

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 26 July 2018** at **10.00 am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mrs K A Vincent

Mr Knowles also attended the meeting for its duration.

Also in attendance were the Deputy Chief Executive, Head of Finance and Revenue Services, Head of Democratic Services and Monitoring Officer, Corporate Finance Manager, Financial Accountant, Capital and Training Centre Accountant, Systems Accountant and the Committee Officer (JO).

Mark Hodgson and Sappho Powell (Ernst and Young) attended the meeting for its duration.

8 MINUTES

The Minutes of the meeting held on 28 June 2018 were confirmed as a correct record and signed by the Chairman.

9 SERVICE RISKS

The Head of Democratic Services and Monitoring Officer informed the Committee about the risks associated with his service and the measures that had been put in place to mitigate them.

In committee administration, the risks from unsound decision making could have financial implications for the Council and / or harm the Council's reputation. This risk was mitigated through advice from the Council's legal contractors NPLaw. The Head of Democratic Services and Monitoring Officer had quarterly meetings with NPLaw to ensure the Council's contract remained appropriate. The Council's Constitution set out where mandatory training was required to ensure Members had the relevant knowledge and skills set to be able to make sound decisions. All reports were circulated to heads of service and where necessary included advice received from NPLaw.

In the Elections Team failure to implement statutory procedures could result in voters being disenfranchised, which could impact on the Council's reputation and / or result in complaints to the Electoral Commission.

The work of the Elections Team was governed by legislation and the Elections Team all had professional qualifications through the Association of Electoral Administrators and undertook regular training, to ensure that their knowledge and skills were kept up to date. The team continued to meet the performance standards required of them on a regular basis.

The Council must make returns to the Electoral Commission and at the moment these were fairly light touch, but shortly a new Returning Officer and Deputy Returning Officer would be appointed following the recruitment of a new joint Managing Director, which might require the submission of more stringent returns.

10 RISK REGISTER

The Chairman advised the meeting that he had asked that this item be placed on the agenda, as he wanted the Committee to consider if Broadland should have a Risk Register.

The Chairman noted that the County Council and South Norfolk Council both kept Risk Registers and that these were a very helpful, clear and transparent means for Members to have an overview of the risks to service delivery faced by the Council.

The Vice-Chairman, however, noted that the Council managed risk satisfactorily on a service by service basis and he remained confident that officers would bring any issues to Members' attention should they arise.

The Deputy Chief Executive emphasised that the Council was not complacent about risk and there were a number of routes through which information on risk was fed back to Members. The Council had kept a Risk Register for a number of years, but as part of its Systems Thinking approach had decided that it was more effective to manage risk on a day to day basis rather than simply listing them on a register, which was deemed as not adding value in system terms.

It was stressed that risk management had not been reduced and managers were expected to provide evidence of how they managed risk for both day to day work and for specific projects. Sections on risk were also incorporated into committee reports as appropriate as well as Audit and Performance reports.

The Committee had the opportunity to ask heads of service to attend their meetings to talk to them about risk and similarly Members of the Overview and Scrutiny Committee had an annual joint budget meeting with Cabinet, where it could explore financial risks.

It was also emphasised that the Council had an 'open door' culture, which allowed Members ready access to officers and Portfolio Holders.

The Head of Finance and Revenue Services added that she and the Head of Democratic Services and Monitoring Officer were Statutory Officers, who had a duty to bring any pertinent issues to Members' attention.

The Chairman, however, advised Members that he still wanted to explore adopting a Risk Register, especially as the Council was collaborating with South Norfolk Council which was likely to generate more risks. He suggested that the South Norfolk Risk Register should be considered by the Committee at its meeting in September.

The Head of Finance and Revenue Services confirmed that she would liaise with the S151 Officer at South Norfolk and draft a Risk Register template for the next meeting.

11 STATEMENT OF ACCOUNTS

The Head of Finance and Revenue Services presented the final Statement of Accounts to the Committee.

The Corporate Finance Manager advised the meeting that the narrative report had been extended and a number of amendments suggested by EY had been included.

The biggest concern remained the deficit of the Local Government Pension Scheme, which the Council was required to top up annually. In 2017/18 Broadland's contribution was £584,000.

The Fund was formally valued every three years and between formal valuations, the Fund's actuaries rolled forward the value of the liability, using reasonable assumptions. The only control the Council had in respect of this was to challenge the actuaries' assumptions. However, historically they had usually proven to be accurate.

The Committee noted that the £9.7m that the Council had received through Taxation and Non-Specific Grant Income was significantly more than had been anticipated in the budget.

The Head of Finance and Revenue Services confirmed that there was uncertainty about future levels of local government funding. For example, the baseline of the New Homes Bonus was likely to be increased, which would reduce the Council's income. A consultation was currently taking place on the Local Government Finance Settlement 2019/20 and Broadland's response would be included in the Budget Forward Look report to Cabinet in

October. Changes to the Chartered Institute for Public Finance and Accountancy reporting standards would also increase the workload on the Finance Team.

In response to a query, the Head of Finance and Revenue Services confirmed that the Council had a process to monitor and analyse National Non-Domestic Rate (NNDR) appeals and made prudent provision for an extensive backlog of appeals from properties such as NHS Trusts. A revaluation would take place in 2021, which could lead to a number of further appeals.

The Committee was advised that, although most small businesses in the district did not pay NNDR, the Council regularly achieved growth in its NNDR retention.

Members were informed that the Recession Mitigation Fund had originally been established to assist the community during the last recession, but as it was now being wound down it was being used to fund a number of projects such as the social housing tenants' subsidy for the Tots2Teens service and homelessness advice.

Money set aside to cover revenue losses following the formation of the CNC Building Control Partnership would go into General Reserves, if not used. The Council also had an External Funding Reserve that was ring-fenced for projects funded by specific Government Grants and contributions, such as the Planning Delivery Grant.

The Committee noted that the Council had been unable to dispose of the railway bridges that it had responsibility for and retained a reserve for their maintenance.

The Head of Finance and Revenue Services wished to record her thanks to the Corporate Finance Manager and the rest of the Finance Team for their hard work in compiling the Statement of Accounts.

RESOLVED

to approve Broadland's Statement of Accounts (attached at Appendix 1 to the signed copy of these Minutes).

12 LOCAL CODE OF CORPORATE GOVERNANCE

Broadland's Code of Local Governance had been developed in accordance with a framework drafted by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers. This national framework had changed and so it was necessary to

prepare a new local code that took account of the new framework. It set out seven core principles of good governance. These were:

- (1) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.
- (2) Ensuring openness and comprehensive stakeholder engagement.
- (3) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (4) Determining the course of action necessary to optimise the achievement of the intended outcomes.
- (5) Developing our capacity, including the capability of our leadership and the individuals within it.
- (6) Managing risks and performance through robust internal control and strong public financial management.
- (7) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The new local code, circulated with the agenda, reflected these principles. Also listed were the behaviours and actions that would demonstrate compliance with the Code, as well as how they would be achieved or put into practice.

RESOLVED

to approve the Council's Code of Corporate Governance (attached at Appendix 2 to the signed copy of these Minutes).

13 EY 2017/18 AUDIT RESULTS REPORT

The report summarised the preliminary conclusion of External Audit in respect of Broadland District Council and confirmed the opinion that the Council's financial statements gave a true and fair view of its financial position for the year ended 2017/18.

A number of misstatements had been identified by the audit and these had been corrected by management.

In respect of value for money, External Audit was satisfied that the Council had sufficient reserves to remain well above the approved minimum level of £2m to 2021.

The audit had identified that seven Members had failed to return their Related Party Transactions forms for 2017/18 and one Member had not disclosed a known related party within their form. This was a significant deficiency in internal control and it was, therefore, recommended that a robust process to collect the completed forms be put in place, which also reinforced the importance of accurate disclosures. The Head of Democratic Services and Monitoring Officer confirmed that Members had been repeatedly contacted regarding this issue and they had been provided with hard copies and electronic versions of the forms and the leaders of both political groups had been advised that some of their Members had failed to submit their forms. The Chairman confirmed that he would contact the seven Members personally following the meeting.

Another deficiency identified was the Council's Valuer's report for the Bure Valley Railway, which had been wrongly prepared as an 'Investment Property' instead of an 'Asset held for Sale'. This had no impact on the valuation of the asset, but did show a weakness in control, which could have a material impact and it was recommended that a robust quality review process be put in place before the authorisation of the draft financial statements ahead of the statutory deadline.

RESOLVED

to note the External Audit results report for 2017/18.

14 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

Members received the Local Government Audit Committee briefing.

15 WORK PROGRAMME

Risk Register was added to the Work Programme for the 20 September 2018.

The meeting closed at 11.28 am