

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 24 September 2010 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

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

Also Present

Mr S Askew	Mr P.J. Duigan
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In Attendance

Chris Brooks	- Governance and Performance Accountant
Mark Finch	- Head of Finance
Sandra C. King	- Head of Internal Audit
Robert Davies	- Senior Audit Manager, Audit Commission
Julie Britton	- Senior Committee Officer
Mark Stokes	- Interim Chief Executive
Stephen James	- Policy and Performance Manager
Margaret Bailey	- Senior Accountant Capital and Treasury
Teresa Cannon	- District Emergency Planning Manager
Melanie Nichol	- Procurement Assistant

53/10 MINUTES: 25 JUNE 2010 (AGENDA ITEM 1)

The Minutes of the meeting held on 25th June 2010 were confirmed as a correct record and signed by the Chairman.

54/10 MINUTES: 26 AUGUST 2010 (AGENDA ITEM 2)

The Minutes of the Special Meeting held on 26th August 2010 were confirmed as a correct record and signed by the Chairman.

55/10 APOLOGIES (AGENDA ITEM 3)

Apologies for absence were received from Mr R. Murray, Mr P. Hewett and Mrs L. Monument (as substitute).

Mr Hewett had tendered questions and observations on various matters and these were taken into account as the relevant agenda items were considered.

56/10 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

Stephen Askew and Phillip Duigan.

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57/10 ANNUAL GOVERNANCE REPORT (AGENDA ITEM 7)

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Mr R. Davies, Senior Audit Manager, advised that following the recent announcement by the Coalition Government the Audit Commission's future was uncertain and could be abolished as soon as 2012; for now, it was business as usual. However, the situation from 2012/13 could be somewhat different as Councils would be able to choose its own auditors. It was pointed out that with this in mind a separate audit practice was now being developed.

The Annual Governance Report for 2009/10 was presented.

The audit work was substantially complete and had been updated as issues had been resolved. His report set out the key issues that should be considered before completion. It asked Members to:

- consider the matters raised in the report (pages 7 to 9);
- take note of the adjustments to the financial statements set out in the report at Appendix 2; and
- approve the letter of representation on behalf of the Council before the Audit Commission issued its opinion and conclusion (Appendix 3).

With regard to the Council's financial statements, four non-trivial errors had been found which had been responded to by Officers and necessary adjustments had been made.

There had also been a number of textual changes which had been amended during the course of the audit.

Mr Davies was pleased to issue an unqualified value for money conclusion and stated that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

A Member asked what the outstanding matters were with regard to the cash flow statement. Mr Davis confirmed that this had just been a note of caution as the audit work had not been fully completed when the report had been written but confirmed that no changes had been made. The Member further asked what proportion of Councils received a full set of 'yeses'. Mr Davis explained that there was no 'A star' grade and most Council's achieved level 2; he was only aware of one local authority not achieving that level.

Councillor Hewett's written questions with regard to the Annual Governance Report were answered as follows:

- page 14 table 1 – *the findings had been addressed and the work had been carried out.*
- page 15 table 2 – *the findings were fairly typical as to what was seen through other authorities.*
- page 22 Appendix 2 table 3 – *these were minor adjustments in the scheme of things*
- page 26 Appendix 4 – *the Audit Commission was no longer in a*

position to comment but it was good that Breckland Council had the lowest council tax. Other Councils achieved a similar outcome even though they did not have the lowest council tax.

Having considered the matters raised in the report, the Committee

RESOLVED to

- 1) take note of the adjustments to the financial statements as set out in Appendix 2 of the report; and
- 2) approve the letter of representation on behalf of the Council before the Auditor's opinion and conclusion was issued (Appendix 3).

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Robert
Davies

58/10 SELF ASSESSMENT EXERCISE AND ACTION PLAN (AGENDA ITEM 8)

The Head of Internal Audit presented the report which provided Members with an opportunity to self-assess the Committee against a checklist provided by the CIPFA Better Governance Forum in their publication "A Toolkit for Local Authority Audit Committees".

This was the second time that Members had been given this opportunity to re-examine the best practice guidance.

The completion of CIPFA's Audit Committee Self Assessment Checklist would provide important feedback on the effectiveness of current arrangements.

The Committee then went through the checklist and all items listed were answered in the positive.

RESOLVED that

- 1) the report be noted the attached checklist be completed and the outcomes of the self assessment exercise be confirmed;
- 2) a subsequent report containing the overall findings of the self assessment exercise was not required for presentation to the next meeting of the Committee, as full compliance with best practice requirements had been recorded and thus, there were no deviations to warrant the drawing up of an action plan to be delivered in the future.

Sandra C.
King

59/10 STRATEGIC RISK REGISTERS (AGENDA ITEM 9)

a Governance Report - Quarterly Risk Report (Quarter 1 2010/11)

The Governance and Performance Accountant presented the report.

Corporate Governance was about how the Council ensured it was doing the right 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 and it was essential that it protected and preserved its ability to continue to

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provide these services through taking into account and planning for any risk that might be involved.

Risk reviews were forward looking and identified potential risks for the forthcoming period.

The new and amended risks were highlighted. Referring to R-SC 02 under Sustainable Communities, Members were informed that this risk was more of a reputational one rather than financial.

A Member commented on risk R-AM 06 with regard to the current status of funding for Thetford Enterprise Park (TEP). EEDA had confirmed that a funding decision would be dependant on the Comprehensive Spending Reviews in October. The Deputy Chief Executive assured Members that Breckland Council had been fortunate enough secure £1.7m.

Referring to R-SH 05, one of Councillor Hewett's questions, the Committee was informed that the non delivery of LAA/National Indicators targets was a risk that assessed county-wide targets and was under the control of a county- wide service management team.

On page 45, an amendment was required to the wording under R-CS 04 to read: "This would" (instead of could).

Further questions from Cllr Hewett referred to R-SR 07 and R-SC 06, responding to the first question, the Governance and Performance Accountant advised that the point about the wording being revised would be taken on board. As far as the latter was concerned, this risk had been monitored for a long period of time due to staffing issues within the team but was being addressed.

The report was otherwise noted.

b Planning and Building Control - Joint Risk Register

The Policy & Performance Manager presented the joint risk register for the Planning and Building Control contract.

Questions and views were welcomed.

A Member questioned the risk description under the legislative/financial column. The Building Services Manager explained that this risk was a generic one and related to the new charging scheme which had been agreed and published and would come into effect by 1st October 2010. Failure to achieve this would have a serious financial impact on the Council. The Policy and Performance Manager advised that the risk would be re-visited and reviewed after 1st October and re-scored at an appropriate level.

The report was otherwise noted.

c Revised ARP/T Risk Register

The report was noted.

60/10 REV ACTIVE PROJECT BUDGET AND RISKS REVIEW (AGENDA ITEM 10)

The Independent Member was disappointed that this item had been delayed particularly as he had asked for a Business Plan on this matter at the January meeting.

The Deputy Chief Executive suggested that a report be brought forward to a Special Meeting of the Committee before the next scheduled meeting.

RESOLVED that arrangements be put in place to convene a Special Meeting of the Audit Committee at the end of October 2010.

It was agreed that the Independent Member would be invited to this meeting before his departure from this Committee as well as the Executive Member for Planning, Health & Housing.

61/10 UPDATE ON TREASURY MANAGEMENT, STRATEGY, POLICY AND PRUDENTIAL INDICATORS (AGENDA ITEM 11)

The Senior Accountant presented the report which updated Members on the Treasury Management Strategy, Policy and Prudential Indicators and recommended amendments to the parameters and reporting of security and liquidity benchmarking.

The underlying purpose of the report supported the objective in the revised CIPFA Code of Practice on Treasury Management and the CLG Investment Guidance. These state that Members should receive and adequately scrutinise the Treasury Management service.

The report had been structured to highlight the key changes to the Council's Capital activity (the Prudential Indicators (PIs)), the economic outlook and the actual and proposed Treasury Management activity (borrowing and investment) (see Appendix A)).

The Senior Accountant was pleased to report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs had not materially changed and that the only recommended changes were to the reporting of the Security and Liquidity benchmarking and TMP 5(1) and (2).

Although the Council was currently debt free, it was still a requirement to report on these matters.

The key changes since 1st of April 2010 were highlighted and a demonstration of how the security model worked was shown.

A Member asked for the meaning of the proposed maximum risk levels and how the underlying percentages had been calculated. In response, the Senior Accountant advised that she would prepare an explanation of the methodology for Members in due course.

The Senior Accountant was aware of Cllr P Hewett's observations.

The Head of Finance was obliged to report a temporary breach to the Council's overdraft for one day. On the same day, the limit allowed with

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Mark
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one counterparty had also been exceeded. Instructions to prevent further occurrences had been put in place.

Subject to making a small number of typographical amendments to the document, it was

RESOLVED that the changes to the Treasury Management Strategy, Policy and Prudential Indicators be noted and the following amendments to the parameters and reporting of security and liquid benchmarking be approved:

- 1) the Authorised Limit be revised to £10.660m;
- 2) the new maximum risk levels for investments be adopted as follows:
 - a) Investments maturing < 1 yr 0.06%
 - b) Investments maturing 1yr – 2yrs 0.06%
 - c) Investments maturing 2yrs – 3yrs 0.08%
- 3) the Weighted Average Life (WAL) be reported as part of the monthly Treasury Financial Performance Report;
- 4) the trend of WAL and risk levels be reported as part of the monthly Treasury Financial Performance Report; and
- 5) TMP 5(1) and TMP 5(2) be amended as attached at Appendix C of the report.

62/10 UPDATE ON THE GOVERNMENT'S TRANSPARENCY AGENDA (AGENDA ITEM 12)

The Head of Finance informed Members of the proposed action the Council was about to take to develop processes to comply with the requirements of the Coalition Government's Transparency agenda.

The Government's Transparency agenda encouraged local authorities to make public data openly available. The Right Honourable Eric Pickles MP had issued a letter to all leaders of local authorities setting out the Government's requirements for authorities to publish information on items of spend over £500 by January 2011.

At present, authorities that published such data all took a slightly different approach. If Breckland Council was mindful to publish before any guidelines were issued, a simple approach could be adopted by using a PDF format to make the information accessible to all web users (an example from the Greater London Council had been attached to the report at Appendix 3).

Members were being asked whether the Council should proceed to publish such information in the preferred PDF format or wait until further guidance was issued by CLG (probably by the Autumn) before publishing expenditure data on the Council's website.

There was a potential risk that the number of Freedom of Information Act requests would increase significantly in the short term, taking up

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Mark Finch

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<p>additional resource. The Council must be mindful of the requirements of the Data Protection Act and should not publish information that would provoke complaints against the Council from data subjects. Therefore, it was essential to undertake a manual review of all information prior to publication, and, where necessary, edit the name so that the data subject could not be identified.</p> <p>The Head of Internal Audit commented that some Councils had already published spend information and had been subject to reported incidents of unknown persons trying to use this data to perpetrate frauds against the authorities. Members were informed by the Head of Finance that risks associated with the publishing of this information had been recognised and internal control procedures had already been put in place to safeguard the Council's position</p>	
<p><u>RESOLVED</u> that the Council adopt the approach to proceed to publish simple information along the lines of the example shown in Appendix 3 of the report.</p>	Mark Finch
<p>63/10 <u>BUSINESS CONTINUITY - EXERCISE "STAG" (AGENDA ITEM 13)</u></p>	
<p>The Emergency Planning Officer provided Members with a presentation on Exercise "Stag".</p>	
<p>Exercise "Stag" had been a table top exercise to evaluate the response to an incident affecting Breckland Council offices at Elizabeth House. It had been a valuable exercise as it had highlighted the importance of having robust and current Business Continuity Plans that were sufficiently flexible to allow the Council to respond to a range of disruptive challenges.</p> <p>A brief overview was provided and the exercise scenario was explained.</p>	
<p>Recommendations from the Exercise had been added to an Action Plan which would be monitored and progressed by the Business Continuity Steering Group, to be chaired by Mark Stokes, Deputy Chief Executive (meeting to be arranged).</p>	Teresa Cannon
<p>Phillip Duigan had concerns about his role as an emergency officer for Dereham Town Council particularly in regard to communications. Members were informed that the Town Council would be contacted in the event of an incident at Elizabeth House with a view to providing mutual aid.</p>	
<p>The Chairman suggested that training should be provided to all Town Councils so that everyone would then know what had to be done in an emergency situation. It was noted that business continuity was promoted at all Town and Parish Council events (The Emergency Planning Officer would be meeting with Members of Dereham Town Council on 30 September 2010).</p>	
<p>In response to a question, Members were informed that there was an Emergency Response Plan in place for Breckland Council (which was currently being reviewed) and also an overarching plan for Norfolk, the Norfolk Emergency Response and Recovery Strategy which was available on the Norfolk Resilience Forum website: www.norfolkprepared.gov.uk</p>	

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<p>The report was otherwise noted.</p>	
<p>64/10 <u>WORK PROGRAMME (AGENDA ITEM 14)</u></p> <p><u>RESOLVED</u> that a Special Meeting be convened at the end of October to discuss Rev Active Project and budget consultation requirements.</p>	
<p>65/10 <u>NEXT MEETING (AGENDA ITEM 15)</u></p> <p>Arrangements for the Special Meeting in October 2010 would be confirmed in due course.</p>	
<p>66/10 <u>JOINT AUDIT AND SCRUTINY PANEL (ICT EQUIPMENT FOR MEMBERS) (AGENDA ITEM 16)</u></p> <p>The Deputy Chief Executive presented the report which requested Members to set up a new Joint Audit and Scrutiny Panel to review the provision of ICT equipment and facilities for Elected Members ahead of the District Council Elections in May 2011, with a view to completing the investigation by 31st December 2010.</p> <p>It was <u>RESOLVED</u> that the following Members of the Audit Committee be elected:</p> <ul style="list-style-type: none">• C Jordan• D Myers• R Childerhouse.	<p>Mark Broughton</p>

The meeting closed at 11.45 am

CHAIRMAN