

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 05 September 2017 in the Committee Room, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr D Baker	Mr M Knowles
	Mr V FitzPatrick (Chairman)	Mr N Pearce
	Ms V Gay	Mr D Young

Other

Members: Mrs S Butikofer

Officers in

Attendance: The Head of Finance & Assets, the Executive Director, Ernst & Young LLP, the External Audit Manager, the Internal Audit Consortium Manager, the Chief Technical Accountant and the Democratic Services Officer.

15. APOLOGIES

None received.

16. PUBLIC QUESTIONS

None received.

17. ITEMS OF URGENT BUSINESS

None

18. DECLARATIONS OF INTEREST

None

19. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 06 June 2017 were approved as a correct record and signed by the Chairman.

20. AUDIT RESULTS REPORT

The Executive Director, Ernst Young LLP reported that – subject to concluding outstanding matters listed in the report – it was expected to issue an unqualified (good) audit opinion on the financial statements before the statutory deadline of 30 September 2017. There were no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. It was a good, positive report. The audit process had been facilitated by a good set of draft accounts received from the Council.

Outstanding items concerning bank transactions had been followed up and no issues had been discovered.

Questions and Discussion:

- a) Risk of fraud in revenue recognition: assurance was gained against risks and there was nothing of concern.
- b) Risk of management override: there were no uncorrected errors.
- c) There were only 3 risks of significance.
- d) In response to a question from Mr D Young regarding debtors in Benefits, it was explained that this was a reference to developers with no conditions and nothing to pay. These had been netted off.
- e) An unqualified audit could be issued on the final accounts. All information was received via standard processes.
- f) There were no signpost risks regarding Value for Money. Adequate arrangements were in place.
- g) In response to a question from Ms V Gay, it was explained that changes in the process had been driven by the necessity of transparency of reporting by large organisations.
- h) Ms V Gay, referring to the fact that there were no matters to report on the information presented in the Annual Governance Statement, congratulated the Head of Finance & Assets and his team. This was endorsed by the Governance, Risk and Audit Committee.

RESOLVED

to receive the Audit Results Report.

21. 2016/17 STATEMENT OF ACCOUNTS

This report presented the Statement of Accounts for 2016/17 for review by the Governance, Risk and Audit Committee prior to recommendation to Full Council for approval. The outturn position had been reported to Members in June and had been used to inform the production of the statutory annual accounts for 2016/17.

The Statement of Accounts for 2016/17 had been produced in accordance with the Code of Practice on Local Authority Accounting. The draft accounts were produced by 31 May (against a deadline of 30 June) and since then had been subject to external audit review. Recommendations:

Members were asked to consider and review the Statement of Accounts for 2016/17 and recommend their approval to Full Council.

The Head of Finance and Assets thanked the external Audit Team. A good working relationship had been built with them. This had helped with the preparation of the working papers. He also thanked the Chief Technical Accountant and the Group Accountants and Finance team for their work. The Finance team had managed to deliver the accounts already by next year's earlier deadline of 31 May. This should encourage the Committee. Next year's Audit had to be signed off by the end of July and the Committee would decide later in the agenda if they would hold an extra meeting for this purpose.

There had been minimal changes within the accounts compared to the previous years in terms of reporting requirements. The main change in terms of the actual accounts was the introduction of the new Expenditure and Funding Analysis (EFA) note. This had been positioned at the start of the accounts with the main financial statements as it provided a link between the overall accounts position and the outturn report.

The accounts themselves followed on from the Officer's report. Work was being carried out by CIPFA and other bodies to make it easier for people with no financial background to read accounts. There was also discussion with the auditors about whether some non-material information needed to be included.

Questions and Discussion:

- a) Capital financing costs: in response to a question from the Chairman it was explained that it was possible to get slippage for schemes, e.g. coast protection work that took several years. This would be carried forward to another year.
- b) The Chairman asked a question about reserves: the Head of Finance & Assets explained that the reserves included a housing grant just received. The Council was in a strong position regarding reserves. It was not sustainable to use reserves to support budgets in the medium to long term as these were only available as "one off" funding and once they were spent they were gone. If the reserve was too high or too low it would be subject to comment from the auditor.
- c) Responding to a question from Mr D Young, the Head of Finance & Assets said that capital receipts could only be used to finance the capital programme. They could not be used for revenue budgets.
- d) Business Rates and renewable energy: in response to a further question from Mr Young it was explained that this was not something that the Council could control and depended on approval of appropriate qualifying schemes which attracted 100% retention under the current rules.
- e) Mr Young also asked a question about gross income: the Head of Finance and Assets would check the position regarding Legal and Democratic Services and report back to Members.
- f) Compensation for loss of office: this referred to a payment made to the former Chief Executive when she left the organisation as a payment in lieu of notice. The note headings were prescriptive and this was considered by the finance team and the auditors to be the most appropriate heading under which to place the payment.
- g) Embedded leases (Mr D Young): if a contract ended early the embedded lease would be written off. Such items were shown in the accounts in the interests of transparency. Next year they would be on the balance sheet and shown as our asset.
- h) Housing Stock Transfer (Mr D Young): as part of the legal agreements associated with the transfer the Authority provided a number of warranties, guarantees and indemnities to Victory Housing Trust. Risks associated had been assessed and the authority was in discussion with Victory to transfer some of them which were under annual review. The Council was in a strong position because of its reserves. The cost of the insurance was borne by Victory.
- i) Freehold reversions for 4 Shared Equity Dwellings off Roughton Road, Cromer (Mr D Young): this was a contingent asset and the Council wouldn't realise any capital unless the property was sold at some point in the future. The aim was to provide affordable housing rather than generating an income.
- j) Note 34: this should agree to the comment at the bottom of note 39 but there seemed to be a difference which the Head of Finance and Assets said he would investigate and report back to Members.
- k) Blank pages in the accounts would accommodate the audit opinion when it was received.

- l) Ms V Gay asked about unfunded benefits: it was explained that the Pension Fund was made up of contributions from employees. An unfunded benefit was the difference between what was needed and what was currently available within the pension fund in terms of assets/funding and what might potentially need to be paid out in the future.
- m) Income from Business Rates payers (Ms V Gay): the sum appeared relatively small but was in line with other councils of NNDC's size and demographics.
- n) In response to a question from Mr M Knowles it was explained some pensions were unfunded but local government made contributions.
- o) Pension scheme figures: the Head of Finance and Assets would check the Actuary's note and report to Members.

RESOLVED

that, having considered and reviewed the Statement of Accounts for 2016/17, the Committee recommends their approval to Full Council.

22. LETTER OF REPRESENTATION

The Letter of Representation was provided by the Head of Finance & Assets in connection with the audit of the financial statements for the year ended 31 March 2017.

RESOLVED

to receive the Letter of Representation.

23. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Committee reviewed and updated the Action List:

- a) To provide an update on the Committee for Full Council: the Chairman would attempt to do this within the next 4 weeks.
- b) Business Continuity had been removed from the Work Programme.
- c) The Statement of Accounts had been moved forward to June 2018.
- d) The scheduling of an additional meeting and the review of the Whistle Blowing and Fraud Corruption policy would be taken later in the meeting.

24. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME AND SCHEDULING OF EXTRA MEETING

The Committee reviewed and updated the Work Programme:

Scheduling of extra meeting for July 2018: in the past the statement of accounts had gone to Full Council with a recommendation from the Governance, Risk and Audit Committee. However, NNDC was now in the minority of councils who approved the accounts at Full Council. It was suggested that the Governance, Risk and Audit Committee's Terms of Reference should be reviewed and amended so that the Committee could approve the accounts without reference to Full Council. This would enable the accounts to be signed off by next year's deadline, 31 July 2018. To meet this new deadline, many councils were scheduling a dedicated meeting with only the accounts, the Audit Results report and the Letter of Representation on the agenda. If Members agreed to an extra meeting, it would need to be in the week 23 – 27 July. All Members would be encouraged to attend.

The Internal Audit Consortium Manager would review the Committee's Terms of Reference for discussion and agreement at the December meeting. The amended Terms would then go to Full Council for approval, and thence into the Constitution.

RESOLVED

- 1. To hold an extra meeting of the Governance, Risk and Audit Committee in the week 23 – 27 July 2018.**
- 2. To discuss the Committee's Terms of Reference at the December 2017 meeting.**

25. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 01 APRIL TO 01 AUGUST 2017

The report was issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity and included:

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance Measure outcomes to date.

The final reports issued were summarised:

- Performance Management, Corporate Policy and Business Planning
- Building Control: a further audit would be undertaken in a few years' time to ensure that the service was moving forward.
- Land Charges
- Disaster Recovery

Ms V Gay said that she was pleased to see that there were no urgent recommendations.

Mr D Young, referring to an incident in early summer when the telephony and computer systems had gone down, asked if such occurrences could be addressed. He was informed that there was a procedure for transferring everything to Fakenham. However, on that occasion it had not been considered appropriate to follow this course of action.

RESOLVED

To note the report.

26. COUNTER FRAUD, CORRUPTION AND BRIBERY STRATEGY AND WHISTLEBLOWING POLICY

The Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy had been updated in line with best practice and relevant legislation and had come to the Committee for approval. This was the over-arching strategy for the Council and other policies sat under it. Both policies had been seen by Corporate Leadership Team and the Monitoring Officer.

A copy of the Whistleblowing policy with tracked changes had been provided so that Members could see the amendments made to the document.

Anti-money laundering policy: new legislation was introduced in July. The Internal Audit Consortium Manager was seeking an interpretation from Eastlaw and would bring the policy to the Committee in December.

The Chairman thanked the Internal Audit Consortium Manager for her work on the policies which were very important to the Council.

Questions and discussion:

- a) Confidentiality: Ms V Gay observed that whistleblowing was more difficult in practice than it was on paper. Anonymous allegations were particularly difficult. The Internal Audit Consortium Manager explained that the policy had been written in such a way as to discourage anonymous allegations.
- b) The involvement of Councillors: Ms Gay expressed concern that councillors might generally be unaware of allegations. The Internal Audit Consortium Manager said that whistleblowing allegations were brought to the Governance, Risk and Audit Committee with a summary of the case and a recommendation regarding the actions to be taken. Ms Gay asked that Members should receive a full copy of the report to enable them to make a wise decision.
- c) In response to a question from Mr D Young, it was explained that Housing and Council Tax Benefit fraud was dealt with differently because it was investigated by DWP.

RESOLVED

to approve and agree the Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy.

27. CORPORATE RISK REGISTER

There was uncertainty regarding localisation of Business Rates. This was making it difficult to forecast for the next 2 to 3 years. Otherwise, nothing new had been specifically added to the Register.

The Chairman said that he was pleased to see that Digital Transformation was going ahead and that it had seemed to improve.

RESOLVED

To receive the Corporate Risk Register.

28. SCHEDULING OF FUTURE MEETINGS

See Minute 24.

The meeting closed at 15.40 pm

Chairman