

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE AND AUDIT COMMITTEE

**Held on Thursday, 30 September 2021 at 10.00 am in
The Breckland Conference Centre, Anglia Room, Elizabeth House, Walpole Loke,
Dereham, NR19 1EE**

PRESENT

Cllr Bill Borrett (Chairman) Cllr Jane James
Cllr Robert Kybird (Vice- Cllr Linda Monument
Chairman)
Cllr Harry Clarke

Also Present

Mr J. Plaskett Cllr Ian Sherwood
Cllr Mark Robinson Cllr Timothy Birt

In Attendance

Alison Chubbock - Assistant Director Finance (Section 151
Officer)
Jason Cole - Assistant Director Customer and
Performance
Faye Haywood - Head of Internal Audit
Mark Hodgson - Lead Audit Partner
Ryan Pack - Innovation and Change Business Partner
Rory Ringer - Democratic Services Manager
Erika Voinic - Internal Audit Trainee
Julie Britton - Democratic Services Officer

46/21 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 28 July 2021 were agreed as a correct record.

47/21 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM) (AGENDA ITEM 2)

None.

48/21 APOLOGIES (AGENDA ITEM 3)

An apology for absence was received from Councillor Grey.

49/21 URGENT BUSINESS (AGENDA ITEM 4)

None.

50/21 DECLARATION OF INTERESTS (AGENDA ITEM 5)

None declared.

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51/21 NON-MEMBERS WISHING TO ADDRESS THE MEETING (AGENDA ITEM 6)

Councillors Robinson, Sherwood and Birt were in attendance.

52/21 TRAINING (STANDING ITEM) (AGENDA ITEM 7)

Members were informed of the Treasury Management training session that would be held after the Full Council meeting on 14 October 2021 at 2pm in the Anglia Room. It was noted that this training was open to all Members and would be a hybrid session for those Members who wished to join from home rather than meeting face to face.

A Zoom invite would be sent out shortly.

53/21 ANNUAL REPORT ON STANDARDS ARRANGEMENTS (AGENDA ITEM 8)

Rory Ringer, the Democratic Services Manager presented the report.

Members were provided with a brief overview of standards work that had taken place from 1 April 2020 to 31 March 2021.

The number of complaints had decreased in comparison to the previous year and 3 cases had yet to be resolved. In response to a concern, a brief explanation of what the 13 cases related to in the previous year as well as the percentages within the table was provided.

Members found the table quite confusing, and it was agreed that a further column would be added in future.

Councillor Clarke asked when the next Standards review would be. Members were informed that the LGA Model Code of Conduct had recently been published and the guidance had now been received, the draft revised Code would be brought to a future meeting in due course. Training for all Members would then follow and would form part of the Member Induction programme in 2023.

Councillor Birt asked if any complaints related to complaints against members from members. The Democratic Services Manager explained that 90% were in respect of parish councillors, the number of internal councillor complaints was relatively small.

The report was otherwise noted.

54/21 AUDIT PLAN ADDENDUM - VFM RISK ASSESSMENT (FOR INFORMATION) (AGENDA ITEM 9)

Mark Hodgson, the External Auditor presented the Value for Money (VFM) Risk Assessment.

The purpose of this report was to provide Members with an update on the VFM which had been flagged as requiring completion in the provisional Audit Plan dated 21 May 2021.

It was noted that there were no changes to report to the planned audit

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approach and risk assessment that had been set out previously.

Members were being asked to consider the assessment so that the Audit Plan could be concluded (see agenda item 14).

The Vice-Chairman, Councillor Kybird believed that there was no longer a requirement to express an opinion on VFM but only to ensure that arrangements were in place and asked if this was correct.

Members were informed that this was indeed correct, and the reason was explained.

Councillor Birt referred to page 22 of the agenda pack as he had noticed that the 2020 Code had no criteria and was particularly interested in the second bullet point under Governance. He referred to the recent O&SC meeting where Members agreed to use a balance score card in respect of the Council's Performance Framework but this, in his opinion, did not feel like informed decision making and asked if there were any high-level tests in place.

The External Auditor explained that this was clearly the Council's own decision and appropriate arrangements would be put in place and was satisfactory from an audit perspective.

The report was otherwise noted.

55/21 RISK MANAGEMENT POLICY (AGENDA ITEM 10)

Mark Robinson, Executive Member for Customer, Digital & Performance presented the report.

Members of the Governance & Audit Committee granted an extension to the Policy at their meeting held in February 2021 to allow officers to conduct a more thorough review.

The review had now been concluded and no major changes had been made (see paras 1.4 to 1.6) and the Policy itself remained in line with best practice.

Ryan Pack, the Innovation & Change Business Partner stated that the Policy itself was now in a fairly strong position and was happy to take any questions.

Mr Plaskett, the Independent Lay Advisor, felt that the Policy was fine and read very well and covered everything apart from a couple of typographical errors on pages 32 and 34 of the agenda pack:

- The Director of Place and Delivery ~~are~~ **is** to be informed if financing measures are required to be put in place, and on page 34:
- Given the diversity of Council services and the wide range of potential risks, responsibility for ~~identify~~ **identifying** and taking action to address potential risks must be clear.

Councillor Monument was intrigued by the wording on page 37 of the agenda pack under the heading partnerships where it stated that a

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Partnership Policy was available and asked if this was something that had been developed previously.

Members were informed that the Council had a partnership register that listed all the partners that the Council had as an organisation which he believed was available on-line.

Councillor Birt drew Members' attention to page 44 of the agenda pack, the Likelihood table, particularly under the probability line, column 4 and queried the distribution and the rationale behind that.

In terms of the said the table, the Innovation & Change Business Partner pointed out that this had not been changed as part of the review as it had worked for the organisation, and unfortunately, he did not have the technical insight as to why the table had been set like that

The Chairman explained the methodology behind it and stated that this quantified the percentage likelihood and was obviously a tool that the Management Team used.

RESOLVED that:

- (1) the Governance and Audit Committee recommend the adoption of the draft Risk Management Policy to Full Council on 14th October 2021; and

RECOMMEND to Full Council that:

- (2) the draft Risk Management Policy be adopted.

56/21 Q2 STRATEGIC RISK REPORT (AGENDA ITEM 11)

Mark Robinson, the Executive Member for Customer, Digital & Performance presented the report and provided Members with a summary of changes.

Several risks had been added to the strategic risk register since it was last seen by the Committee:

- Sustainability strategy
- Waste consultation
- Leisure reopening
- Impact of national HGV driver shortage on local critical services (waste collection).

A number of other risks had also been altered as part of the risk review:

- The COVID-19 risk had now been broken into two specific risks related to both impacts on the district and on service delivery.
- The GDPR risk had now been merged into the cyber security risk due to both overlapping and there no longer being a need for a specific strategic risk.

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- The investment portfolio and business rates risks had now been merged into the medium-term financial plan risk. This was because of overlapping between the risks and there not being a strong enough need for three separate strategic risks.

Ryan Pack, the Innovation & Change Business Partner pointed out that the new format had been put together following feedback from the Governance & Audit Committee.

He informed Members further to the changes above, the contract monitoring risks had been removed as it no longer met the criteria for a strategic risk. This risk had been introduced for historic reasons and no longer met the criteria as a strategic threat to the council as it was more appropriate for inclusion on the operational risk register.

Since this Committee last saw sight of the strategic risk register, it was noted that one of the most notable changes to outstanding risks was the emerging policy risk. This was specifically in relation to the impact of the Environmental bill. The bill was not as yet at a point where a separate risk needed to be considered but could occur in the future if deemed necessary.

The Council had also developed a significant risk around potential outcomes to the current waste consultation. Whilst this was a fluid situation, it was expected that the Council would at least be impacted in some significant way in relation to its current service delivery.

Councillor Clarke felt that the new layout was very helpful as it now mentioned any changes made to the risks. He asked however, if the impact of the risk changed and once it had been reviewed by the Corporate Management Team (CMT), would it be brought to this Committee or Cabinet for discussion. Additionally, looking at the information contained within the register, for example, the increased demand on housing services, he asked if such information would be provided to the Overview & Scrutiny Commission (O&SC).

Members were informed that all risk owners updated the register on a quarterly basis, if there were any significant changes prior to that, then an interim assessment was carried out and reported to CMT, the Portfolio Holder or Cabinet. In terms of the Overview & Scrutiny Commission, key performance indicator reports were already taken to their meetings for discussion as it was important to have a joined-up approach with the Commission.

Councillor Monument was delighted with the new format but had noticed a few anomalies that she felt should be amended:

- Page 55 of the agenda pack at the end of paragraph 1.3 should spell 'discrete' and not 'discreet'.
- Page 59 at the top of the page should read: next review '01/07/22' and not '01/07/21'.
- Page 60, what was the meaning of the Covid-19 exemption for drivers. The Innovation & Change Business Partner believed that the Covid-19 exemption was for key workers if they were 'pinged' by the NHS Covid app.
- Page 61, the fourth bullet point on the right-hand side of the table

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stated 'viability to MRF' – what did MRF stand for? Members were informed that MRF was one of the waste facilities. The Chairman pointed out that MRF stood for Material Recycling Facility.

- Page 66, the next review date was incorrect and should be October 2021.
- Page 71, the target date was incorrect and should be 2022.

The Vice-Chairman, Councillor Kybird commented on Councillor Monument's point about the word discrete and felt that 'defined' or 'distinct' would be better words to use. Also, on page 61 there was a 5x5 risk score under the waste consultation that appeared to have a huge potential impact on this authority and apparently no way of getting round it. Members were informed that it was a big risk to the organisation, but the waste consultation was still on-going, and no decisions had been confirmed by central government. There were many different elements to this, and some could have a greater impact than others and Breckland Council was in the same position as many of its partners. The Chairman pointed out that it did affect all districts in Norfolk and was a financial risk.

Mr Plaskett referred to the commentary on page 56 of the agenda pack at paragraph 1.9 where 4 new risks had been added, then at paragraph 1.10 some risks had been altered but the total number of risks was 11, notwithstanding this, the Governance & Audit Committee had raised many questions and queries over the years in respect of the quality of the Risk Register and he was delighted to report that this was now a fit for purpose register and would provide Members with a much better opportunity to monitor and question these risks going forward.

The Innovation & Change Business Partner thanked Mr Plaskett for his kind words. The total of 11 risks was correct and the Covid-19 risk should have been added as a new risk rather than being split.

Councillor Birt also felt that the new format was much better. He also drew attention to page 60 of the agenda pack in respect of the shortage of waste collection HGV drivers and felt that all HGV drivers should have been included in this matrix as well as staff shortages. Also, on page 63 under the sustainability strategy he felt that there had not been much feedback or progress on this matter and asked if this was just the starting point. On page 64, Councillor Birt had been surprised how low the impact of the Covid pandemic had been set and felt that it should be the highest risk as it was still in existence and had an impact on everyone and everything. Lastly, page 65 was kind of related to page 64 and he expected that the Council had less influence on local businesses, communities and local and national infrastructure but was still being portrayed as a risk to the Council and asked for more explanation on this risk.

Members were informed that in respect of the HGV drivers the Council did class this as an operational risk due to staff shortages but would become a strategic issue in regard to waste collection. The Sustainability Strategy was still being worked on ahead of January's Overview & Scrutiny Commission around project reporting that should then encapsulate these issues. In terms of the latter concerns, these comments would be taken to CMT and to the risk owner.

The Chairman said that he did not necessarily agree with Councillor Birt's

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opinion on the latter matters and would wait to see what the risk owner came back with.

The contents of the report were otherwise noted.

57/21 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS
(AGENDA ITEM 12)

Faye Haywood, the Head of Internal Audit presented the report.

The report provided Members with the position on the progress made by management in implementing agreed Internal Audit recommendations as 17 September 2021.

In terms of progress in delivering these recommendations and since the report was published, appendices 2 and 3 highlighted the three important and urgent priority recommendations that were still outstanding. The first one relating to Planning & Building Control and the S106 processes was up to date due to the Team facing unprecedented delays due to the pandemic but there had been some progress made over the last few weeks, and Internal Audit had been provided with an update and would hopefully be resolved by year end.

The second one outstanding that related to Information & Governance had since been completed and all issues had been resolved.

The third one on page 81 of the agenda pack, evidence had now been requested to demonstrate completion and was on track but would have to be independently verified before this one could be closed.

The Chairman thanked the Head of Internal Audit for her very positive report.

Mr Plaskett was always disappointed when seeing sight of so many outstanding actions from 2018/19 even though some were classed as low priority but felt that the organisation should really take better notice of some of these dates and get them completed on a more reasonable timeframe. He did not believe that Officers really understood the importance of internal audit and the reports that came from it - the response to those actions had always been approved by management and should be followed up by management and taken more seriously.

The Head of Internal Audit welcomed Mr Plaskett's comments but pointed out that there had been some positive changes and were now seeing such recommendations prioritised and some had been completed. The focus this time was to mainly close down the urgent high priority recommendations but now the focus would turn to the outstanding historical actions from 2018/19, and meetings had already been arranged.

Councillor Clarke echoed Mr Plaskett's comments.

Councillor Monument referred to page 80 of the agenda pack under Planning where it stated that an issue remained with open space in that the Team was yet to track down the right person to take on this role. She felt that this was getting desperately urgent as the original date was 31 December 2019 and even then, there were already a great deal of S106

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problems in existence. The pandemic had not prevented people from applying for planning permission and there were more and more S106 agreements coming through with a number not actually applying with Planning Policy and therefore needed to be dealt with as soon as possible, and with no staff to be able to do this work was, in her opinion, very concerning.

The Head of Internal Audit agreed that it was an important priority recommendation and was well overdue but had been comforted by the fact that some progress had been made over the last 4 weeks. She was aware of Members' concerns and if not completed next time, the Officer concerned would be asked to attend the meeting to update Members on progress.

The Chairman felt that if this priority recommendation was not completed by next time, the Director from the Planning Department should be asked to attend.

The Vice-Chairman, Councillor Kybird asked if this position had originally been an outsourced appointment such as a Legal firm and in which case, was the Council still being charged for such a service.

The Chairman said that this was a question that could be put to the Director at the next meeting.

The report was otherwise noted.

58/21 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY UP TO 17 SEPTEMBER 2021 IN RELATION TO THE COMPLETION OF THE ANNUAL INTERNAL AUDIT PLAN FOR 2021/22 (AGENDA ITEM 13)

The Head of Internal Audit presented the progress report on Internal Audit activity up to 17 September 2021 in relation to the completion of the Annual Internal Audit Plan for 2021/22.

No significant changes had been made to the Plan since its approval in June 2021. 15 days of programmed work had been completed by Internal Audit providers TIAA and ARP Auditors, totalling 8% of the revised Audit Plan. There were not any final executive summaries to discuss and in Appendix 1 there was one profile in Quarter 2 that ended on 30 September 2021. The deadline for draft reports was 10 working days after the quarter ends and discussions were being had with the auditor involved in respect of the private housing sector report and was on track.

The Head of Internal Audit advised that the findings would be brought to the Committee at its next meeting for discussion. There was not a great deal to report for this period.

Mr Plaskett had been surprised how little, just 8% of the Plan, had been completed bearing in mind that it was halfway through the year, notwithstanding the pandemic but asked if there was a problem with TIAA in respect of staffing or was it in regard to how the schedule had been set up. He further asked if the Head of Internal Audit was confident that all the audits would be completed by the end of the year.

Members were informed that it was a matter of profiling in this case (see

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Appendix 1 of the report) and there were many that would be forthcoming in quarters 3 and 4. There had been many issues along the way to contend with one of which was the lateness of the Plan being approved in June instead of March 2021. Additionally, TIAA had been dealing with staff sickness and remote working challenges.

The report was otherwise noted.

59/21 2020/21 AUDIT RESULTS REPORT (AGENDA ITEM 14)

Mark Hodgson, the External Auditor presented the report and highlighted the following matters.

On page 92 of the agenda pack, the materiality level had been updated to £1.415m on receipt of the draft financial statements that was marginally different from had been planned and was therefore reporting anything above £70,000 for this audit difference.

In respect of the 'Status of the Audit' section on 93 of the agenda pack, Members were provided with an update on all of the outstanding audit procedures, most had now been closed/completed and therefore there were no issues to report, subject to:

- Accounts Payable - Completed and one further issue to report. An April 2021 invoice was found in respect of the PFI Leisure contract that should be a 2021/22 item. It had been included twice in short-term debtors and once in short-term creditors. It should be only be shown once in short-term debtors as a pre-payment. The amount of £182,000 had therefore been overstated in both debtors and creditors and an adjustment for the difference would be made.
- Property, Plant & Equipment. Additions all complete. Test checking was being carried out on some valuations in respect of floor areas of which the valuations had been based. There were some assets held by the Council that did not include floor areas/plans and procedures were being deployed by the External Auditors to gain assurance.

In response to an observation made by the Chairman, the External Auditor explained that investment property, in particular, had increased and clearly a great deal of those assets were driven by yield, hence the floor area was now being taken into account and was an international auditing standard that applied not just for Breckland Council.

- Pension Liability –the necessary assurances from the Pension Fund auditors had been received but assurances in respect of the emerging issue set out on page 103 of the agenda pack were still awaited.
- Whole of Government Accounts procedures - the guidance from HM Treasury had not as yet been received but was expected in December 2021; therefore, this could not be completed but it did not impact the audit opinion or VFM arrangements work; however, closure of this audit could not be certified.

All risks and assurances had been completed (see page 96 of the agenda

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pack) subject to the property plant and equipment and pensions issues.

Attention was then drawn to page 115 of the agenda pack, there were still no uncorrected audit differences to report except for the two adjusted differences in respect of the pension liability and the PFI contract and these were explained.

Taking all the above into account and once the pension and property, plant & equipment issues had been closed an unqualified opinion would be proposed.

Members were informed that a valid objection to the accounts had been received (see page 120 of the agenda pack) but no issues of significance had been found and the objection was dismissed.

The audit opinion should have been signed off at this meeting; however, further time was needed to close off the outstanding issues. A letter had been provided to the S151 Officer so that the correct wording could be added to the Council's website to meet the publication requirement deadline, and subsequently, a small change to the recommendation in respect of the approval of the Statement of Accounts would be required.

Councillor Kybird mentioned the issue about the whole of government accounting and asked how this would be dealt with. Members were informed that this was not a responsibility that went into the Council's financial statements. Attention was then drawn to the closing paragraph under Section 3 of the report.

Mr Plaskett had concerns about the number of items still outstanding at the date of this report compared to previous years and asked if E&Y still had staffing issues or whether this was pandemic related. He asked what assurances could be provided to the Committee that next year, E&Y would be in a better position. Members were informed that a plan had been agreed by all clients in February 2021 about the phasing timetable in which the audits would be undertaken and delivered and the auditors had performed the audit within that window but clearly any audit was dependent on a number of factors and this list was extraordinarily longer than what Members had been used to, but no-one had been operating in a normal world this year. He felt that the assurances that had been provided at this meeting was a good position to be in albeit 48 hours from signing and did not deter from the publication requirements.

Councillor Birt said that this had been mentioned before about the challenge to the accounts and he was interested in how much this was going to cost this Council. Also, in respect of PFI and the significant investment that was going to be needed to improve the Council's Leisure Centres and their carbon impact and asked what happened when this agreement came to an end. The Chairman said that this question did not specifically relate to these accounts and was not pertinent to this particular agenda item and therefore a response would not be provided.

The report was otherwise noted.

60/21 AUDITED STATEMENT OF ACCOUNTS 2020-21 (AGENDA ITEM 15)

Alison Chubbock, the Assistant Director of Finance & S151 Officer

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presented the Statement of Accounts for 2020-21.

This report followed on from the previous report and these accounts had been updated accordingly since the June meeting.

The External Auditor had already taken Members through the major changes that had been detailed on page 138 of the agenda pack at paragraph 1.2 of the report and the £182k addition. Therefore, the Accounts had changed taking into account that £182k adjustment and the short-term debtor and creditor amounts had been reduced by the same value. It did not change the net financial position of the Council it only had an effect on the balance sheet, the short-term debtor and creditor notes, the financial instrument notes and the cash flow.

The report also included the annual governance statement that had not been changed since the June meeting which had been approved by the Leader & Chief Executive. The report also included the letter of representation to E&Y which could be seen on pages 249 to 255 of the agenda pack.

Due to the pension issues, the recommendation as it stood was unable to be approved and would have to be changed. Recommendations 1 (b) and 1(c) could be approved but the wording that was being proposed for 1(a) would be amended as follows:

The Governance & Audit Committee approves the financial statements of the Council as presented, having taken account of the External Auditors report. The Chair of the Governance & Audit Committee is authorised to sign and date the financial statements, once the auditor has completed their outstanding procedures as described, on the basis no material audit differences are identified.

If those procedures identified any material audit difference, which would require adjustment to the financial statements, the Governance & Audit Committee would be notified and updated accordingly and a new motion to approve the revised financial statements made at the next available Governance & Audit Committee meeting.

Mr Plaskett had compared the two sets of Accounts and only found one error that he felt should be addressed on page 182 of the agenda pack under 'other differences' the total 8,717 should be 6,891. Also on page 233, under short-term creditors had been changed from 635 to 633 and asked if that was just a timing difference.

The Assistant Director of Finance thanked Mr Plaskett for his observations as he was indeed correct in respect of the typo on page 182 and on page 233 this had been adjusted following the audit of Breckland Bridge accounts.

Out of interest, on page 199 under short term investments, Councillor Birt had noticed that there was a great deal of long-range investments in other councils and wondered why this approach had been taken and how that had come about. Members were informed that Breckland Council applied the security liquidity yield principle where the security was applied first, followed by the liquidity of this Council and then the yield rate – in other words, local government was very secure.

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The Chairman stated that it underlined the fact that this Council did not carry any debt and therefore was lending monies to other authorities who were and getting a better return through the Council's Treasury Management providers.

The amended recommendation was repeated, and it was:

RESOLVED that:

- (a) the financial statements of the Council be approved as presented, having taken account of the External Auditors report. The Chairman of the Governance & Audit Committee be authorised to sign and date the financial statements, once the auditor has completed their outstanding procedures as described, on the basis no material audit differences are identified.

If those procedures identify any material audit difference, which would require adjustment to the financial statements, the Governance & Audit Committee would be notified and updated accordingly and a new motion to approve the revised financial statements made at the next available Governance & Audit Committee meeting.

- (b) the Annual Governance Statement 2020-21 be approved; and

- (c) the Letter of Representation 2020-21 be approved.

The Chairman then paid particular thanks to Mark Hodgson and the External Auditors as it had been a very testing year for everyone involved. He also congratulated Assistant Director of Finance for all her hard work.

61/21 WORK PROGRAMME (AGENDA ITEM 16)

In terms of Standards (Code of Conduct), the Chairman asked the Democratic Services Officer to find out when this was likely to be brought to this Committee as he would like it shown on the work programme.

The Vice-Chairman asked if this Committee was anticipating any further changes to the constitution that should be included in the work programme. It was agreed that this should be added to the December meeting. As a report was going to Full Council he asked if Members could be issued with a revised document once it had been approved.

The following items would be added to the Work Programme for the December meeting:

- Internal Audit progress report
- Internal Audit follow up report
- Code of Conduct update
- Amendments to Constitution

62/21 NEXT MEETING (AGENDA ITEM 16)

The arrangements for the next meeting on Thursday, 2 December at 10am in the Anglia Room were noted.

Chairman's Closing Remarks

As this was John Plaskett's last meeting, the Chairman thanked him for his service to Breckland Council over the past 4 years. He had been an incredibly important member of this Committee and it had been an absolute pleasure to work with him and felt that this Council had been very lucky to have the benefit of his wisdom and experience and wished him all the very best for the future.

Mr Plaskett thanked the Chairman for his very kind words.

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The meeting closed at 11.25 am

CHAIRMAN