

# Minutes

## Governance Committee

2<sup>nd</sup> July 2015



Councillors	Present	Councillors	Present
M Dunn	Yes	Miss V Santomauro	Yes
J Elliott (Chairman)	Yes	Miss M Thorogood	Yes
J Goodman	Apologies	R van Dulken	Apologies
D Hufton-Rees	Apologies		

### In attendance:

Ian Hunt	Head of Governance
Trevor Wilson	Head of Finance
Cherie Root	Head of Business Solutions
Chloe Glock	Governance and Members Officer

### 1. DECLARATIONS OF INTEREST

**INFORMATION:** There were no interests declared.

### 2. MINUTES

**DECISION:** That the Minutes of the meeting of the Governance Committee held on 14<sup>th</sup> January 2015 and 25<sup>th</sup> March 2015 be approved as a correct record and signed by the Chairman.

### 3. PUBLIC QUESTION TIME

**INFORMATION:** There were no questions asked or statements made.

### 4. KEY FINANCIAL INDICATORS – 31ST MAY 2015

**INFORMATION:** The net General Fund revenue budget for the year was £15.62million. The net expenditure incurred for the two months to 31st May was £2.047million. This represented an underspend of £154,000 compared to the profiled budget of £2.201million. The first assessment of spend and income for the year would be undertaken at the end of the first quarter.

The total budget for Salaries for the year was £14.425million. Expenditure on salaries for the first two months of the year was £2.366million. This compares to a profiled budget of £2.386million. The underspend of £20,000 was after allowing for £54,300 of the Efficiency Factor (£325,880 for the year). This was due primarily to a number of vacancies in the Development Department.

Expenditure on capital projects, to the end of May, was £0.269million against the Capital Programme for 2015/16 of £9.294million. The majority of the expenditure had been on the construction of the new units at Springwood Drive, Braintree.

The total Council Tax collectable debit for the year was £75.46million. The collection rate as at the end of May was 21.3% (£16.07million collected), which compares to a rate of 21.45% for the same period last year, a decrease of 0.15%.

The total Business Rates (National Non-Domestic Rates) collectable debit for the year was £43.28million. The collection rate at the end of May was 19.9% (£8.61million), which compares to a rate of 22.0% for the same period last year. The rate was 2.1% lower than the previous year. The reason is currently being investigated but in part this would be due to the increase in the number of business premises added over recent months to the Rating List and for which payment plans cover outstanding rates from previous years (where backdating applicable) plus an element toward the 2015/16 liability.

A total of 146 write-offs of Council Tax, with a value of £23,634, had been authorised in the year to 31st May: 10 in respect of the current year and 136 in respect of previous financial years.

A total of 23 write-offs of Business Rates, with a value of £38,175, had been authorised in the year to 31st May: 2 in respect of the current year and 21 in respect of previous financial years.

The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.465million, of which £1.608million was in respect of Housing Benefit overpayments. The target for 2015/16 is to reduce the debt outstanding, excluding Housing Benefit overpayments, Museum Trust debt and invoices raised in March in respect of 2016/17, to £600,000 or less by 31st March 2016.

Sundry debts, excluding housing benefit overpayments, were £1.857million at the end of May. This reduced to £0.973million after allowing for large value invoices raised at the end of the month, the museum debt and charging orders.

The rate of return achieved on investment of the Council's balances and funds in the year to-date was 0.44%. This return was achieved on an average amount invested of £30.95million and relates solely to monies placed with banks, building societies, the Debt Management Office and in Money Market Funds.

Dividends received in April and May totalled £27,257 in respect of the investment of £10million in three equity funds (Threadneedle, M & G and Schroders) and one property fund (CCLA). The market values of these pooled funds showed a net increase for the financial year of £232,702 as at 31st May 2015. These investments have been placed on the basis that the monies would not be required for at least 3 years.

Detail of the Council's investments of surplus monies, totalling £40.95million as at 31<sup>st</sup> May 2015, is provided at Appendix B of the report.

The Council, together with a number of other councils, has been participating in a group sale of its Icelandic Krona, held in an escrow account in an Icelandic Bank, to Deutsche Bank. Once completed this will then leave final dividend payments (estimated at £30,000) to be received from the winding-up of Kaupthing, Singer and Friedlanderbank.

**DECISION:** That the report of the Key Financial Indicators as at 31st May 2015 be accepted.

**REASON FOR DECISION:** To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

5. **INTERNAL AUDIT – ACTIVITY REPORT FOR THE PERIOD TO 31ST MAY 2015**

**INFORMATION:** Members were provided with details and outcomes from the audit assignments completed during the period 13th December 2014 to 31st May 2015. This included, for each assignment:

- the key controls covered
- number of recommended action points and their priority
- audit opinion
- brief details of the high priority recommendations

**DECISION:** That the activity report for the period 13th December 2014 to 31st May 2015 be accepted.

**REASON FOR DECISION:** To advise Members of the audit assignments completed for the period 13<sup>th</sup> December 2014 to 31st May 2015.

6. **INTERNAL AUDIT PLAN 2015-2016**

**INFORMATION:** The risk analysis that was applied to all audit subjects had been assessed and updated accordingly.

The Council's core financial systems were subject to a system audit every year using CIPFA matrices, internal key controls and the Audit Commission Fraud and Corruption checklist.

Non-core systems and Operational topics were based on a four year programme. Corporate topics were as and when required.

When assessing the risk, the following are also taken into account:

- The Strategic and Operational Risk Register
- Major changes to systems/processes
- Standard of internal control
- Known or perceived difficulties regarding software or service area
- Weighting factor if necessary

**DECISION:** That the Internal Audit Plan 2015/2016 as detailed in Appendix A of the report be endorsed.

**REASON FOR DECISION:** To request Members to endorse the Internal Audit Plan for 2015/2016 to comply with the Public Sector Internal Audit Standards.

7. **EXTERNAL AUDIT PLAN 2014-2015**

**INFORMATION:** The external Audit Plan summarised the work that BDO (external auditors) proposed to undertake in respect of the audit of Braintree District Council for the 2014/2015 financial period.

The external audit was designed to respond to significant risks and identify where resources would be focused in order to provide the opinion on the financial statements and the value for money conclusion.

The scope of the audit covered:

- Purpose of the audit plan
- Respective responsibilities
- Code audit
- Financial Statements - Materiality and triviality, misstatements due to fraud
- Use of resources
- Whole of Government Accounts
- Certification of grant claims and returns

**DECISION:** That the External Audit Plan for 2014/2015 be noted.

**REASON FOR DECISION:** That Members are aware of the coverage of the External Audit Plan for 2014/2015.

8. **GRANT CLAIMS AND RETURNS CERTIFICATION YEAR ENDED 31ST MARCH 2014**

**INFORMATION:** The report summarised the main issues arising from the grant claims and returns certification for the financial year ended 31st March 2014 in respect of Housing Benefit subsidy. It included key findings, the status of the 2012/2013 recommendations together with the 2013/2014 action plan.

The report had been previously circulated to Members of the Committee on 14<sup>th</sup> January 2015 as it is a requirement of the Audit Commission that Those Charged with Governance see this report before the end of February 2015.

**DECISION:** That the Grant Claims and Returns Certification year ended 31st March 2014 be formally received.

**REASON FOR DECISION:** For Members to receive the Grant Claims and Returns Certification year ended 31<sup>st</sup> March 2014

9. **INTERNAL AUDIT ANNUAL REPORT 2014-2015**

**INFORMATION:** The Accounts and Audit (England) Regulations 2011 required the Council to maintain an adequate and effective internal audit service in accordance with proper practices. The Public Sector Internal Audit Standards required that the Head of Internal Audit must deliver an annual internal audit opinion which could be used to inform and support the Council's Annual Governance Statement. The annual audit opinion must have concluded on the overall adequacy and effectiveness of the organisation's control environment.

The annual report of the Head of Audit was required by the Public Sector Internal Audit Standards (PSIAS) for the period 1st April 2014 to 31st March 2015 and included information on:

- the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's risk management systems, internal control and governance processes
- the delivery of the annual audit plan
- implementation of agreed actions

**DECISION:** That the Internal Annual Audit Report 2014/15 be accepted.

**REASON FOR DECISION:** To accept the Internal Audit annual report for 2014/2015 in support of the Annual Governance Statement

10. **ANNUAL GOVERNANCE STATEMENT 2014-15**

**INFORMATION:** The annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the production of the Annual Governance Statement (the Statement) for 2014/15.

The review included the established information and assurance gathering processes to ensure that the published Annual Governance Statement was correct as well as a review of the Council's Governance framework against a best practice framework devised by CIPFA/SOLACE.

The aim of the review process was to ensure that the Council has had effective governance, risk management and internal control processes in place to assist with accountability and delivery of objectives. Any shortfalls identified in these arrangements through the review process were included as action points for the coming year.

The review process included:

- Obtaining assurance from Senior Managers, who report to a member of the Management Board, that key control systems have operated effectively within their areas of responsibility throughout the year
- Reviewing the Council's governance framework against the best practice framework devised by CIPFA/SOLACE
- Annual update of the Local Code of Corporate Governance, first adopted by the Audit Committee on 8th January 2009
- Reviewing all External Audit and Inspection reports and Internal Audit reports

**DECISION:** To agree:

1. The updated Local Code of Corporate Governance as detailed in Appendix A; and
2. The Annual Governance Statement for 2014/15, as detailed in Appendix B, for signing by the Leader of the Council and the Chief Executive.

**REASON FOR DECISION:** To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2014/15, ensure that the Annual Governance Statement for 2014/15 is correct and in order for the Leader of the Council and the Chief Executive to sign.

11. **PROTECTING THE PUBLIC PURSE 2014**

**INFORMATION:** The Audit Commission's recent publication – 'Protecting the Public Purse 2014' was the latest and last report in the series from the Audit Commission on the extent of fraud against local government and was aimed at those responsible for governance in local government.

The report referred to the Audit Commission making available individually tailored fraud briefings to support the external auditors' communication with those responsible for governance

The report gave recommendations including:

- use the Audit Commission's checklist for councillors and others responsible for governance to review their counter-fraud arrangements
- actively pursue frauds identified through participation in the National Fraud Initiative (NFI)

**DECISION:**

1. To acknowledge the Audit Commission's Protecting the Public Purse 2014 and the Audit Commission's Fraud Briefing
2. To note the completed 'Fighting Fraud Checklist for Governance' and the current counter-fraud arrangements
3. To note that an assessment will be made against the framework in CIPFA's new Code of Practice on Managing Risk of Fraud and Corruption.

**REASON FOR DECISION:** To ensure Members are aware of the current and ongoing fraud risks and the counter fraud arrangements that are in place.

12. **OPERATIONAL RISKS**

**INFORMATION:** Operational risks were those risks which managers and staff were likely to encounter in their day-to-day work situations.

On an annual basis, Heads of Service were requested to update their risk register which was then included in the Annual Business Plan for their service. The individual service's risk register was then amalgamated to form the Corporate Operational Risk Register.

Prior to the update, there were 69 operational risks of which 17 were above the tolerance line which required an additional action plan to be produced and implemented. The current review has identified 68 operational risks of which 13 are above the tolerance line.

**DECISION:** That the updated status of the Council's Operational Risks be noted.

**REASON FOR DECISION:** To demonstrate that the Council regularly updates the operational risks, which may affect the achievement of service objectives and actively manages them as appropriate.

13. **STRATEGIC RISK MANAGEMENT**

**INFORMATION:** The Strategic Risk Register agreed by the Cabinet on 29th September 2014 was reviewed by Management Board and Cabinet Members during February 2015; the outcome was this updated register.

The register detailed the risks which had the potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to undertaking the review of the register, Management Board ensured that the register continued to be current by reviewing and updating the strategic risks, as necessary.

The strategic risk register formed one part of the Council's overall approach to risk management, other facets included: processes for identifying and recording operational risks, risk registers for major projects, business continuity planning and emergency planning.

The number of strategic risks identified had remained unchanged at seven, since the last review conducted in May/July 2014.

**DECISION:** That the Strategic Risk Register and the Action Plans for managing the high rated risks be noted and endorsed.

**REASON FOR DECISION:** For members of the Governance Committee to be assured that the Council's strategic and operational risks, with a high risk rating, are being actively managed.

14. **FORWARD LOOK – TWELVE MONTHS TO JUNE 2016**

**DECISION:** That the report schedule for the next 12 month period be noted.

**REASON FOR DECISION:** To agree the work and reports which will be undertaken and presented to the Governance Committee over the coming 12 months.

The meeting commenced at 7.15pm and closed at 8.49pm.

J Elliott  
(Chairman)