

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE & AUDIT COMMITTEE

**Held on Friday, 14 December 2018 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr W.P. Borrett (Chairman)	Mrs L.H. Monument
Mr P. S. Wilkinson (Vice-Chairman)	Mr M. J. Nairn
Mr P.J. Hewett	Mr J. Newton

Also Present

Mr J. Plaskett (Independent Lay Advisor)

In Attendance

Ross Bangs	- Corporate Improvement & Performance Manager (shared)
Faye Haywood	- Internal Audit Manager
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Julie Britton	- Democratic Services Officer

63/18 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 28 September 2018 were confirmed as a correct record and signed by the Chairman subject to the Independent Specialist Advisor to the Governance & Audit Committee, Mr John Plaskett, being added to the list of those present.

64/18 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

Members were reminded of the Norfolk Pension Fund Briefing being presented by Mr Alex Younger which was being held immediately after this meeting.

65/18 APOLOGIES (AGENDA ITEM 3)

None.

66/18 URGENT BUSINESS (AGENDA ITEM 4)

None.

67/18 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None.

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68/18 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

None present.

69/18 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

None required.

70/18 QUARTER 2 2018-19 RISK REPORT (AGENDA ITEM 8)

Members agreed the Exclusion of Press and Public at this point of the meeting (see Agenda item 14) to enable the Capita Risk Report (Agenda item 15) to be discussed with agenda item 8.

RESOLVED:

“That under Section 100(A)(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 and 4 of Schedule 12A to the Act”.

Ross Bangs, the Corporate Improvement and Performance (CIP) Manager presented the report.

The Strategic Risk Register included 15 strategic risks. Overall the number of risks in the high category remained the same; there was one less in the medium category in this quarter and one more in the low rated category, so overall risk scores had improved in this quarter.

The ICT risk regarding possible breach remained as a high risk due to the impact a breach would have on the Council. The Impact of the Homelessness Reduction Act also remained at ‘red’ status for this quarter due to the implementation of the Act putting a strain on resources for the housing service and the housing register. However, following a successful recruitment exercise six new members of staff had been appointed and once trained, this particular risk was expected to be moved to a more positive position in quarters 3 and 4.

There were eight risks that remained in the medium category; however, whilst risk scores remained the same a great deal of work had been done by HR in relation to staff recruitment. This work had paid more focus on social media and direct marketing for candidates to enhance the Council’s recruitment campaigns. Analysis had also been conducted by the CIP team which had shown positive trends amongst staff turnover within Breckland.

Work also continued within the Legal Team around GDPR and ensuring privacy notices/IARs were complete and a GDPR audit had been undertaken and would be reported to the Governance & Audit Committee in Quarter 3.

Attention was drawn to the risk on page 23 of the agenda pack in relation to the under occupancy rate of Riverside. Members had asked for this particular risk to be deleted at the last meeting. The Corporate Improvement and Performance Manager apologised and would remove

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<p>the risk accordingly. Members were informed that the Corporate Management Team had recently adopted an account management approach who would work closely with the Service Manager to share information to help to maximise performance and reduce risks within their teams; therefore, any risk should be mitigated before it occurred.</p>	
<p>There was a great deal of debate in relation to Capita particularly in respect of staff turnover and savings against the contract. The Chairman felt that a wider piece of work was needed as the risk score in his opinion and other Members opinions was much too low. It was noted that Capita was being called into the Overview & Scrutiny Commission meeting in March 2019. It was further noted that weekly meetings with Capita had already been scheduled to take place in the New Year. It was agreed that all concerns would be fed back to the Executive Director of Place, Rob Walker and the Breckland Place Manager, Riana Rudland.</p>	RB
<p>It was further agreed that a report would be brought back to a future Governance & Audit Committee meeting to include: the assessment of the economy, effectiveness and efficiency of the Capita contract at this stage of its contract life - – rechecking the promised savings and guarantees made at its inception, and the plans currently in place to ensure the contract met the expectations both of the Council and residents in the future.</p>	RB/AC
<p>Referring back to the risk register, Mr Plaskett mentioned the target dates that had now passed and felt that they should be removed. Revised, updated Risk Registers were circulated. Mr Plaskett noticed that some of the targets had been missed and asked that Members be kept informed of how often the target dates should be changed. The Corporate Improvement and Performance Manager said that original and new target dates could be shown on the Register.</p>	RB
<p>Mr Plaskett drew attention to the risk score under the failure to maximise income from investment asset portfolio due to the one large void property. Alison Chubbock, the Chief Accountant (Deputy S151 Officer) explained that a contract had recently been signed for this property; therefore, the risk score should be reduced.</p>	RB/AC
<p>Attention was also drawn to the risk that had not changed since he started with the Governance & Audit Committee in relation to staff recruitment and retention and felt that a better understanding was needed of how this risk was managed. The Chairman asked if the target score was realistic. Members were informed that this score and how the risk was managed would be reviewed by the Council's HR colleagues. The Vice-Chairman, Councillor Wilkinson did not approve of the idea of benchmarking with other authorities. Members were informed that this was in relation to understanding the market and the movement with employment and was purely an indicator not a target. Breckland Council was in the upper quartile and this should be seen as a positive.</p>	RB
<p>In response to a further question in relation to Riverside, Members were informed that the notes referred to the social events that had taken place in 2018 in Thetford. The Chief Accountant advised that internal funding had been secured for the Council's Reserves to attract more interest in the Riverside area.</p>	

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<p>Councillor Newton mentioned the void units and the number of smaller assets that were being disposed of which he felt should be re-valued. Councillor Nairn explained that many of the smaller industrial units were reaching a point that was no longer viable for the Council to maintain or redevelop. The question of rents raised by Councillor Newton would be discussed outside of the meeting with the Chief Accountant.</p>	
<p>Councillor Hewett questioned the score of 'one' for the failure to deliver the Local Plan and asked what this actually measured. Members were informed that the score was low due to the fact that it was highly unlikely that the Local Plan would not be delivered. Councillor Hewett had noticed the target date against this risk and felt that dates should be included on the latest notes and in subsequent reports in future. The Corporate Improvement and Performance Manager pointed out that the Account Management approach would improve the commentary.</p>	RB
<p>Councillor Hewett noticed another issue in relation to the dates on page 24 of the agenda pack, the target date had passed and therefore should the risk remain. It was agreed that this risk would be removed.</p>	RB
<p>Members did not have much confidence of how good this document was and felt that there should be a thorough review. Any further issues would be reported accordingly.</p>	
<p>Subject to the aforementioned amendments and concerns, the contents of the report were otherwise noted.</p>	
<p>71/18 <u>TREASURY MANAGEMENT MID YEAR REPORT 2018-19 (AGENDA ITEM 9)</u></p>	
<p>Alison Chubbock, the Chief Accountant & Deputy S151 Officer presented the report.</p>	
<p>The new Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice on Treasury Management and the Prudential Code had been affective from April 2018 and include the revised Ministry for Communities, Housing and Local Government (MCHLG) statutory guidance on Local Government Investments.</p>	
<p>The definition of an investment now covered all the financial assets of the organisation, as well as other non-financial assets which the organisation held primarily for financial returns, such as investment property portfolios.</p>	
<p>The anticipated changes to both the Treasury Policy and Strategies and the Capital Strategy had been reported to the Governance & Audit Committee on 16 February 2018. CIPFA had not anticipated the changes implemented in full until 19/20 and this report therefore highlighted the key changes that were proposed (see report).</p>	
<p>For 2019-20 the Treasury Management Policies and Prudential Indicators must be more closely aligned to the Council's Capital Strategy. The Capital Strategy itself would be amended to include a new section setting out the Council's approach to non-financial investments.</p>	
<p>In addition, new indicators were proposed in the Treasury Strategy to report yield on financial and non-financial investments and also borrowing</p>	

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<p>in respect on non-financial investments. The new indicator would monitor the extent to which the Council relied on income generating activity to achieve a balanced budget.</p>	
<p>The appendices attached to the report were highlighted and explained.</p>	
<p><u>RESOLVED</u> that the mid-year report and information on treasury activity be agreed.</p>	
<p>72/18 <u>FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS (AGENDA ITEM 10)</u></p>	
<p>Faye Haywood, the Internal Audit Manager for Breckland Council presented the report based on the agreed internal Audit recommendations as at 30 November 2018. Since then for 2017/18, the five recommendations that needed attention had been completed; however, 14 recommendations were still outstanding and three for 2016/17 required urgent attention.</p>	
<p>The appendices to the report were highlighted and explained.</p>	
<p>Councillor Monument asked for further explanation in relation to the 'latest notes' under BRK1704 on page 41 of the agenda pack. Members were informed that DEFRA's resources and waste strategy had been published in May 2018 and the deadline had been extended; therefore, the recommendation would be amended accordingly in the next follow up report.</p>	FH
<p>Members asked to see more progress against agreed recommendations for the year- end report due to be produced for June 2019, as it was noted that a number of recommendations had now fallen overdue.</p>	FH
<p>Councillor Hewett referred to the recommendation responses from the officer on page 43, commenting that he preferred the style of the response, as the officer portrayed their accountability for delivery and cited how the risk was being mitigated until completion could be achieved.</p>	FH
<p>Many more questions and concerns were raised relating to recommendation progress. The Internal Audit Manager informed the Committee that she would be attending future Performance Risk and Audit Board meetings to work with Officers on resolving the outstanding recommendations, focusing particularly on those raised in previous financial years. It was suggested that if historic recommendations remain unresolved at year end, the Committee to invite responsible officers to attend the next meeting to explain delays.</p>	
<p>The contents of the report were noted.</p>	
<p>73/18 <u>PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (AGENDA ITEM 11)</u></p>	
<p>Faye Haywood, the Internal Audit Manager for Breckland Council presented the progress report on internal audit activity.</p>	
<p>The Annual Audit Plan for 2018/19 had been approved by the Governance & Audit Committee at its meeting on 16 February 2018. The</p>	

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Plan had identified specific audits to be delivered and accordingly, the following changes have been made:

Transformation Programme

The programme had come to a natural end of the four-year life span, the remaining efficiencies formed part of the ongoing programme of works; therefore the internal audit was no longer required.

Environmental Protection

This audit had been deferred to 2019/20 to allow the Team to work on the implementation of new software.

Housing Needs, Allocations, Homelessness and Housing

An additional two days had been allocated from the Transformation Programme review to accommodate additional testing over funding arrangements, system access rights and following up on previously raised recommendations.

Office 365 changed to Project Programme Audit

The review had been scheduled in for quarter four of 2018/19; however, the Office 365 project had not yet been completed. Assurance would therefore be provided on the governance and management arrangements of IT projects.

FH

The 2019/20 Audit Plan would be presented to the Governance & Audit Committee in draft form at the next meeting.

Appendix 1 of the report highlighted the current position in completing audits to date within the financial year and progress to date was in line with expectations.

During the period covered by the report Internal Audit Services had issued four final reports and the Executive Summary of these reports had been highlighted on Appendix 2 (Page 52 of the agenda pack).

The Chairman had noticed that the findings/recommendations had been based on both Breckland Council and South Holland District Council and felt that the report would look very different if it had been based on Breckland alone. The Internal Audit Manager reported that a relatively equal number of recommendations had been raised at both Councils during the joint review; therefore, the report had been presented as one piece of work allowing officers to clearly identify the required improvements for the shared service.

Councillor Hewett drew attention to page 61 of the agenda pack in relation to an improved audit trail for the processing and approval of Members' expenses and asked if any instances of fraud had been identified. The Internal Audit Manager confirmed that no instances had been identified and that the recommendation had been raised in relation to strengthening controls at South Holland only to prevent fraud risks from occurring. He was also very surprised to note that Members did not submit VAT receipts for petrol with their mileage claims.

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<p>Councillor Monument found it very strange that this report should include anything relative to South Holland DC and felt that it would be very helpful if the name of the Council could be included at the beginning of the report.</p> <p>Mr J Plaskett informed the Committee that he is used to seeing the deadlines dates for each recommendation when reviewing reports from TIAA in another advisory role however, Members advised that they were content with the format; and it was:</p> <p>It was noted that the report lacked dates/actions as previously reported by TIAA; however, Members were content with the format; and it was:</p> <p><u>RESOLVED</u> that the outcomes of the four audits completed by TIAA and the amendments to the 2018/19 Internal Audit Plan be noted.</p>	FH
<p>74/18 <u>WORK PROGRAMME (AGENDA ITEM 12)</u></p> <p>The Counter Fraud Corruption and Bribery Policy, Whistleblowing Policy and Money Laundering Policy would be added to the Work Programme for the next meeting in February 2019.</p>	AC/JB
<p>75/18 <u>NEXT MEETING (AGENDA ITEM 13)</u></p> <p>The arrangements for the next meeting on Friday, 15 February 2019 at 10.00am in the Norfolk Room were noted.</p>	
<p>76/18 <u>EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 14)</u></p> <p>See Minute No. 70/18 above.</p>	
<p>77/18 <u>QUARTER 2 2018-19 RISK REPORT - APPENDIX (AGENDA ITEM 15)</u></p> <p>See Minutes No. 70/18 above.</p>	

The meeting closed at 11.20 am

CHAIRMAN