

BROADLAND AUDIT COMMITTEE

Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 18 July 2024 at 6.30 pm.

Committee Members Present: Councillors: T Yousefian (Chairman), P Auber, P Bulman and G Nurden

Cabinet Member in Attendance: Councillor: S Riley

Officers in Attendance: T Sharman (Head Of Internal Audit), R Fincham (Assistant Director of Finance), E Hodds (Chief of Staff), D Lorimer (Director of Resources), R Dunsire (Head of Housing and Benefits), S Carey (Strategic Advisor and Deputy Monitoring Officer), S Duffield (Housing and Benefits Manager), N Gourley (Senior Internal Auditor) and J Overy (Democratic Services Officer)

33. MINUTES

The minutes of the meeting of the Audit Committee held on 4 April 2024 were confirmed as a correct record.

Matters Arising

Minute Item: 27 – Minute Item 22 – Internal Audit Update – Progress and Follow Up

Members were reminded that the Protocol was an operational document, which set out tasks, timescales for completion and escalations that TIAA and the Council staff being audited had to follow. No adverse responses had been received following the circulation of the draft to S151 Officers and the Protocol had now been finalised. The Assistant Director for Finance confirmed that TIAA was now more proactive in following up on outstanding audit queries and ensuring they were received on time.

In respect of the Procurement and Contract Management Audit recommendation which required officers to centrally store copies of all current contracts, the Assistant Director of Finance advised members that this was 99 percent complete, with only two low risk Broadland contracts remaining.

Minute Item: 28 – Value for Money Interim Report

The Committee was informed that there had been no further matters to report by exception for the audit years 2021/22 and 2022/23.

It was confirmed that the external audits for 2021/22 and 2022/23 had not been carried out due to the national external audit backlog. A proposed national external audit reset was expected to commence with the 2023/24 audit. However, it should be noted that the legislation for the reset had not yet been put place and further guidance from the new Government was awaited. The indicative backstop date of 30 September 2024 for publishing older accounts, was, therefore, likely to slip.

The Portfolio Holder for Finance questioned the accuracy of the assessment in the EY report in respect of financial stability (page 25 of the 4 April 2024 agenda), as the report identified a balance of £5.571m in the General Reserve on 31 March 2023, when in fact £5.560m of this money had been committed to the Capital Programme, as could be seen in the 7 February 2023 Cabinet report. He suggested that the assumption should, therefore, be reassessed and reflected in the report.

In response, David Riglar confirmed that he would check these figures, but he emphasised that the Value for Money assessment was a short-term assessment for the year end, when General Reserves had been £5.571m which was comfortably above the minimum level. He emphasised that the Capital Programme was projected over a five-year period and could be subject to significant change during this period. He suggested that any longer-term weaknesses could be referenced in the 2023/24 audit that was currently being undertaken.

The Assistant Director for Finance added that the General Reserve commitment in the 7 February 2023 budget was not sustainable in the long term, but this was a challenge that the current administration was seeking to address.

The Portfolio Holder for Finance emphasised that raising capital to run the Council and generate investment income to help reduce the revenue account were the key financial issues faced by the Council.

The Assistant Director for Finance added that the one-year funding settlement was also a major issue for the financial planning of local authorities.

Minute Item: 32 – Audit Committee Work Programme

The Chairman confirmed that the frequency of the Strategic Risk Register being brought to the Committee was still to be determined.

In answer to a query, it was confirmed that Cllr C Eden had undertaken online audit training, but as this had not been confirmed with Democratic Services the pool of trained members appended to the agenda had not been updated.

Members were also informed that there had been no applications for the prospective Independent Person for the Audit Committee.

The Independent Person for South Norfolk's Finance, Resource, Audit and Governance Committee was to be approached about filling this role, if this was not successful the position would be re-advertised.

34. INTERNAL AUDIT UPDATE - PROGRESS AND FOLLOW UP

Members considered the report, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2023/24 during the period 1 January to 8 July 2024, and details of outstanding internal audit recommendations.

The Head of Internal Audit advised the meeting that during the period, seven reports had been finalised and two were in draft. Currently, there were 29 outstanding recommendations. One was rated as 'urgent', nine as 'important' and 19 as 'needs attention'. A further 30 were not yet due for implementation.

The Assistant Director for Finance advised the meeting that it was disappointing that the two reports in draft (Key Controls and Assurance, and Accounts Receivable and Income) had received only limited assurance and he would be impressing on officers the importance of ensuring that the matters raised were addressed.

In response to a query, it was confirmed that it was taking longer to standardise reconciliations than anticipated following the implementation of several new IT systems. These had now been bedded in, so these issues would be resolved going forward.

Members were also advised that the Council was focused on completing a self-assessment against the new Global Internal Audit Standards, which would become effective on 1 January 2025. A report would be provided to the Committee during 2024/25 on conformance with the Standards and any actions that might arise from this.

It was also confirmed that an external cyber security assessment had been completed and an Action Plan drafted, which would be considered as part of Cyber Security and Disaster Recovery (BRD2415) audit.

The Committee was informed that any proposed 'Operational Effectiveness Matters' identified during audits would be included in the Progress and Follow Up report.

It was also requested that priority recommendations (Urgent, Important and Needs Attention) arising from the audits be included in the executive summaries.

It was noted that the dates of outstanding Internal Audit Recommendations had past, and that the payroll system had been in place for some time.

In response, the Chief of Staff confirmed that the Payroll and HR recommendation had been retained to reassure members that it had been fully implemented before it was shut down.

It was,

RESOLVED

To receive the progress report covering the completion of the internal audit plan of work, and details of outstanding internal audit recommendations.

35. INTERNAL AUDIT ANNUAL OPINION & REPORT 2023-24

The Committee considered the report which provided an annual opinion of the Council's framework of governance, risk management and control.

Members' attention was drawn to page 43 of the agenda where there was a summary of the audit work in 2023/24. This showed ten positive opinions four of which were substantial and two as already discussed above were limited. There were no urgent recommendations issued.

The Opinion of the Head of Internal Audit had been informed by third-party assurance from the Cabinet Office regarding the Council's connection to the Public Services Network and its infrastructure security, as well as the outcomes of all completed audits, and management's progress with addressing outstanding recommendations.

The status of the Contractor delivering internal audits for the Council was rated 'Amber', as only six out of 11 performance indicators had been met.

Members were also informed that not many client feedback surveys had been returned. It was proposed that future surveys would be abridged to encourage their completion.

The following actions were being taken or considered to improve performance:

- The appointment of another team to complete 2024/25 quarter 1 audits to prevent delay.
- A Protocol, setting out the expectations of the Council and the Contractor to ensure that audits were completed as planned and including timescales for responding and escalation action.
- As the Contractor did not have exclusivity, consideration was being given to engaging with another Contractor to complete some audits during 2024/25.
- The Contractor was appointing another Client Manager on the contract to ensure that audit work was progressed in a timely manner.

It was confirmed that the Council had a five-year contract with its Internal Audit Contractor, however, as it did not include exclusivity or a guaranteed minimum amount of work the Council could explore the marketplace for other options if necessary.

It was noted that the report before members was for the year end and that the number of outstanding recommendations could be different to those in subsequent reports as outstanding ones were shut down and new ones raised. It was confirmed that the final figures would be reconciled and set out in future reports. It was also confirmed that a paper could be brought to the Committee to consider Key Performance for the Internal Audit Contractor going forward.

It was,

RESOLVED

To

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2024.
- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2023/24.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

36. AUDIT COMMITTEE'S SELF-ASSESSMENT AND ACTION PLAN

Members considered the report, which set out the results of the self-assessment exercise completed at the last Audit Committee meeting and the subsequent Action Plan

It was confirmed that only one knowledge and skills self-assessment questionnaire had been returned to the Head of Internal Audit so far.

The Chairman emphasised the importance of completing the questionnaire and members agreed that they would be completed and returned by 18 August 2024.

A member complimented the Team, who had compiled an excellent Action Plan.

It was,

RESOLVED

1. To note the documented results of the self-assessment exercise and review the action plan and consider whether all improvement actions have been captured; and
2. For all Members to complete the knowledge and skills self-assessment questionnaire and return this by the date requested.

37. STRATEGIC RISK REGISTER

The Director for Resources introduced the report, which provided an overview of the current position of the Strategic Risk Register for the Council.

Members were advised that there were no new risks for Quarter 4. Financial Risks, due to uncertainty about Government funding and the Devolution Deal remain unchanged.

BDCM4 - the One Team capacity and capability - had seen two mitigating actions completed; additional financial monitoring of key projects and the delivery of an agile working approach and cultural shift to better attract and retain talent.

BDCM5 - Cyber Security - remained a high risk. To mitigate this the Council had commissioned a third-party review of the Council's security and had completed a Cyber Assessment Framework and Action Plan. A new monitoring tool had also been acquired to prevent and reduce the risk to cyber security. It was also planned to conduct a cyber security awareness session for members delivered by the Norfolk Constabulary Cyber Team.

It was emphasised that cyber security was likely to remain a high risk for the foreseeable future, as cyber criminals were using increasingly sophisticated methods that the Council needed to be constantly vigilant against. As had already been noted, the Council had taken part in a national pilot to strengthen its cyber security and it had planned to undertake a full disaster recovery exercise on an annual basis.

Mitigation actions for BDCS13 (housing supply failing to meet homelessness demand), included monitoring the cost of living and the purchase of Local Authority Housing Fund properties as additional funding rounds were offered.

It was,

RESOLVED

To note the Strategic Risk Register.

38. ANNUAL GOVERNANCE STATEMENT

Members considered the report from the Strategic Advisor and Deputy Monitoring Officer, which presented the Council's Annual Governance Statement for approval.

The Committee was advised that the key sources of assurance which had been used to prepare the Annual Governance Statement were:

- Performance management information
- Risk management
- Legal and regulatory assurances
- Members' assurances
- Assurance Statements for key senior officers, reviewed and approved by

- Directors
- Financial control assurance
- Internal audit
- External audit

The Annual Governance Statement demonstrated the Council's compliance with the principles of good governance, and the review of effectiveness for 2023/24 concluded that the Council's corporate governance arrangements in place during the year were fit for purpose and in accordance with the governance framework.

Members' attention was drawn to section 5 of the Annual Governance Statement, which set out a few minor control weaknesses that were not considered to be significant issues, but where action would still be taken.

The Internal Audit section would be completed following the meeting, taking into account the Head of Internal Audit Opinion for 2023/24, (as considered at minute 35, above).

It was,

RESOLVED

To approve the Annual Governance Statement for 2023/24.

39. AUDIT COMMITTEE ANNUAL REPORT 2023/24

Member received the Annual Report of the Audit Committee.

It was confirmed that 'resolved' would be replaced with 'completed' in the fourth paragraph under Internal Audit on page 6 of the Annual Report. To read as the following:

In April 2024, it was noted that not all of the 2023/24 internal audit work had been resolved completed.

It was,

RECOMMENDED TO COUNCIL

To approve the Annual Report of the Audit Committee for 2023/24, as amended.

40. CUSTOMER COMPLAINTS PERFORMANCE

The Committee considered the report from the Head of Housing and Benefits, which presented a self-assessment of how the Council, as a Registered Provider, complied with the Statutory Complaints Handling Code and requested that it be published and submitted to the Housing Ombudsman to meet legislative requirements.

Members were advised that the Council fulfilled most of the requirements in the Code, but differing time frames between the Local Government Ombudsman and the Housing Ombudsman did cause some discrepancies.

This should be resolved by complimentary guidance to be released later in the year and by a revised Complaints Policy, which would be taken to the 3 September 2024 Cabinet.

In response to a query, it was confirmed that the report was being brought to the Audit Committee as Complaints Performance required reviewing to ensure the effectiveness of internal controls at the Council, and it was a key role of the Committee to seek this assurance.

It was,

RESOLVED

To note the performance and agree that the self-assessment be published and submitted to the Housing Ombudsman for consideration.

41. EXTERNAL AUDIT PLANNING REPORT

David Riglar, Partner at Ernst and Young, presented the report which covered the External Audit Plan 2023/24.

The report summarised the key issues for an effective audit of the Council and considered the likely impact of Government proposals to clear the backlog in local audit.

Audit risk areas covered in the report were:

- Misstatement due to fraud or error
- Incorrect apportionment of recharged expenditure overheads between South Norfolk District Council and Broadland District Council.
- Pension Valuation
- Valuation of land and buildings

Members were advised that planning materiality (the amount over which it was anticipated misstatements would influence the economic decisions of a user of the financial statements) was set at £1.01m. This represented two percent of the Council's gross expenditure on provision of services.

The scope of the report aimed to provide a true and fair view of the financial position on 31 March 2024, and of the income and expenditure for the year then ended, as well as the arrangements to secure value for money in the use of resources for the relevant period.

In answer to a query, it was confirmed that the audit work was on schedule for delivery of the Auditors Annual report in November 2024.

It was also confirmed that audit fees were a statutory function delegated to Public Sector Audit Appointments (PSAA), and that the scale fee for 2023/24 would be commensurate with the work being undertaken.

It was noted that there had been a concern that historically audit fees had been too low and that this had been reflected in the challenges facing the local authority audit market. It was now recognised that audit fees were being set at a more realistic market rate.

It was,

RESOLVED

To note the contents of the report.

42. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the Work Programme.

The Assistant Director for Finance advised the meeting that the Statement of Accounts and Audit Results Reports 2021/22 and 2022/23 would slip to January 2025.

The Chairman requested that the next meeting of the Committee scheduled for 19 September 2024 be moved to a date in early October.

(The meeting concluded at 8.37 pm)

Chairman