officers this should be applied to. It was confirmed that an audit of those Grade 6 and above should be carried out to identify the number of individuals this would affect.

The Chairman said that as the Council was becoming more competitive and trading more, issues affecting Intellectual Property should be protected.

Members noted the report.

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69/15 WORK PROGRAMME

The IACM suggested to Members that the Self-Assessment Exercise and Action Plan be emailed prior to the February meeting, ready for the Committee to respond in the Subject areas.

70/15 NEXT MEETING

The arrangements for the next meeting on Friday 19 February 2016 at 10:00am in the Norfolk Room were noted.

The meeting closed at 11.20 am

CHAIRMAN