

## **BROADLAND AUDIT COMMITTEE**

**Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 27 October 2022 at 10.00 am.**

**Committee Members Present:** Cllr Grant Nurden (Chairman), Cllr Peter Bulman (Vice-Chair) and Cllr Susan Holland

**Apologies for Absence:** Cllr Adrian Crotch and Cllr Karen Vincent

**Substitute:** Nigel Brennan

**Officers in Attendance:** R Fincham (Assistant Director of Finance), J Brown (Finance Manager), D Staff-Howes (Corporate Accountant) and J Hammond (Democratic Services Officer)

**Also in Attendance:** Mr A Paylor (From Ernst & Young)

### **17. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS**

No declarations of interest were received.

### **18. TO REPORT APOLOGIES FOR ABSENCE AND TO IDENTIFY SUBSTITUTE MEMBERS**

Apologies for absence were received from Cllr A Crotch (with Cllr N Brennan substituting) and Cllr K Vincent.

### **19. TO CONFIRM THE MINUTES FROM THE MEETING OF THE AUDIT COMMITTEE HELD ON 22 SEPTEMBER 2022**

The minutes of the meeting of the Audit Committee held on 22 September 2022 were confirmed as a correct record.

### **20. MATTERS ARISING THEREFROM**

*Cllr P Bulman arrived at the meeting during the consideration of this item.*

*Minute No: 7 – Annual Governance Statement 2021/22*

The Chairman requested an update on whether the remaining requested changes to the Annual Governance Statement 2021/22 could be implemented.

The Assistant Director of Finance informed the Committee that all the requested changes would be made. The updated Statement would be confirmed with the Chairman of the Audit Committee, before being resigned by the Managing Director and Leader of the Council.

*Minute No: 28 – Opting into the National Scheme for External Auditor Appointments*

The Assistant Director of Finance updated members on the progress of the Public Sector Audit Appointments Ltd (PSAA) procurement exercise.

Members were advised that PSAA had now completed the auditor appointments and that Councils within Norfolk and Suffolk had been provisionally assigned to EY. He explained that PSAA were now holding a consultation on the proposed appointments, which would allow Local Authorities to object to the appointment, based on certain criteria. Once completed Local Authorities would receive formal confirmation of the auditor appointments.

Members highlighted the delays and poor communication experienced during the 20/21 audit and requested assurance from EY that those issues would not reoccur. Mr Paylor reassured members that changes had been made by EY to address the issues raised.

With regard to the proposed fees, members were informed that the 21/22 scale fees were fixed based on the current PSAA contract. However, for the 23/24 audit the Council could expect an estimated 150% increase in the fee rate. The exact fee rate would be confirmed at a later date.

The Assistant Director of Finance further explained that 6 accredited firms had been appointed as part of the procurement exercise and outlined the respective share of the audit work:

- Grant Thornton – 36%
- Mazars – 22.5%
- Ernst & Young – 20%
- KPMN – 14%
- Bishop Fleming – 3.75%
- Azets Audit Services – 3.25%

In response to queries on the small number of firms, Mr Paylor explained that some Auditor firms did not possess the knowledge base and/or staffing levels required to carry out the audits. He added that Public Sector Audits were often not profitable for Audit firms, but noted that the proposed 150% fee increase might make it more profitable for more firms in the future.

The Chairman advised members that due to the absence of the Head of Internal Audit, the Committee would consider the remaining matters arising from the

minutes of the meeting held on 22 September 2022 (attached at Appendix 1 of the minutes), at its next scheduled meeting.

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## 21. STATEMENT OF ACCOUNTS 2020/21

The Finance Manager presented the final Statement of Accounts 20/21 to the Committee. She explained that the draft statement had been approved by the Assistant Director of Finance on 30 July 2021 and published on the Council's website.

The Accounts were also made available for public inspection from 2 August 2021 to 13 September 2021, with one inspection request received from a journalist. In response to questions, the Assistant Director of Finance explained that the journalist had requested information regarding:

- The amount of Covid relief grants paid – Officers referred them to the published data on the Councils website.
- Whether any rent holidays were awarded during the Covid pandemic – Officers advised that no 'holidays' were given, however extensions were given to allow longer to pay.

Members were then advised that, since its approval, the following changes had been made to the draft statement:

1. Reduction in pensions liability to reflect actual return on investment assets (following revised report from actuaries)
2. Net increase in property valuations
3. Correction of Business Rates Income (transferred from Council Tax income) £124k on the face of the Comprehensive Income and Expenditure Statement with no bottom line impact.

The Balance Sheet net assets had increased by £787k as a result of the audit adjustments, with the Pensions Reserve increasing by £675k and the Revaluation Reserve increasing by £112k from the draft accounts. The Finance Manager further explained that a small number of minor adjustments were also made to disclosures in the accounts.

With regard to the inclusion of a bad debt provision for sundry debtors, Members were informed that having considered EY's suggestion, it would not be included in the Statement of Accounts for 20/21. This was due to the difficulty and time required to calculate an accurate provision given the length of time which had passed, as well as the unavailability of required data. The Assistant Director of Finance assured the Committee that the absence of a bad debt provision for sundry debtors would not materially affect the Statement. He further confirmed that, as it was best practise, a bad debt provision for sundry debtors would be included in future years.

Discussion turned to the changes in property valuations. In response to requests for further clarification Mr Paylor explained that the valuations of two properties had been amended.

- EY had found inconsistencies in the floor area of one property, which resulted in the valuation decreasing by £130,900.

- EY had considered that a parcel of land had been undervalued by £242,500.

After further detailed discussion, it was unanimously

## **RESOLVED**

To

1. Note the adjustments to the Statement of Accounts 2020/21.
2. Delegate to the Chair of the Audit Committee to sign the letter of representation alongside the Assistant Director of Finance.

## **22. ANNUAL RESULTS REPORT 2020/21**

Mr A Paylor from EY presented the Audit Results Report and informed the Committee that EY were recommending a clean unqualified audit opinion for 20/21.

Members were reminded of the three adjustments as well as the proposed inclusion of a bad debt provision for sundry debtors, which had been discussed in the previous item.

Mr Paylor informed the Committee that EY had provided two additional recommendations with regard to internal control. These recommendations included:

- The development of an approach to consider the recoverability of receivables at the Balance Sheet date and review the need and extent of any impairment to the balance
- Reemphasis of the need to complete and submit member related party declarations.

Members were informed that two member related party declarations had not been submitted for 20/21. In response to questions, the Assistant Director of Finance explained that officers were no longer chasing the declarations for 20/21 and that for 21/22 only one declaration had not been received, which related to a member with a current dispensation due to illness. Members discussed the importance of obtaining the 22/23 declarations before the district elections in May 2023. Officers explained that the forms would be sent out in April 2023, followed by a reminder email, and follow up phone calls to any members who had not responded. Members then highlighted the need to clearly state the importance of completing/returning the declarations when sending out the forms to members.

Discussion turned to the value for money (VFM) risk assessment carried out by EY. Mr Paylor reminded members that a VFM report was brought to the Committee at its meeting in September 2021. He confirmed that EY had continued to monitor the VFM assessment and had, to date, no matters to report. He added that the final VFM commentary would be presented to the Committee in January 2023 as part of the Auditor's Annual Report.

Moving onto the 21/22 Audit, members queried when EY were due to begin the

audit work. Mr Paylor confirmed that the work was scheduled to begin the week commencing 16 January 2023 up until the end of February 2023. Members were informed that, barring any delays, EY hoped to present the Audit Results Report 21/22 to the Committee at its meeting in March 2023. In response to further questions, he explained that EY would likely continue with a hybrid approach of working, with a combination remote working and days in the Council office.

The Chairman thanked Mr Paylor for presenting his report to the Committee. He also reiterated the Committee's disappointment in the delays previously experienced and their hope for improvement in the upcoming year.

It was then

### **RESOLVED**

To note the Audit Results Report for the year ending 31 March 2021

### **23. AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Chairman advised that the Committee was due to consider the Draft Statement of Accounts 2021/22 at its next meeting.

Members requested that the Audit Results Report 2021/22 and formal approval of the Statement of Accounts 2021/22 be added to the Work Programme for the meeting of the Audit Committee on 16 March 2022.

(The meeting concluded at 10.42 am)

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Chairman

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## **BROADLAND AUDIT COMMITTEE**

**Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 22 September 2022 at 10.00 am.**

**Committee Members Present:** Cllr Grant Nurden (Chairman), Cllr Peter Bulman (Vice-Chair) and Cllr Adrian Crotch

**Apologies for Absence:** Cllr Susan Holland and Cllr Karen Vincent

**Substitute:** Cllr Nigel Brennan

**Officers in Attendance:** R Fincham (Assistant Director of Finance), F Haywood (Head of Internal Audit), M Harris (Interim Head of ICT and Digital), D Staff-Howes (Corporate Accountant), D Slowther (Capital and Treasury Accountant), E Voinic (Internal Audit Trainee) and J Hammond (Democratic Services Officer)

**Also in Attendance:** Cllr Stuart Beadle

### **10. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS**

No declarations of interest were received.

### **11. TO REPORT APOLOGIES FOR ABSENCE AND TO IDENTIFY SUBSTITUTE MEMBERS**

Apologies for absence were received from Cllrs S Holland and K Vincent (with N Brennan substituting).

### **12. TO CONFIRM THE MINUTES FROM THE MEETING OF THE AUDIT COMMITTEE HELD ON 21 JULY 2022**

The minutes of the meeting of the Audit Committee held on 21 July 2022 were confirmed as a correct record.

### 13. MATTERS ARISING THEREFROM

#### *Minute No: 19 – Statement of Accounts 2020/21*

In response to questions, the Assistant Director of Finance informed members that Public Sector Audit Appointments Ltd (PSAA) had procured 96.5% of the needed auditor appointments and was currently undertaking a supplementary procurement exercise.

#### *Minute No: 28 – Opting into the National Scheme for External Auditor Appointments*

Members requested an update on whether PSAA had been successful in increasing the number of accredited firms who could carry out local government audits. The Assistant Director of Finance explained that the number of accredited firms would not be confirmed until the full procurement had been completed.

#### *Minute No: 35 – Strategic and Annual Internal Audit Plans 2022/23*

With regard to the Risk Management Policy Review, the Head of Internal Audit advised the Committee that she had met with officers to discuss areas of focus within the review. She added that a wider comparison would be carried out across the consortium to gauge best practices. Once the review had been completed, the results would be shared with the Audit Committee in an informal workshop.

The conversation moved to the Strategic Risk Register, where the head of Internal Audit explained that officers were working with the Leader of the Council on how the register should be formatted and what risks should be included within it. The results of this work would feed into how the register would be presented to the Committee in the future.

#### *Minute No: 5 – Progress Report on Internal Audit Activity*

Members queried whether the requested wording change in the Disaster Recovery executive summary had been actioned. The head of Internal Audit explained that she had updated the template, however it now needed to be updated in the Internal Audit Contractor (TIAA)'s system to be formally changed.

The Committee were then advised that the Cyber Security audit had been finalised and would now be fed into the Internal Audit reporting process at future Audit Committee meetings.

#### *Minute No: 7 – Annual Governance Statement 2021/22*

The Chairman queried whether the Annual Governance Statement had been updated to amend the typographical errors and re-wordings requested by the Committee at its last meeting. The Assistant Director of Finance explained that some but not all of the requested changes had been implemented.

Members expressed disappointment that not all of the changes had been implemented and requested that officers explained how this occurred. The meeting was then paused for five minutes whilst an update from the Monitoring



Officer was obtained.

The Committee were advised that some of the changes had been missed in error. As the Statement was signed off by the Managing Director and Leader of the Council, the Assistant Director of Finance would investigate whether the remaining requested changes could be implemented.

*Minute No: 8 – Verbal Update on the Counter Fraud Service*

The Assistant Director of Finance informed members that the report had been presented to Cabinet, who resolved to progress with option 3 – work in partnership with the Anglia Revenues Partnership (ARP). He explained that agreement by South Norfolk Cabinet would need to be obtained, at its next meeting, before the partnership with ARP could be progressed.

#### **14. INTERNAL AUDIT UPDATE - PROGRESS AND FOLLOW UP**

Members considered the report of the Head of Internal Audit, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 1 April 2022 to 12 September 2022.

The Head of Internal Audit explained that 22 days of programmed work had been completed, which equated to 14% of the Internal Audit Plan for 2022/23, however no reports had been finalised.

Members were then advised of the progress made in completing the agreed audit work, which included:

- Community Activity – fieldwork underway
- Covid-19 Relief Grants – fieldwork underway
- Community Assets – fieldwork underway
- Risk Management – scoping of the audit underway
- Elections – Audit Management Memorandum issued on 11 July 2022.  
Fieldwork due to start on 4 October 2022
- Economic Development - Audit Management Memorandum in preparation

In response to queries on the Internal Audit performance, the Head of Internal Audit advised members that TIAA's performance issues, including capacity, recruitment and retention had been ongoing, and that she had been disappointed with the lack of progress.

Members were advised that the Head of Internal Audit held a consortium-wide meeting with TIAA to discuss their performance issues and a formal amber key performance indicator (KPI) notice was issued. Were TIAA to fail to meet their KPI's in a further two quarters the Council would be entitled to retain 10% of the fee. The Head of Internal Audit thanked the Committee for their continued focus on the Internal Audit performance issues.

With regard to the Cyber Security audit, the Head of Internal Audit explained that audit work had not been completed in time for the 2021/22 Opinion Report, and a limited assurance result had been indicated. She added that the audit had now

been issued in draft and was awaiting management responses. However, given the significant nature of the risks, management had commissioned further work from an external contractor.

In response to questions, the Interim Head of ICT and Digital explained that the work the consultant had been commissioned to undertake was very in depth and specific to information security. He added that the consultant would fully assess the processes, technical controls, education and culture in relation to cyber security, and enable the Council to develop enhancements to the control framework. Members were further advised that the Council was seeking to gain Cyber Essentials and Cyber Essentials Plus accreditation.

One member queried whether any red flags had been highlighted as a result of the work already undertaken. The Interim Head of ICT and Digital advised the Committee that results of external penetration testing had been good and no major concerns had been highlighted. He added that at present concerns had focussed on education, enforcement, and the lack of a dedicated Cyber Security Officer.

Discussion turned to the outstanding internal audit recommendations, where the head of Internal Audit advised that for:

- HR and Payroll recommendation 3 – the deadline had been revised to 31 December 2022 due to the ongoing issues with the Oracle system.
- Remote Access recommendation 3 – deadline revised to 31 December 2022 to allow for all work to be completed once the commissioned review has been undertaken.
- Disaster Recovery
  - Recommendation 1 – awaiting evidence before recommendation is signed off
  - Recommendation 3 – the new infrastructure project had been completed; however further testing was required before the recommendation could be signed off.
  - Recommendation 4 – deadline had been revised to 31 December 2022
  - Recommendation 5 – same as recommendation 3
- Counter Fraud and Corruption – the Assistant Director of Finance advised that all outstanding Internal Audit recommendations would be actioned by ARP once the partnership had been established.

Members raised concerns over the number of Internal Audit recommendation deadlines which had been extended, as well as the lack of detail included within the published responses. Members requested that Internal Audit sought more detailed responses from officers with regard to the progress in completing the Internal Audit Recommendations, especially in instances where deadline extensions had been requested.

After further detailed discussion, it was unanimously

**RESOLVED**

To

1. Receive the progress report covering progress in delivering the internal audit plan of work for the 2022/23 financial year and responses to outstanding internal audit recommendations.
2. Request that Internal Audit seek more detailed responses from officers, regarding the progress of outstanding Internal Audit recommendations.

**15. VERBAL UPDATE ON THE PROGRESS WITH THE 2020/21 EXTERNAL AUDIT**

The Assistant Director of Finance updated members on the progress made in relation to the 2020/21 external audit.

Members were informed that Ernst & Young (EY) had not completed their audit work in August 2022 as expected. However, EY had begun working remotely with officers this week for a further two weeks. In response to queries on an expected finish date, the Assistant Director of Finance explained that no formal finish date had been given, but as EY had requested an updated copy of the accounts it was likely they were in the last stage of the audit.

It was highlighted that the Chairman of the Audit Committee and the Chairman of South Norfolk's Finance, Resources, Audit and Governance Committee had previously written a joint letter to PSAA to express their disappointment in the delays. Members queried whether there was more that the Chairman or officers could do. The Assistant Director of Finance stated that as EY were appointed by PSAA and not by the Councils directly, there was little the Council could do. He informed members that he was having weekly progress meetings with EY and was more confident that the audit results report would be ready for the January 2023 meeting, than he had been at the last Audit Committee meeting in July 2022.

The Committee thanked officers for the update and expressed their continued disappointment with the external audit delays.

**16. AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Head of Internal Audit informed the Committee that the Progress on Internal Audit Activity and Internal Audit Follow Up would continue to be presented as a single report.

In response to a query, the Head of Internal Audit explained that a report would be brought to the next meeting of the Committee outlining requirements and options in relation to an independent person. She added that it was not yet mandatory for Councils to appoint an independent person onto their Audit Committees.

The Assistant Director of Finance informed the Committee that the Audit Results

Report for 2020/21 and the formal approval of the Statement of Accounts for 2020/21 would be brought to the Committee at its meeting on 26 January 2023. The Draft Statement of Accounts for 2021/22 would also be presented at the January 2023 meeting. However, members were reminded that the 2021/22 accounts could not be formally signed off until they had been audited by the External Auditor.

(The meeting concluded at 11.34 am)

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Chairman