

## **BROADLAND AUDIT COMMITTEE**

**Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 26 January 2023 at 10.01 am.**

**Committee Members Present:** Councillors: G Nurden (Chairman), P Bulman (Vice-Chair), A Crotch, Holland and K Vincent

**Officers in Attendance:** T Holden (Managing Director), D Lorimer (Director of Resources), R Fincham (Assistant Director of Finance), E Hodds (Chief of Staff (Monitoring Officer)), H Mellors (Assistant Director of Planning), F Haywood (Head of Internal Audit), S Carey (Strategy and Intelligence Manager), E Voinic (Internal Audit Trainee) and J Hammond (Democratic Services Officer)

**Also in Attendance:** Councillors: N Brennan, J Copplestone, J Leggett and S Vincent (Leader of the Council)

### **24. DECLARATIONS OF INTEREST**

No declarations of interest were received.

### **25. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

### **26. MINUTES**

The minutes of the meeting of the Audit Committee held on 27 October 2022 were agreed as a correct record.

### **27. MATTERS ARISING**

*Comments regarding the Peer Review*

Members discussed the comments made by the Peer review, which stated that “the external auditors recognised the Audit Committee at South Norfolk Council was more effective in its oversight of financial reporting, internal controls and risk, with a good approach to support and challenge.”

The Chairman advised the Committee that clarification had been sought from Ernst and Young (EY) but no response had been received to date.

He then requested that the Committee be informed of the South Norfolk's Finance, Resources, Audit and Governance (FRAG) Committee's future meeting dates, so that they can attend to observe the Committee. FRAG Committee members would also be invited to attend Broadland's Audit Committee so that both sets of members may learn from each other. The Committee felt that this would demonstrate to the Peer Review that members were taking on board their comments.

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

The Committee thanked the Head of Internal Audit for presenting the results of the Risk Management Policy Review during an informal member workshop.

*Minute No: 14 – Internal Audit update – Progress and Follow Up*

Members queried whether the Internal Audit Contractor (TIAA) had met its Key Performance Indicators (KPIs) since the last meeting or whether officers were considering retaining 10% of the fee. The Head of Internal Audit explained that TIAA's performance as a whole would be considered as part of a year-end review. It would then be for the Corporate Leadership Team (CLT) to decide whether any of the fee would be retained. The Audit Committee would have an opportunity to feed in to CLT's decision. The Committee were informed that all quarter 3 audits had been progressed or finalised and TIAA had indicated it was on track to complete all quarter 4 audits within the deadlines.

Turning to the Cyber Essentials and Cyber Essentials Plus accreditation, the Director of Resources explained that the Council had begun the process to obtain both accreditations.

*Minute No: 22 – Audit Results Report 2020/21*

With regard to the member related party declarations for 2022/23, members queried how unreceived declarations from resigned and deceased members would be managed in the accounts. The Assistant Director of Finance explained that written requests would be issued to resigned members asking them to complete the declaration. With regard to deceased members, there was nothing that the Council could do.

It was highlighted that Mr Paylor had advised the final Value for Money (VFM) commentary would be presented to the Committee today as part of the Auditor's Annual Report. The Assistant Director of Finance confirmed that the 2020/21 Audit Letter (including VFM) had been received and was due to be placed on the Council's website shortly. He added that the letter was positive with no significant issues raised.

Members queried whether work on the 2021/22 audit had commenced on 16 January, as previously advised by Mr Paylor. The Assistant Director of Finance stated that the audit work had not commenced, as EY were currently working on South Norfolk's 2020/21 audit. A revised start date had not yet been agreed but was likely to be after May 2023. It was noted that EY were experiencing a significant backlog due to a lack of resources, the Committee felt that EY had a

contractual obligation to complete the work in a timely manner and suggested that the Chairman write to EY to express the Committee's dissatisfaction.

## **28. STRATEGIC RISK UPDATE**

Members considered the report of the Strategy and Intelligence Manager, which provided an overview of the current position in terms of Strategic Risk for Broadland District Council.

The Strategy and Intelligence Manager outlined the salient points of the report, drawing attention to the changes in the status of risks and additions to the register, since the last update to the Committee.

Members were informed that three new risks had been added onto the Risk Register since the last update to the Committee, these were:

- BDC SI3 – risk of insufficient private and social housing stock to meet growing demand on the Council and Temporary Accommodation.
- BDC P2 – inability to find Gypsy and Traveller sites to meet the need and enable the Greater Norwich Local Plan (GNLP) to be found sound.
- BDC SI13 – impacts on demand for council services as a result of the cost-of-living crisis.

Discussion turned to the three risks which had been either escalated, de-escalated, or closed from the Strategic Risk Register, these were:

- BDCM4 – Capability and capacity does not meet organisational requirements. This risk score was increased from 12 to 16 due to current market pressures and the retention and recruitment risks this brought to the Council.
- BDC SI1 – Risk of the council being unable to respond effectively to further waves of the Covid-19 Pandemic. This risk was de-escalated to the Directorate Risk Register as it was within the Councils risk appetite.
- BDC A1 – Our ICT Infrastructure fails due to running old infrastructure at near capacity with intention of increasing the load. The risk was closed due to mitigations being implemented.

The Strategy and Intelligence Manager advised members that alongside the Strategic Risk Register, teams were also managing operational risk within their Directorate Risk Registers. At present there were 53 risks identified on these registers, which were being managed by Directors and Assistant Directors.

In response to a question, the Head of Internal Audit advised the Committee of the responsibilities of the Audit Committee, Cabinet and CLT in terms of risk management. She informed the Committee that:

- The Audit Committee were responsible for scrutinising the scope and effectiveness of the risk management systems in place.

- Cabinet had responsibility for:
  - Setting the culture for risk management at the Council
  - Approving the Risk Management Policy
  - Development and approving the Risk Appetite
- CLT were responsible for identifying, evaluating and reporting on significant strategic risks faced by the Council.

It was then queried how Portfolio Holders were kept informed of risks and mitigations. Officers explained that all Cabinet members were updated on Council business, including risks, at monthly informal cabinet meetings. The Chief of Staff added that she held monthly catch ups with her directorates Portfolio Holder, as well as joint quarterly meetings with the Portfolio Holders of both Councils. The Assistant Director of Planning advised members that she held weekly joint meetings to ensure that both Portfolio Holders were aware of all important planning matters. Officers assured the Committee that all other Assistant Directors held similar meetings with the Portfolio Holders responsible for their directorates.

The Chairman invited the Cabinet members present at the meeting to provide comments on how effective they felt the Strategic Risk process was. The Cabinet members present raised a number of concerns on how the Strategic Risk Register was presented to both the Audit Committee and Cabinet.

The Leader of the Council highlighted a risk he had previously raised with CLT, which had not been included in the register presented today. The Chief of Staff informed Cabinet that the risk in question had been discussed by CLT, who determined it did not qualify as a strategic risk for the Council. The Cabinet members felt that there was too much of a delay in being updated when CLT made a decision regarding strategic risk.

The Audit Committee noted that whilst significant improvements had been made towards risk management and the reporting process, there were still improvements which could be made. The Committee suggested that stronger wording be considered within the risk management policy to ensure the rationale for risks that were assessed by CLT and found to be operation and not strategic were formally fed back to members. It was also agreed that the Strategic Risk Register would reflect the portfolio(s) associated with each of the risks in the register. The CLT officers present highlighted a concern that a fixed protocol on communication could restrict 'organic communication' between officers and members but agreed to investigate the suggestion further.

After further discussion it was

## **RESOLVED**

To note the Strategic Risk Register update for the Council.

## **29. DRAFT STATEMENT OF ACCOUNTS 2021/22**

The Assistant Director of Finance formally presented the draft Statement of Accounts 2021/22. The Committee had informally reviewed the draft Statement of Accounts on 22 September 2022.

Regarding the bad debt provision for sundry debtors, the Assistant Director of Finance confirmed that it would be included in the Statement of Accounts before they were finalised.

It was highlighted that the Related Party Transactions section of the statement had omitted reference of one councillor being a Director of Norse Environmental Waste Services Limited (NEWS). The Assistant Director of Finance confirmed that it would be added.

Discussion turned to the comprehensive income and expenditure account where it was noted that for the Corporate Costs account, the 2021/22 gross income was significantly higher than the previous year. The Assistant Director of Finance advised that this was due to the receipt of the Council's share of the gain from the pooling of business rates income across Norfolk (in previous years any pooling gain was retained corporately across Norfolk to fund projects across the county).

In response to a question the Assistant Director of Finance informed the Committee that a loss on disposal of assets related to both an asset becoming obsolete, and a loss being made on the sale of the asset.

It was then

### **RESOLVED**

To note the draft Statement of Accounts for 2021/22

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

The Head of Internal Audit presented her report which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23 during the period 13 September 2022 to 16 January 2023.

The Head of Internal Audit explained that since the plan's approval in March 2022, the BRD2316 Network Security and Infrastructure Management audit had been deferred to 2023/24, as a security posture review had recently been completed to provide third party assurance over the controls. In order not to duplicate the work, the audit would be rescheduled post the move to the Horizon Centre.

Members noted that during the period of the report, 85 days of programmed work had been completed which equated to 59% of the Internal Audit Plan for 2022/23, and that two reports (Community Assets and Community Activity) had been issued as final, with 11 recommendations raised by Internal Audit. No Operational Effectiveness Matters had been proposed to management for consideration. Members were concerned that 41% of the audit work had not yet been

completed. The Head of Internal Audit advised members that audit work was not equally profiled across the 4 quarters, a larger proportion of the work had been scheduled for quarter 4. She added that she was having weekly conversations with TIAA, who confirmed that they were on schedule to complete all work within the deadlines.

Turning to section 5 of the report regarding the outstanding internal audit work from 2021/22, the Head of Internal Audit explained that the report regarding Cyber Security had now been issued and formal management responses provided. Members were advised that the detailed management responses had not been included within report as they contained sensitive information regarding the Council's cyber security. It was confirmed that the full report would be circulated to the Committee outside of the meeting.

The Head of Internal Audit informed the Committee that the risk management position statement had been completed and the team were awaiting CLT responses.

Moving on, the Head of Internal Audit drew members' attention to Appendices 4, 5 and 6 of the report which detailed the status of agreed internal audit recommendations and outstanding recommendations for 2020/21 and 2021/22. Member discussed a number of the outstanding recommendations, including:

- HR and Payroll – Recommendation 3

The Committee noted that progress was being made to appoint a new provider and a business case had recently been approved. In response to queries, the Director of Resources confirmed that a new system would be in place by the deadline of 31 March 2024, she further explained that the current service provided by Suffolk County Council would cease on 1 April 2024.

- Remote Access – Recommendation 1

The Head of Internal Audit informed the Committee that this recommendation had now been completed and she was awaiting evidence from officers. She added that the recommendation would be removed from the report before the next meeting.

- Disaster Recovery – Recommendations 3 and 6

The Chairman queried whether the deadlines for these recommendations needed to be amended until after the move to the Horizon Centre. The Head of Internal Audit confirmed that they would need to be changed. The Director of Resources then updated members on the position regarding the office move. She explained that the 'fit out' contractors had been appointed and dates for the work to be undertaken agreed.

The Committee noted that recommendation 3 – regular DR tests be scheduled and undertaken, was an urgent priority however testing was being delayed until after the move. The Director of Resources advised that this was per the advice of the ICT team, she explained that a number of controls and mitigations had been put into place, including system mirroring and system

back-ups.

In response to the suggestion that testing be started before the move, the Director of Resources explained that all ICT officers were involved in the 3 current projects, which were:

- Horizon Centre move
- Digital requirements for the Election
- Office 365 installation

In order to free up resource to carry out the DR testing, officers would have to be diverted from one of these projects, which ran the risk of delaying the project, and in turn delaying the move to the Horizon Centre. The Head of Internal Audit stressed the importance of the Audit Committee raising these potential risks and issues but noted that it was for CLT to determine the level of risk it was willing to accept. She also reminded members of the successful outcomes of the recent penetration tests carried out.

One member queried why the testing was not carried out before both Councils occupied Thorpe Lodge, the Director of Resources advised that as new infrastructure was being implemented as part of the joint occupation of Thorpe Lodge, it was not considered appropriate to carry out DR testing at that time.

- Counter Fraud and Corruption – Recommendations 3-7 and 9

The Assistant Director of Finance updated members on the appointment of the Anglia Revenue Partnership (ARP) as the Council's Counter Fraud Service. ARP were going through the formal approval process with its current members before the contracts could be signed. He added that the new fraud service was still expected to 'go-live' on 1 April 2023.

In response to a question, the Assistant Director of Finance acknowledged that, had he been aware of the delays in progressing with ARP, more mitigations would have been put in place by the Council.

After further detailed discussion it was

## **RESOLVED**

To receive the progress report covering progress in delivering the Internal Audit Plan for the 2022/23 financial year.

### **31. AUDIT COMMITTEE - INDEPENDENT PERSONS**

Members considered the report of the Head of Internal Audit which outlined the proposal for appointing Independent Person's to the Audit Committee.

Members were reminded that at a meeting of the Audit Committee in October 2019 it was agreed that there were benefits to be gained from having an Independent Person on the Committee. However, it was not felt necessary to progress at that time.

Since that meeting in 2019, CIPFA had released further guidance which stipulated that *“Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise”*

The Head of Internal Audit informed the Committee that whilst it was not yet a legislative requirement to appoint Independent Persons onto the Committee, two other district Councils in Norfolk had appointed independent persons to their Audit Committee, those being Breckland Council and Norwich City Council. Both Councils offered a modest committee attendance allowance together with reimbursement for travelling and subsistence expenses.

It was explained that the Head of Internal Audit would work in collaboration with the Committee to determine the criteria used to evaluate the suitability of candidates and that the criteria would likely look to fill any perceived skills gaps and add desirable qualities.

The Independent Person should not currently be involved in the running of the Council as either a Councillor or employee. Former Councillors could not serve as an Independent Person until 5 years after they ceased being a Councillor.

It was queried what role the Independent Person would have on the Committee. They were informed that the Independent Person would have an advisory position only and would not be a voting member of the Committee. One member noted the similarity between the proposed Independent Person and the co-opted members of the Standards Committee, one member highlighted that attendance by the co-opted members had been a reoccurring issue.

Members further queried the likelihood of finding a suitable candidate for the role, the Head of Internal Audit speculated that suitable applicants may become harder to find in the event that it became a legislative requirement and more local authorities began seeking candidates.

Suggestion was made that both Broadland and South Norfolk appointed the same Independent Person onto their respective Audit Committees, as collaborative working meant that similar reports were being presented to both Committees. Additionally, the cost of the Independent Person could be shared between the two Councils. Officers noted the benefit of a shared Independent Person, but It was noted that this may make finding candidates harder, as any candidate would have to commit to attend 8 meetings per year instead of 4.

Discussion turned to the best time to appoint an Independent Person onto the Committee. It was noted that there could be a number of changes to the membership following the District Elections in May 2023. Members considered that there was benefit in waiting until after the elections, when the Committee membership was known, and potential skill gaps assessed.

Members expressed their support in principle for appointing an Independent Person onto the Committee and endorsed the potential benefits this would have. But it was felt that further investigation was required before candidates were



sought.

It was then

## **RESOLVED**

To recommend to Council that steps be taken to fully investigate the appropriateness of appointing an Independent Person to the Audit Committee

### **32. AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Head of Internal Audit explained that at its meeting on 16 March 2023, the Committee was due to consider the Strategic and Annual Internal Audit Plans for 2023/24.

Members were advised that the Democratic Services Officer would be producing the Annual Report of the Audit Committee, to be presented by the Chairman at the 16 March 2023 meeting.

Discussion turned to the self-assessment of the Audit Committee; members queried whether this was still required given the potential change in membership following the May elections. It was suggested that a self-assessment would benefit the future members of the Committee.

The Chairman requested that the Committee be updated on the Risk Management Review once the position statement had been finalised. The Head of Internal Audit agreed to circulate the report to the Committee and hold an informal meeting with the Committee to discuss outcomes.

The Assistant Director of Finance informed the Committee that it was unlikely the External Audit Plan 2023/24 and the Audit Results Report 2021/22 / formal approval of the Statement of Accounts 2021/22 would be brought to the next meeting of the Committee.

(The meeting concluded at 11.57 am)

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Chairman