

**BRECKLAND COUNCIL**

**At a Meeting of the**

**GOVERNANCE & AUDIT COMMITTEE**

**Held on Friday, 15 February 2019 at 10.00 am in  
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

**PRESENT**

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

**Also Present**

Mr J. Plaskett (Independent Lay  
Advisor)  
Mrs J. Hollis (Substitute  
Member)

**In Attendance**

Christine Marshall	- Executive Director Commercialisation (S151 Officer)
Ross Bangs	- Corporate Improvement & Performance Manager (shared)
Alison Chubbock	- Chief Accountant (Deputy Section 151 Officer) (BDC)
Faye Haywood	- Internal Audit Manager
Mark Hodgson	- Lead Audit Partner E&Y
Julie Britton	- Democratic Services Officer

**Action By**

**Councillor John Newton**

A moments silence was held for Councillor John Newton, a former Member of the Governance & Audit Committee, who had recently passed away.

**1/19 MINUTES (AGENDA ITEM 1)**

The Minutes of the meeting held on 14 December 2018 were confirmed as correct record and signed by the Chairman subject to a change at Minute No. 73/18 penultimate paragraphs to read:

Mr J Plaskett informed the Committee that he was used to seeing the deadline dates for each recommendation when reviewing reports from TIAA in his other advisory role.

Members were content with the format subject to it being noted that the report lacked dates/actions as previously reported by the TIAA.

**2/19 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM)  
(AGENDA ITEM 2)**

None.

**Action By**

**3/19 APOLOGIES (AGENDA ITEM 3)**

An apology for absence was received from Councillor Mike Nairn. Councillor Hollis was in attendance as a substitute until the vacancy had been filled.

**4/19 URGENT BUSINESS (AGENDA ITEM 4)**

None.

**5/19 DECLARATION OF INTERESTS (AGENDA ITEM 5)**

None.

**6/19 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)**

None.

**7/19 TRAINING (STANDING ITEM) (AGENDA ITEM 7)**

No further training needs required until after the May Elections.

**8/19 QUARTER 3 2018-19 RISK REPORT (AGENDA ITEM 8)**

Members agreed the Exclusion of Press and Public at this point of the meeting (see agenda item 18) to enable the Capita Risk Report (Agenda item 19) 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 paragraphs 3 and 4 of Schedule 12A to the Act.

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

There were 14 risks included within the Quarter 3 Risk report, one less than at the end of Quarter 2.

Of the 14 risks, the 3 considered as high included the risk of a critical ICT breach, the continued impact following the introduction of the Homelessness Reduction Act and the risk to the Council of not maximising its Asset Portfolio relating to income.

The risk relating to staff recruitment and retention had been reduced to a lower rating and the risk relating to the occupancy of Riverside had been removed as requested at the previous meeting.

The implementation of the General Data Protection Regulations continued to be above target and a new target date had been proposed for 31 May 2019 following audit recommendations involving new terms being drafted to include new contractual obligations to the Council's suppliers and how they handled and processed Council data.

**Action By**

In addition, the Team was keeping a watching brief on how implications surrounding Brexit could impact the Council's contracted supplier supply chains.

Councillor Hewett made some observations; firstly, the content and the process on how the risks were being dealt with, felt and looked much better than it used to be; however, he asked the Corporate Improvement and Performance (CIP) Manager to describe the process behind some of the revisions made in relation to staff recruitment and what had caused the likelihood score and the target impact score to change. Members were informed that these scores had changed due to several meetings with the Head of Service and how the Council advertised its vacancies. The new ways of advertising had improved recruitment rates and the Executive Manager had been content with these improvements.

Councillor Hewett's second observation was in relation to the target dates being moved and felt that the original target date should remain as the date the target had originally been set. He asked the Corporate Improvement and Performance (CIP) Manager and the Internal Audit Manager to revisit the register as it required some further thought. Another observation was the word 'likelihood' which he felt should be condensed to fit into the column and finally, the business rate retention scheme that had been trended as downwards should, in his opinion, be static at 4.

Mr Plaskett, the Independent Lay Advisor to the Governance & Audit Committee had been critical of the Risk Register at the previous meeting and thanked the Corporate Improvement and Performance (CIP) Manager for this new version. Councillor Hewett endorsed the above comments as he also felt more confident with this new version and apologised for all the challenges that he had raised in the past.

Councillor Wilkinson and Councillor Monument queried the description under the failure to deliver the Council's Corporate priorities. It was explained that this risk could be removed as the target had been maintained for some time. Councillor Hewett disagreed and felt that the risk should remain as it did not cease to be a risk even though the targets had been achieved. Mr Plaskett supported its removal at this stage but to be re-instated subject to change. It was agreed that the same rationale should be used for the Corporate Business Continuity Plan. Referring to the Business Rate Retention Scheme, the Chairman believed that the consultation did not provide a clear picture of the future and therefore the risk should remain. Members agreed that the Business Rate Retention Scheme risk should remain.

Referring to the final risk in respect of Capita Services, Councillor Hewett advised that this matter had already been included on the Overview & Scrutiny Commission Work Programme for the next meeting in March 2019. The Chairman felt that it should be added to the Governance & Audit Committee Work Programme too for future debate. Members were informed that this matter had already been added to the Internal Audit Plan.

The report was otherwise noted; subject to a watching brief being kept on implications of national policy (such as Brexit); and the following risks being removed from the Risk Register:

**Action By**

1. Failure to deliver the Council's Corporate priorities
2. Failure to effectively implement the Corporate Business Continuity Plan.

**9/19 ANNUAL GRANT CERTIFICATION REPORT 2017/18 (AGENDA ITEM 9)**

The Chairman welcomed Mark Hodgson to the meeting. Mark Hodgson had replaced Kevin Suter as the Lead Audit Partner following Kevin's relocation and would be attending the Governance & Audit Committee meetings in future. The Annual Grant Certification Report being considered was the last report from Kevin.

Mark Hodgson, the Lead Audit Partner presented the Annual Report and provided Members with a summary of their work on Breckland Council's 2017-18 claims.

The Housing Benefits subsidy claim had been certified with a total value of £31,406,201, a number of errors had been found and extended testing had been carried out in four areas representing a small increase in the level of error compared to the previous year; however, no amendments had been made. The Anglia Revenues Partnership (ARP) had implemented additional quality control procedures for all claims with earnings since 1 April 2018 to reduce the overall level of error in this area. The nature of the areas identified, totalling in the region of £20k, had been highlighted in the qualification letter.

The 2017/18 certification fees had increased this year due to the level of extended testing that had been undertaken.

Councillor Hewett asked how that level of error rate across the whole of ARP compared to other Councils. Members were assured that Breckland Council was definitely not in the top quarter.

Mr Plaskett asked if there were any lessons to be learnt. The Lead Audit Partner advised that ARP did carry out a review each year; however, to alleviate Members' concerns he had never known a claim where no errors had been identified.

In response to a concern about how the claim was driven by the volume of samples, the Executive Director of Commercialisation & S151 Officer advised that further conversations would be had with ARP.

The Annual Grant Certification Report was otherwise noted.

The Chairman asked if a formal recommendation to agree the Annual Grant Certification Report could be included in future.

**10/19 2018/19 AUDIT PLANNING REPORT (AGENDA ITEM 10)**

Mark Hodgson, the Lead Audit Partner for Ernst & Young was responsible for carrying out audits on most of Norfolk, Suffolk and Cambridgeshire.

The Audit Plan summarised the external auditors' initial assessment of the key risks that drove the development of an effective audit for Breckland Council and outlined the planned audit strategy in response to

**Action By**

those risks.

The audit risks/areas of focus had been highlighted on page 27 of the agenda pack; subtle changes had been made in terms of fraud risk which had been split but had been subject to the same testing.

Councillor Hewett stated that fraud, in his opinion, could be perceived as alarming to a resident who took an interest in such matters and asked if the terminology could be changed. The Lead Audit Partner explained the international definition of fraud that had been used in terms of management controls. The Chairman asked if the Council had the powers to change that description or not. The Lead Audit Partner said that he would be uncomfortable changing it as it was about how the opinion was reached. Mr Plaskett assured Members that this was a common terminology used across the public sector and in the NHS. It was noted that the only risk was around international standards.

Councillor Hewett raised concern about too much focus being paid to Property, Plant and Equipment (PPE).

Referring to Value for Money on pages 36 and 37 of the agenda pack, Members were informed that the impact of Brexit on future service provision had been considered and the level of risk would be monitored.

In response to a question in relation to the component performance materiality range and whether this related to a single element. The Lead Audit Partner for Ernst & Young explained that this component had a lower materiality rate.

The 2018/19 Audit Planning Report was agreed.

**11/19 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20**  
**(AGENDA ITEM 11)**

Faye Haywood, the Internal Audit Manager presented the report for Members to note and approve. It was noted that the recommendation to approve the Audit Charter had been inadvertently omitted from the report and would need to be considered.

There was an obligation under the PSIAS for the Charter to be periodically reviewed and presented. The latest version of the Charter had been updated to reference the Internal Audit Manager role.

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.

Mr Plaskett highlighted the responsibility section on page 71 of the agenda pack, in particular section 2.3.4 and felt that the wording needed to be changed. The Chairman asked for the words 'within agreed time frames' to be added to this section.

The purpose of the Internal Audit Strategy (see Appendix 2) confirmed how the internal audit service would be delivered and developed in accordance with the internal audit charter; how internal audit services

**Action By**

linked to organisational objectives and priorities; and how the internal audit resource requirements had been assessed.

The overarching objective of the Strategic Internal Audit Plan (see Appendix 3) was to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to provide annual opinions, which could be used to inform the organisation's Annual Governance Statement. Emma Hodds, Head of Internal Audit had discussed the associated risks for the forthcoming years with the Executive Management Team.

Having developed the Strategic Internal Audit Plan, the Annual Audit Plan was an extract of this for the forthcoming financial year (see Appendix 4) and detailed the timings and the purposes of each audit agreed for inclusion in 2019/20.

A number of concerns were raised in relation to Appendix 3 in respect of the limited assurance that had been given to procurement and contract management and it was asked if the timing for 2019/20 was sufficient. The other concern related to the lack of information pertaining to Breckland Bridge. Members were informed that a limited assurance opinion had been given for the procurement and contract management area in 2018/19 but it had been agreed that this area should be revisited focusing on the progress made on completion of the proposed recommendations from the previous review. Referring to Breckland Bridge, it was noted that this review had been deferred from the 2018/19 plan to allow officers to focus on the due diligence of Breckland Bridge partnership extension proposals which were planned over the next 10 to 15 years. Further days could be added accordingly.

Another concern raised was in relation to Strategic Housing and following a reasonable assurance that been given in 2016/17, the next review was not going to be undertaken until 2020/21. Members were informed that following discussions, this area was not classed as a high risk.

Digital Strategy, although an important area going forward, was another area that would not be looked at until 2021 which surprised some Members. The Chief Accountant & Deputy S151 Officer explained that the Digital Strategy had only been approved in 2018; therefore, there would not be much information for Members to consider if the audit was carried out any earlier.

Mr Plaskett mentioned cyber security. The Internal Audit Manager advised that detailed discussions on this matter needed to take place in 2020.

Members' attention was drawn to the 3 recommendations on page 63 of the agenda and the further recommendation that had to be included in respect of the Internal Audit Charter.

**RESOLVED** that the Committee note and approves:

- a) the internal audit Strategy for 2019/20;
- b) the Strategic Internal Audit Plan 2019/20 to 2021/22;
- c) the Annual Internal Audit Plan 2019/20; and
- d) the Internal Audit Charter 2019/20.

**Action By**

**12/19 AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE & ACTION PLAN (AGENDA ITEM 12)**

The Head of Internal Audit presented the report and drew Members' attention to the attached checklist at Appendix 1 of the report. Members were asked if they felt that the information was an accurate reflection of the review that had taken place at the Governance & Audit Committee meeting held on 28 September 2018.

The Chairman asked Members if they were happy with the scores that had been given.

It was noted that some of the bullet points at section 1.9 of the report were out of line.

**RESOLVED** that:

1. the attached checklist at Appendix 1 of the report be noted; and
2. an annual review of the self-assessment be confirmed.

**13/19 TREASURY MANAGEMENT POLICY & STRATEGY 2019-20 (AGENDA ITEM 13)**

The Chief Accountant & Deputy S151 Officer presented the report.

The report outlined the Council's Prudential Indicators for 2019-20 to 2022-23 and set out the expected treasury operations for this period and requested Full Council's approval for the Treasury Management Policy, Strategy and Prudential Indicators for 2019-20 to 2022-23.

The Council's Treasury Management Policies and Prudential Indicators had been more closely aligned to the Council's Capital Strategy and had been amended to include both a definition of and a schedule of financial and non-financial investments (the changes made had been highlighted in red).

Councillor Hewett asked how many prudential indicators there were. Members were informed that these would have to be counted as there were many that did not apply.

Another question asked was in relation to how table 3 had been derived in respect of the capital funding requirement on page 108 of the agenda pack. Members were informed that the movement was the Council's capital spend in the year and was linked to the capital budget that showed the Council moving into a notional borrowing position.

Councillor Hewett felt that there was an interesting trend in comparison to table 3 and table 9 (on page 111 of the agenda pack). The Chief Accountant advised that table 9 was in relation to the PFI scheme.

Councillor Hewett also asked about the Icelandic investments and whether any monies, if any, was still being paid to the Council. Members were informed that the residual Icelandic investments still remained and the Council was still getting paid.

Referring to Appendix C of the report, Councillor Hewett felt that the

**Action By**

document contained some very interesting language and views and whoever wrote it should be congratulated.

Mr Plaskett referred to the net financing need in 2020-21 highlighted within table 2 on page 108 of the agenda pack. Members were informed that this was linked to the purchase of new waste vehicles.

Referring to table 5 on page 109 of the agenda pack in relation to the low percentages and the figures being in brackets, Members were informed that this was good news as it was about the Council earning interest rather than borrowing so the indicator was negative.

**RECOMMEND** to Full Council that:

- 1) the Treasury Management Strategy 2019-20 to 2022-23 at **Appendix A** be approved;
- 2) the Minimum Revenue Provision (MRP) statement contained within **Appendix A** which sets out the Council's policy on MRP be approved;
- 3) the Prudential & Local Indicators and limits contained within **Appendix A** (Tables 1-11) be approved;
- 4) the Investment Strategy 2019-20 (**Appendix B**) and the detailed criteria included in **Appendix B1** be approved; and
- 5) the Treasury Management Policy at Appendix B2 be approved.

**14/19 ACCOUNTING POLICIES 2018-19 (AGENDA ITEM 14)**

The Chief Accountant & Deputy S151 Officer presented the new report which would be reported annually in future.

Within the Statement of Accounts, the Council disclosed the accounting policies it had applied to all material balances and transactions. This report presented the accounting policies to be adopted for the 2018-19 financial year and had been prepared in line with CIPFA's Code of Practice on Local Authority Accounting in the UK 2018-19 (the Code).

Members were informed that the areas marked in yellow would be updated in March/April 2019.

It was noted that there had been two major areas of change within the Code in 2018-19. The IFRS 15 – Revenue from contracts with customers and IFRS 9 – the Financial Instruments. Members were informed that IFRS 15 was not expected to have any impact on the Council and IFRS 9 would have a limited impact.

In response to a concern about why the accounting policies were not based on 2019/20, the Chief Accountant & Deputy S151 Officer explained that unfortunately, the information for 2019/20 would not be available until later in the year.

Councillor Monument queried the format of certain pages. Members were informed that these pages would be on A4 orientation next time.

**Action By**

**RESOLVED** that the Accounting Policies for 2018-19 at Appendix A of the report be agreed.

**15/19 COUNTER FRAUD CORRUPTION AND BRIBERY POLICY, WHISTLEBLOWING POLICY AND MONEY LAUNDERING POLICY (AGENDA ITEM 15)**

The Chief Accountant & Deputy S151 Officer presented the report.

Members were being asked to review and recommend to Full Council for approval the updated Counter Fraud Corruption and Bribery Policy, Whistleblowing Policy and Money Laundering Policy.

The Policies were last reviewed in 2016 and had been updated in conjunction with Internal Audit, Legal Services and Human Resources to ensure the fullest policy coverage.

It was difficult to gauge how well these policies had worked in the past as the focus was on prevention and identification of fraud and a whistleblowing policy which people were willing to use. There was no data available to judge performance; however, this review ensured that the policies remained up to date and focussed on the Council.

Members were informed that if these policies were approved a training refresh would be rolled out to all staff and Members which could include some form of e-learning training.

Councillor Monument had noticed a word missing on page 172 of the agenda pack under the heading, implementation. Currently it read: "there was a source of support for Fraud". Members were informed that the words, fraud detection and prevention of fraud would be added to that particular sentence.

Mr Plaskett asked if the Council had a gifts and hospitality policy. It was confirmed that this Policy sat within the Officer and Member Code of Conduct and the register was updated whenever any gifts etc were received.

Mr Plaskett referred to gambling addiction and asked if the Council had any policies on this subject matter. He also asked if staff were blocked from accessing gambling sites at work. The Chief Accountant & Deputy S151 Officer said that she was unsure if the Council had any policies relating to gambling but she would follow this up with HR and check whether the computers were indeed blocked.

Councillor Wilkinson asked if the staff were involved with the Breckland Lottery. Members were informed that the Breckland Lottery was run by an outside organisation but staff could access that.

Councillor Hewett was pleased with the format of the documentation, it was easy to read and had been well written; however, he believed that the Whistleblowing Policy should be re-visited. He felt that as the Whistleblowing Policy applied to all Councillors (as well as staff), whistleblowing could sometimes be seen as vexatious as could be difficult to measure. Taking on board the vexatious point, the Chief Accountant &

**Action By**

Deputy S151 Officer advised that the section on whistleblowing at the top of page 181 of the agenda pack could be extended to include this.

It was noted that on pages 186 and 187 of the agenda pack there were no contact details for whistleblowing. Attention was drawn to section 3 on page 181, under the heading, How to raise a Concern.

Subject to the aforementioned changes being made; it was

**RECOMMENDED** to Council that:

1. the Counter Fraud Corruption and Bribery Policy be approved;
2. the Whistleblowing Policy be approved; and
3. the Money Laundering be approved.

**16/19 WORK PROGRAMME (AGENDA ITEM 16)**

An updated work programme would be circulated in due course.

**17/19 NEXT MEETING (AGENDA ITEM 17)**

The date of the next meeting on Wednesday, 5 June 2019 was not formally agreed. Although there could be new Members on the Governance & Audit Committee following the Elections, the Chairman had not been consulted on changing the meeting day from a Friday to a Wednesday and would have great difficulty, if he was still appointed as Chairman, to attend on a Wednesday. Councillor Hewett and the Internal Audit Manager said that they would have difficulty too.

It was agreed that the Democratic Services Officer would look into this matter.

As no-one knew the outcome of the Elections, Councillor Hewett took the opportunity to thank the Chairman for chairing these meetings in such a focused manner. The Chairman also thanked the Committee Members and all the Officers involved.

**18/19 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 18)**

See Minute No. 8/19 above.

**19/19 QUARTER 3 2018-19 RISK REPORT - APPENDIX 2 (AGENDA ITEM 19)**

See Minute No. 8/19 above.

The meeting closed at 11.25 am

CHAIRMAN