

**BRECKLAND COUNCIL**

**At a Meeting of the**

**AUDIT COMMITTEE**

**Held on Friday, 12 March 2010 at 10.00 am in  
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

**PRESENT**

Mr G.P. Balaam	Mr R.G. Kybird
Mr R.P. Childerhouse	Mr D.S. Myers
Mr P.J. Hewett	Mr. L. Peacock
Mr C.R. Jordan (Chairman)	

**Also Present**

Mrs S.C. King	Mr M.A. Kiddle-Morris
Mr P.J. Duigan	

**In Attendance**

Robert Barlow	- Director of Governance and Finance
Chris Brooks	- Governance and Performance Accountant
Mark Finch	- Head of Finance
Sandra C. King	- Head of Internal Audit
Julie Britton	- Senior Committee Officer
Mark Stanton	- Head of Economic Development
Susan Smith	- Senior Accountancy Officer
Stephen James	- Policy and Performance Manager

**14/10 MINUTES (AGENDA ITEM 1)**

1) Annual Audit Letter 2008-09 (Minute No. 6/10)

A Member disagreed with the statement contained in the Summary to the Organisational Assessment that "most councillors are not fully aware of the details of investments made by the Council" and asked for this to be formally removed or changed.

**RESOLVED** that a formal request be made to the Audit Commission that the above wording contained in the Annual Audit Letter be changed or removed.

2) Minutes

Subject to the above request, the Minutes of the meeting held on 15 January 2010 were confirmed as a correct record and signed by the Chairman.

**15/10 APOLOGIES (AGENDA ITEM 2)**

None received.

**Action By**

Mark  
Finch

Action By

**16/10 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 5)**

Mr M. Kiddle-Morris and Mr P. Duigan.

**17/10 AUDIT PROTOCOL (AGENDA ITEM 6)**

The Head of Internal Audit presented the Audit Protocol report.

The Audit Protocol ensured that the services of Internal and External Audit were integrated as possible in order to maximise the effectiveness and efficiency of the overall approach to audit operated with Breckland Council.

The previous Audit Protocol had been adopted in March 2008; however, following discussions held in Quarter 3 of 2009/10 with the External Audit Manager, it was subsequently viewed as timely to refresh the existing Protocol by making a number of amendments and changing the layout of it completely.

A Member referred to paragraph 3.4.1 of the report which he felt was rather blunt; he could not see any reason for the Committee not to endorse the new Protocol. Members were informed that the recommendation had been written in that way to highlight the risk of not adopting the document.

A Member wholly endorsed the Protocol particularly in terms of the financial systems; however, he did not recognise any of the names listed on Appendix 3 of the report which referred to the Audit Commission's key contacts. The Head of Internal Audit explained that Members would probably not recognise these names as the External Auditors were obliged to rotate their staff every five years.

**RESOLVED** that:

- 1) the revised Audit Protocol be adopted; and
- 2) the level of interaction between Internal and External Audit throughout 2010/11 be endorsed.

**18/10 RISK MANAGEMENT STRATEGY AND METHODOLOGY (AGENDA ITEM 7)**

The Governance and Performance Accountant presented the report, pointing out that the Risk Management Strategy was essentially the same as previously reported to the Audit Committee in 2008. The main change was that it was now a three year strategy running from 2010 to 2012 to drive forward awareness and risk processes through the Council.

Referring to a request it was agreed to incorporate risk culture to the risk management cycle on page 26 of the report.

The Strategy required Elected Members and employees alike to assist in, and take responsibility for, the identification, control and reduction of risk and containment of cost in all aspects of their activities and areas of responsibility.

**Action By**

In response to a concern about whether all staff below Service Manager level was aware of risk, the Policy and Performance Manager explained that risk management would continue to be embedded throughout the Council through a training schedule to be rolled out to all staff throughout the course of the year.

In response to a question about how emergency planning was tested in Breckland, Members were informed that Breckland Council worked in partnership with Norfolk County Council and had detailed plans and procedures in place to deal with requests from the emergency services for assistance in major emergencies within its boundaries.

Mark Kiddle-Morris felt that such procedures should have been put in place to assist with the power problems that most villages in Breckland had experienced following the recent snow problems.

**RESOLVED** that the revised Risk Management Strategy and Methodology for 2010-2012 be adopted.

Chris  
Brooks

**19/10 QUARTER 3 GOVERNANCE REPORT RISKS (AGENDA ITEM 8)**

The Policy and Performance Manager presented the report.

Corporate Governance was about how the Council ensured it was doing things in the right way for the right people in a timely, inclusive, open and accountable way.

The Council provided a wide range of services to its community. It was essential that it protected and preserved the ability to continue to provide these services by taking account of and planning for any risk that might be involved.

A review of the audit recommendations were being undertaken by Deloittes in advance of the year end. The Performance Team had convened a special meeting to review progress against all outstanding high and medium recommendations using the TEN Performance Management system to record outcomes of discussions.

In total, 11 service areas had been invited to attend and a total of 44 outstanding recommendations were reviewed.

A summary of the sessions followed with a particular focus being on ICT:

ICT had a total of 24 outstanding high and medium recommendations.

Of the 24 recommendations, 16 were still deemed to be outstanding. Further investigation established that nine related to the production and associated commencement of training of an ICT Security Policy. Instructions had been given that this should become a high priority for the service and it was confirmed by the Head of ICT that this policy would be in put in place prior to the 31 March 2010.

Three related to the production of an ICT Strategy which the Head of ICT confirmed would also be in place by the 31 March 2010.

**Action By**

Of the remaining four recommendations, two had been confirmed as complete and the remaining two would also be completed by the above date.

The final eight recommendations had been reviewed. Of these, seven awaited verification by Deloitte, with the Head of ICT advising that Paul Kamminga would be visiting the Council on 19 March 2010.

In summary, the remaining 20 outstanding recommendations were as follows:

ARP was unable to attend the special meeting and progress was being checked outside of this process. This accounted for four outstanding recommendations.

One recommendation for Asset Management had been closed as an alternative solution had been put in place to deal with the recommendation.

The remaining 12 recommendations had all been confirmed as being completed or would be completed prior to the end of the month.

Of the 16 remaining, three were confirmed as not being implemented by 31 March 2010 - these were from Housing, Sustainable Communities and Environmental Health. This was a significantly better position than last year and reflected the positive impact additional focus by the Audit Committee had had.

As an extra control the review date for Deloitte had been brought forward to 29/30 March 2010 with frequent checks on progress being made by the Performance Team as this date approached.

Referring to the notice that the Council had given on the Steria contract, a Member asked if there would be any risks involved during the changeover period. The Director of Governance & Finance explained that a report was being prepared for an Executive Board meeting; however, the Council would keep its options open as far as shared services were concerned.

In response to a question about the meaning of the risk description within ID CS-07, Members were informed that an improvement activity had been undertaken so that the front office could undertake benefit enquiries. In simple terms, CS-07 was the risk period of transferring someone from the back office to the front office.

A Member asked if a new target date for the sign-off of the Choice Base Lettings scheme had been set, the Policy and Performance Manager advised that he was unsure of the current position and would advise in due course.

A Member asked for the meaning of R-P&P 02. The Policy & Performance Manager explained that a review had taken place against the new criteria so that the Council could work towards achieving the next level of the framework although it would miss its Business Plan target.

In response to a question about the score being so high against R-S Cab

**Action By**

03, Members were informed that the Corporate Management Team, following an assessment of this particular strategic risk, had recognised that there could be potential financial implications and reputational damage to the Council.

The majority of work for R-EH 02 had been completed by the February deadline.

In response to a request, Members were provided with an update on the Icelandic bank situation by the Head of Finance.

It was likely that the Icelandic courts would be determining the Council's status during the summer of 2010 to allow the winding up boards to begin their distribution to creditors. Bevan Brittain was defending the Council's position as depositors following the uncertainty over depositor status for two Icelandic banks; this would mean that repayments would be delayed beyond the dates indicated in the financial accounts. The Council's London based bank had received £1.5m back so far.

Referring to R-AM 06, Thetford Enterprise Park, Mark Kiddle-Morris advised that the funding agreement was being signed off next week.

**RESOLVED** that the report be noted.

**20/10 WORK PROGRAMME (AGENDA ITEM 9)**

An updated work programme had been attached to the agenda.

The Head of Finance explained that the Governance Risk reports would now be reported to every meeting.

Members were asked to note that there were two meetings in June – 11 June and 25 June. The financial accounts had been moved to the meeting at the end of that month.

It was agreed that the private meeting between Audit Committee and the Internal and External Audit Managers would be moved to the 25<sup>th</sup> June.

Mark Finch

**21/10 AUDIT COMMITTEE - TREASURY MANAGEMENT TRAINING (AGENDA ITEM 10)**

Members were asked to note that the Treasury Management training had been arranged to take place on Friday, 26 March 2010 in the Anglia Room.

The training would commence at 10.00am and finish at 12.30pm and would be followed by a buffet lunch.

All Members were encouraged to attend.

**22/10 NEXT MEETING (AGENDA ITEM 11)**

Arrangements for the next meeting on 11 June 2010 were noted.

**23/10 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 12)**

**Action By**

**RESOLVED** that under Section 100(a)(4) of the Local Government Act 1972, the Press and public be excluded from the meeting for the following item of business on the grounds that it involves the disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A to the Act.

**24/10 REV PROGRAMME BUDGET REVIEW (AGENDA ITEM 13)**

The Head of Economic Development presented the report.

It was explained that the REV Active Programme was not a project itself but a programme from which projects and initiatives would emerge, one of which was the REV Active Project.

Details of the financial breakdown of expenditure to March 2010 and predicted spend for 2010/11 and 2011/12 had been attached at Appendix 1 of the report.

The original budget had been secured in 2008 as part of the Star Chamber process at that time. £342K had been secured and agreed as the REV Development budget from the Council's additional LABGI revenue settlement from Central Government.

Following the success of the REV Phase 1 project there was an opportunity for the Council to lead, direct and facilitate again by investing in the REV2 Programme. As the Programme had been based on an economic area rather than a district boundary it could deliver within any possible future local government environments/collaborations and have regional significance.

Members were given a presentation which provided a complete picture and understanding of the progress of the current REV Programme and REV-Active project.

The overall aim of the REV-Active project was to work and encourage businesses to take a proactive approach to improve their energy efficiency for the benefit of their business, the economy and the environment. The project would also function as a pilot to be rolled out in other areas across the region.

It would help grow and sustain businesses in Breckland along the Rev A11 corridor, between Thetford and Norwich; the primary area for future population and housing growth within the District, by reducing business overheads to safeguard existing jobs and create new employment opportunities. As the REV Programme developed, activity would increase to encompass the A47 to Kings Lynn creating an economic triangle between Thetford, Norwich and King's Lynn. The Great Yarmouth outer harbour would also allow the project to approach our neighbours in Europe.

The REV Active project would be officially launched in September 2010.

Focusing on the low carbon message, a Member wished to know if there were any European products or grants available. Members were informed that opportunities were being explored and were being investigated through the European programme.

**Action By**

A Member asked if there had been technical investment costs for these case studies to be carried out. The Head of Economic Development advised that there was no cost to the businesses for the surveys. He explained that the services of three environmental scientists from Norfolk County Council would be used to carry out these assessments.

The Chairman had concerns about the railway track running through the three proposed business sites that had been referred to on the map of Attleborough during the presentation and asked how the Council anticipated paying for such a quandary. He also questioned whether the money was going to the right places in the town. Members were informed that the Council would have to look more to the private sector to assist with the range of infrastructure requirements that had been identified within the Programme; matters such as these would be picked up in the Project Initiation Document. Mr Kiddle-Morris pointed out that infrastructure had nothing to do with the REV Programme.

The Chairman challenged the above comment. He had grave concerns about the Council promoting such a project which could come to a standstill if the necessary infrastructure was not put in first.

A Member asked if a cost benefit analysis had been undertaken at the start of the project. The Head of Economic Development explained the financial model behind the programme which he considered to be quite inventive, and emphasised that the project had been 18 months in the making and was constantly under scrutiny from funders in terms of quality and value for money.

Although a brilliant concept, another Member wanted to know what the potential take up from businesses was and the cost of the take up fee.

The Head of Economic Development replied that the investment needed to come from businesses who wanted to invest themselves. If businesses did not want to sign up they did not have to. The Economic Development Team (ED) had carried out a great deal of research for this project and it was vitally important that a compelling argument was made to encourage such an investment. Energy costs were set to increase due to government renewable targets and business utility bills would go up substantially. There were huge savings to be made by businesses investing in this project. The Council own buildings could also benefit.

Business champions were being recruited to get this message out. Smaller businesses were too busy and they were the ones that needed the most help.

A Member mentioned the Integrated Development Plan (IDP) and asked why this work was going out to Tender. Members were informed that Breckland Council did not have the capacity to carry out this piece of work in-house; however, the ED Team would be providing assistance. Members were further informed that the IDP, once completed would be a corporate document for the Council to use and would cost in the region of £25/£30k.

The Head of Economic Development talked about further initiatives funded by REV that his team had been and were currently involved with.

**Action By**

To date, the current REV Programme (Rev 2) had successfully:

- Prompted recognition of the A11 corridor as an area of significant growth and importance
- Enabled potential of £100m of inward investment
- Raised local energy supply issues national and regionally through the Snetterton Utilities project and the Snetterton Prospectus
- Developed the Rev-Active Project which had attracted £1.5m in funding for Breckland businesses

In addition, the Programme supported the Moving Thetford Forward Programme and had enabled the creation of a three-year Economic Development Trainee post to support the Programme and projects.

For the future, the Programme would continue to support ongoing delivery of projects in the following areas:

- To attract Government funding through the Integrated Development Plan (local investment plan)
- Master planning for Snetterton / Attleborough
- Snetterton Utilities Project (energy supply)
- To attract further and convert current inward investment opportunities
- Providing specialised consultancy support as and when needed

The Snetterton Utilities project was currently being marketed. A great deal of interest had been received from a wide range of energy companies; talks were still on-going. Members were informed that this project would be a great opportunity for Breckland Council to invest in; a report was being prepared and would be brought to Members in due course.

There had also been an interest from a major investor who wanted to relocate along the A11 corridor. This would boost the job figures in this area, talks were still on-going and the proposal had already created a buzz from other investors.

In conclusion, the Committee

**RESOLVED** that

- 1) the current and future use and management of the REV Programme Budget for the purposes set out in the report be endorsed; and
- 2) the Committee receive six monthly risk monitoring reports in future and not quarterly reports as previously agreed

**25/10 ADDITIONAL ITEM - CERTIFICATE OF CLAIMS AND RETURNS - ANNUAL REPORT (AGENDA ITEM 14)**

The Head of Finance presented the new report which had been introduced by the Audit Commission across the county.

Funding from government grant paying departments was an important income stream for the Council. The Council needed to manage claiming for this income carefully, and needed to demonstrate to the Auditors that it

Mark  
Stanton

had met the conditions which related to these grants.

The Council claimed £56m for specific activities from grant paying departments. As this was significant to the Council's income it was important that the process was properly managed.

The key features of the current arrangements were as follows:

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree form entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

The key messages on page 63 of the report were highlighted - no major errors had been found.

In response to a question, there were no major implications to the Council for failing to fully certify.

The report was otherwise noted.

**Action By**

The meeting closed at 11.40 am

CHAIRMAN