

BRECKLAND COUNCIL

At a Meeting of the

GOVERNANCE AND AUDIT COMMITTEE

**Held on Thursday, 22 June 2023 at 10.00 am in
The Breckland Conference Centre, Anglia Room, Elizabeth House, Walpole Loke,
Dereham, NR19 1EE**

PRESENT

Cllr Bill Borrett (Chairman)	Cllr Linda Monument
Cllr Robert Kybird (Vice-Chairman)	Cllr David Wickerson
Cllr Harry Clarke	Mr David Fowler (Independent Lay Advisor)

Also Present

Cllr Philip Cowen	Cllr William Richmond
	Cllr Alison Webb

In Attendance

Alison Chubbock	- Section 151 Officer & Assistant Director Finance
Matthew Fernandez-Graham	- Accountancy Manager
Faye Haywood	- Head of Internal Audit
Ryan Pack	- Innovation and Change Business Partner
Erika Voinic	- Internal Audit Trainee
Julie Britton	- Democratic Services Officer

18/23 MINUTES

The Minutes of the meeting held on 2 February 2023 were confirmed as a correct record and signed by the Chairman.

19/23 ACTIONS ARISING FROM THE MINUTES (IF ANY) (STANDING ITEM)

None.

20/23 APOLOGIES

An apology for absence was received from Councillor Oliver.

21/23 URGENT BUSINESS

None.

22/23 DECLARATION OF INTERESTS

None declared.

23/23 NON-MEMBERS WISHING TO ADDRESS THE MEETING

The Chairman welcomed Councillor Phil Cowen, the Executive Member for Finance, Revenue & Benefits and Councillor Webb, the Executive Member for Customer & Corporate Services to the meeting. He also

Action By

Action By

welcomed Councillor Richmond who was in attendance to observe the meeting.

24/23 TRAINING (STANDING ITEM)

The Chairman thanked those Members for attending the audit training which had been held prior to this meeting, hosted by Faye Haywood, the Head of Internal Audit.

The Vice-Chairman, Councillor Kybird mentioned the forthcoming governance training, which was being held on Tuesday, 27 June, hosted by Rory Ringer, the Democratic Services Manager and the Legal Services Manager, Sarah Wolstenholme-Smy.

25/23 Q1 STRATEGIC RISK

Alison Webb, the Executive Member for Customer & Corporate Services introduced the report.

She was delighted to bring the Quarter 1 Risk report to this meeting and welcomed the new Members to the Committee. She felt that it would be useful to explain what the risk report dealt with. The risks included within the report were what the Council defined as strategic risks and were risks that had an impact on the delivery of the Corporate Plan and were brought to this Committee to ensure that everyone agreed that these risks were being managed correctly.

In terms of the risks themselves, this had been a static period for the Council, with the scores not being changed since the Committee last met in February 2023. This was not saying that such work was not being carried out to mitigate these risks, but the work was not yet at a stage of impact to bring the risks down. An example of this was the joint venture this Council formed part of in respect of Nutrient Neutrality where a great deal of work had been carried out in getting this venture set up but was not yet at the stage where this risk could be mitigated further.

Ryan Pack, the Innovations & Change Business Partner then covered some of the more technical aspects of the report.

Although there had been some slight changes to some of the risks in terms of key risk indicators and key control indicators which was just an additional way for this Committee to measure whether the risks were being scored at the correct level, there had not been a great deal of movement in this quarter.

Councillor Clarke said that he had looked through Qtr1 and one matter of concern was the financial market going forward in terms of temporary accommodation and the increased demand in housing services. He was aware that some matters were going to be outside of this Council's control but assumed that the Senior Management Team would be keeping a close watch on such matters in terms of whether resources in that service area should be increased.

Members were informed that this was classed as a long-term risk particularly the housing demand as this was a risk that the Council could not control; however, the temporary accommodation was a little brighter

Action By

to an extent as the Council had greater control by purchasing additional units that allowed this authority to claim back some of the housing benefit for the people who moved into those units so the cost to the Council was less.

Alison Chubbock, the Assistant Director of Finance & S151 Officer explained that in terms of the financial element, this Council had invested in a number of dwellings and the budget for temporary accommodation had been increased for this year. Also, some additional Government funding had just recently been received to support additional resource in this service area and this would be closely monitored.

The Chairman felt that the key concern was the reduction in rental properties which had been included as one of the risks. He also had concerns about the Government's Rental Reform Bill which could exacerbate such issues and pull more capital out of the private rented sector. He felt that this would have quite a dramatic effect on those people who could not protect their capital or their income flow as they would not be able to invest in private rented property. The key driver in the reduction of rental properties was the people exiting from being landlords and he believed that this had been started by the reduction in tax relief for landlords and the increase in interest rates meaning that landlords would not be able to increase the rent and would withdraw from the market. There could be a role for lobbying Government policy in this area in order to protect the Breckland budget as such costs had significantly increased as a result of the need for temporary accommodation and he wondered if part of the mitigation should be to engage with other local authorities so that a shrink in supply in available property was not foreseeable.

The Innovation & Change Business Partner said he would be happy to take this to the risk owner so that it could be included on the register.

On the subject of the rental market, the Vice-Chairman, Councillor Kybird asked where the Council obtained its data on rental prices and did the rent allowance paid by the Government increase in line with the market conditions.

The Innovation & Change Business Partner said that he did not know the answer to these questions and would get back to him via email.

David Fowler, the Independent Lay Advisor drew attention to the risk on page 25 of the agenda pack in terms on Nutrient Neutrality. He felt that it would be helpful to have some terminology definitions included in the latest notes. Also, on page 33, he had noticed that the action plan was missing.

Members were informed that Ryan, in terms of the words adverse, avoid etc, that stemmed from the risk appetite statement which unfortunately had not been included in appendix 2 of the report but was in the Risk Policy and was dependent on the score given, and this would be shared with the Committee after the meeting. In terms of the action plan around the contract monitoring risk, the action was essentially that the Council was just monitoring those contracts and there was no specific action plan currently included as he believed this was classed as a relatively low risk.

Action By

The Chairman felt that there was a concern around procurement and contract management and could be reviewed when the Internal Audit report was discussed.

Councillor Monument referred to page 35 of the agenda pack under potential consequences, there seemed to be some wording missing under the second bullet point. The Innovation & Change Business Partner said he would have to go back to the risk owner concerned and clarify what the word(s) should be.

Councillor Monument also referred to page 36, Appendix B, and felt that this information should be at the beginning of the report and should be described as key risk definitions rather than a matrix.

The Chairman agreed and felt that at the introductions a clearer signpost as to what was included in the report should be provided.

The Innovation & Change Business Partner said he would be content to put that at the beginning of the report in future.

Referring to the waste consultation, the main risk areas included the deposit retention scheme and asked for this to be explained.

Members were informed that this was in terms of plastic bottle deposits and an announcement from Government was awaited.

The report was otherwise noted.

26/23 INTERNAL AUDIT PROGRESS AND FOLLOW UP REPORT

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

Members had been provided with an overview of this report at the training session that took place prior to the meeting.

Referring to section 2.1 on page 42 of the agenda pack, this highlighted two significant changes since the Audit Plan's approval in March 2022. Two audits had been reprofiled and the nature of those changes and the justification had been included.

In terms of the progress update, all of the work that was in the revised Plan had now been concluded and two reports were currently in draft stage.

The Head of Internal Audit was pleased to report that at section 4.4, the Vulnerability Strategy report had now been finalised and was no longer in draft.

At section 4.7, two position statements had been issued in this period in terms of Procurement and Contract Management Consortium Arrangements and Sustainability and Climate Change both had several suggested improvements. In regard to the latter evidence had been provided but climate change was a developing area therefore an advisory had been given at this stage.

At section 4.8, the Anglian Revenue Partnership Audits were normally

Action By

concluded in quarter 4. ARP auditors had carried out this work not TIAA as before and the results of this audit had been included in each report in bullet point form and any of these recommendations would be followed up and discussed at the ARP Operational Improvement Board (OIB).

The appendices highlighted any actions that were now overdue and the reasoning behind these delays had been included.

Attention was drawn to section 5.5 where a significant priority 3 recommendation remained unsolved from 2019/20. This was quite an historical action and Officers had been asked to provide this Committee with an update and a new timeframe and further information on this matter would be provided in due course.

The full plan had been provided on pages 48 and 49 of the agenda pack that included the gradings for each piece of work, and Appendix 2 provided the executive summaries for each of the audits that had been concluded in this period.

Councillor Clarke referred to section 4.4 of the report. Five reports had been given reasonable assurance and he wanted to know if these had been moved up or down. Members were directed to the later Internal Audit Opinion Report at agenda item 10 where at Appendix 2 of this report an assurance chart could be found that provided the previous and current gradings.

The Vice-Chairman the Business Continuity and Emergency Planning under section 2.1 of the report and asked if this was just for Breckland Council or did this authority have a wider remit within the district. Members were informed that this was in respect of a Breckland Council Officer.

Also, on page 46 of the agenda pack, under asset management, he was aware that the asset register had been subject to a number of Freedom of Information (FOI) requests in terms of the lack of response. Members were informed that a complaints and FOI audit as due to be completed within the Internal Audit programme for 2023/24.

David Fowler referred to section 2.1 of the report and felt that given the decision had now been made to bring the planning and building control service back in-house would it not be better to carry out an audit now before the Council ended the contract. The Head of Internal Audit said that she would have a discussion with the service area and report back.

Councillor Monument was puzzled by one of the bullet points on page 45 of the agenda pack in terms of the 12 weekly credit reports, she felt that there should be 13 weekly reports as there were 52 weeks in the year. The Head of Internal Audit said that she would pass that suggestion on to the auditors.

On page 58 of the agenda pack, the Chairman noted that there were two requests for extensions of which both had fairly imminent sign-off dates and asked the Head of Internal Audit that if these were still outstanding by the time of the next meeting, he would expect to see a senior officer in attendance to explain the reasons for the delay.

Action By

The Head of Internal Audit said that she hoped that these would be concluded but if not, she would be happy to invite the Officers concerned to the next meeting.

The report was otherwise noted.

27/23 ANNUAL INTERNAL AUDIT OPINION 2022/23

The Head of Internal Audit presented the report that summarised all of the internal audit work that had been carried out for the year 2022/23 ending 31 March 2023.

She was pleased to inform Members that the Governance Risk Management and Control Opinion for Breckland Council this year was reasonable which was positive, and overall, the areas that had been reviewed, the health of the control framework was positive.

The background provided an idea as to why this report had to be produced and the key sections were highlighted.

Under section 2.2, the opinion itself, 17 audits had been carried out, of which three areas had been given substantial assurance, the highest grading available. There were two areas that were currently indicating as a limited assurance, and members were provided with an overview of these. Significant weaknesses that had been indicated in relation to Procurement and Contract Management, and Private Sector Housing. In both cases, resourcing challenges had been highlighted as a root cause. It was reported that both teams were aware of the risks highlighted and were beginning to resolve the issues accordingly.

A summary of internal audit work had been provided in section 3.3 of the report and section 3.4 provided the follow up of management action. Section 3.5 of the report was also highlighted and at section 5.1.3, an external assessment had been carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA) and the Head of Internal Audit was pleased to announce that Eastern Internal Audit Services (EIAS) received good feedback that showed that Internal Audit consortium was in good health. The Internal Audit service and TIAA contract was benchmarked against several performance indications as agreed by this Committee. There were no concerns raised in terms of the quality, but the timeliness of the work was a concern and was considered unacceptable.

Appendix 2 of the report provided the assurances as mentioned in agenda item 9.

Councillor Clarke referred to section 2.2, the opinion itself where two areas of limited assurance had been highlighted. He had noted that there was a commitment in progressing those and felt that it would helpful if a timeline could be included of when these could be completed. Also, in respect of Private Sector Housing, there were issues in his Ward and the Overview & Scrutiny Commission (O&SC) had agreed that all housing providers would be attending the next O&SC meeting to expand on such issues.

The Head of Internal Audit explained that a report could be provided in

Action By

due course, management had agreed the timeframe and progress would continue to be monitored and she was comfortable with the Team's approach.

The Vice-Chairman had noticed that over the past 5 years there were two limited assurances under Procurement and Contract Management and felt that more work needed to be done on this and in terms of private sector housing he understood that very recently Breckland Council had fined a landlord for non-compliance and felt that a further understanding on such matters was required.

On the issue of fines, the Chairman was slightly concerned that this would send out the wrong message in terms of what such monies money would be used for and felt that some clarification on this matter would be helpful.

Councillor Cowen, the Executive Member for Finance, Revenue & Benefits explained the configuration of the fine issued and the reason it was issued. This sends a message out to all private sector landlords to improve the quality of the rental market.

The Head of Internal Audit said that it needed to be a fair process and would take all these comments on board.

David Fowler referred to page 64 of the agenda pack as he had noticed that 71 of the Council's contracts were currently showing as expired and felt that it would be helpful to have this in a percentage. Also, when were Members likely to see an improvement in terms of TIAA meetings its targets.

In regard of the first point, the Head of Internal Audit felt that to have this in a percentage was a good idea. Regarding TIAA performance, it was highlighted that the Committee should see an improvement in the first progress report provided of 2023/24.

In response to concerns about minimum energy efficiency legislation, insulation in private rental properties, the Head of Internal Audit said that she would confirm whether the Council was responsible for ensuring compliance.

RESOLVED that:

1. the contents of the Annual Report and Opinion of the Head of Internal Audit be approved.
2. the **reasonable** audit opinion that had been given in relation to governance, risk management and control for the year ended 31 March 2023 be noted.
3. the opinions expressed together with significant matters arising from internal audit work and contained within this report be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2022/23; and
4. the conclusions of the Review of the Effectiveness of Internal Audit be noted.

28/23 AUDITOR'S ANNUAL REPORT YEAR ENDING 31 MARCH 2022

Action By

In the absence of the External Auditors, Alison Chubbock, the Assistant Director of Finance & S151 Officer presented the Auditor's Annual Report.

A number of the key messages were highlighted, and any questions would be conveyed back to Mark Hodgson, the External Auditor.

It had been another good audit, with few issues of substance to report. The time had been hampered by national issues around Infrastructure and Pension Triennial valuations that took time to resolve nationally and then locally. Great support from the Finance Team had been provided during the audit, the VFM commentary had been included within this report (Section 3 and appendix A) that explained how the auditors were satisfied that the Council had adequate arrangements in place during the year under review.

Attention would now be turned to the 2022/23 audits that were now in line with the correspondence that was sent to all Chief Finance Officers subject to any announcements made by DLUC.

From a Breckland perspective, the accounts had been reviewed at the last Audit Committee meeting with delegated approval to sign off being provided. Ernst & Young (EY) were thanked for changing their timetabling by finalising the capital and asset elements of the audit before 31st March 2023 that allowed the Council to close off the financial systems for the current year without any delays.

As could be seen in the EY comments, there were some national delays such as the Pension review and then delayed again slightly due to elections. However, the Assistant Director of Finance & S151 Officer was pleased that the accounts had all been signed off before this meeting, meaning Breckland was one of only around 20% of English Councils who have had 2021-22 signed off.

In reference to the 2022-23 audits, due to the current backlogs in 2021-22 and previous years, the 2022-23 audits would not start before November 2023 at the earliest. EY would be communicating with Breckland Council during the summer with a better indication of timing.

The Vice-Chairman felt that the Finance Team should be congratulated for an early and a top 20 result but there was one line within the report that said that the Council should not be complacent as far as efficiency savings were concerned which he felt was slightly unusual wording for an audit report.

The Assistant Director of Finance & S151 Officer agreed that this Council should not be complacent and as part of the financial reporting to Cabinet and the Overview & Scrutiny Commission such matters would continue to report on how this was being achieved against the Council's efficiency targets, as this would be key to balancing the budget in future.

The Chairman felt that the wording in the auditor's report suggested that Breckland Council was complacent, but he would be interested to see how this had been measured.

Action By

The report was otherwise noted.

29/23 UN-AUDITED STATEMENT OF ACCOUNTS 2022-23

Matthew Fernandez-Graham, the Accountancy Manager, presented the report.

The unaudited Statement of Accounts had been signed and published on 31 May 2023, a good result, as only a third of councils nationally had managed to meet this statutory deadline.

The narrative on page 115 of the agenda pack provided clear information on a number of statements in terms of the Council's finances. As far as performance was concerned, the general fund balance had been reduced by £157k this year which was still above the minimal balance that had been set. The balance sheet illustrated that there had been a very large change in the pension liability, in terms of a very large reduction of £36m due to the triennial valuation which was in common with other councils in the Norfolk County Council scheme. This did not have an immediate impact on the Council's finances, but it was good to know that the scheme was more likely to be more affordable in the long term.

David Fowler drew attention to pages 106, 107 and 108 as he had noticed that there was some text missing in the boxes. The Assistant Director of Finance apologised for not picking this up before, but it was due to a system error in terms of when the reports were collated; however, the version on the website was formatted correctly.

Councillor Monument endorsed the error but what it actually left Members with was a mystery in each of those cases.

The Vice-Chairman stated that overall, the reasons that were beyond the Council's control was that it had vastly overspent on housing costs but had been lucky to get this offset by having cash reserves in which it had achieved unexpectedly.

Councillor Cowen stated that most people were aware that when interest rates increased it became a burden but meant that everyone received a better return on investments that worked in the Council's favour in this case.

The Chairman stated that this Council had a very small amount of borrowing which was a bonus for this authority.

RESOLVED that the un-audited statement of Accounts and the draft Annual Governance Statement for 2022-23 be noted.

30/23 TREASURY MANAGEMENT OUT-TURN REPORT 2022-23

The Accountancy Manager presented the report.

In all cases Breckland Council had complied with the relevant requirements from CIPFA. One of the key issues to report was that the Council had moved into a position where it was borrowing internally and using some of its investment cash for capital which was a cheaper way of financing the capital programme than borrowing externally.

Action By

Income on investments had increased substantially this year, the highest it had been for over a decade given how interest rates had gone up and these were expected to increase even further.

RECOMMEND to Full Council that:

- 1. the actual 2022/23 prudential indicators be approved; and
- 2. the Treasury Management Annual Report for 2022/23 at Appendix B and Appendix C of the report be noted.

31/23 WORK PROGRAMME

The Vice-Chairman queried the forthcoming risk reports. Members were informed that this would be rectified in due course and the Risk Management Policy would be reported to the September meeting.

The work programme was otherwise noted.

32/23 NEXT MEETING

The arrangements for the next meeting on Thursday, 28 September 2023 at 10am in the Anglia Room were noted.

The meeting closed at 11.05 am

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CHAIRMAN