

## AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of Broadland District Council, held on Thursday 17 March 2022 at 10.10am.

**Committee Members Present:** Councillors: G Nurden (Chairman), S Holland and K Vincent

**Apologies for Absence:** Councillors: P Bulman and A Crotch

**Officers in Attendance:** The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Internal Audit Trainee (E Voinic) and the Democratic Services Officer (J Hammond)

### 31 DECLARATIONS OF INTEREST

No declarations of interest were received.

### 32 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Bulman and Cllr Crotch.

### 33 MINUTES

The Chairman advised the Committee that the previous meeting had been designated as informal, due to being inquorate. He then formally requested that a list of trained members be added to future agendas, to aid the Committee in finding substitutes. It was then agreed that Audit training would be arranged and offered to all members.

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

## 34 MATTERS ARISING

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

The Assistant Director of Finance informed the Committee that Ernst & Young (EY) would not meet their deadline to resolve audit work by 25 March 2022. A new deadline of mid-to-late April 2022 had been set. He added that the Director of Resources would be writing to EY and the Public Sector Audit Appointments Ltd (PSAA) (as the appointing person) to express the Council's disappointment.

In response to questions, the Assistant Director of Finance explained that a mixture of additional Covid related work and EY's ongoing staffing/recruitment issues had caused the delay.

Members queried whether additional Covid related work would be required this year, and whether additional costs would be added. The Assistant Director of Finance advised that additional work would be required and both EY and the Council could make representations to PSAA, who would determine the final cost of the audit work.

### *Minute No: 25 – Annual Report of the Audit Committee*

Members requested an update on fraud protection and detection as the Fraud Officer had changed roles within the Council. The Assistant Director of Finance explained that the former Fraud Officer had continued in the role one day a week, whilst a review of the service took place.

### *Minute No: 27 – Follow Up Report on Internal Audit Recommendations*

The Committee thanked officers for including in the latest follow up report, information on whether each recommendation had been previously delayed and requested that further details be provided in future as to the reasons for delay.

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

The Chairman advised the Committee that Council had resolved to opt into the national scheme for external auditor appointments. He explained that PSAA had surveyed him on the quality of work carried out by the external auditor in 2019/20, which he deemed satisfactory. He added that when surveyed on 2020/21 work he would reiterate the Council's disappointment.

In response to members' questions, the Assistant Director of Finance informed the Committee that PSAA was looking to increase the number of accredited firms who could carry out local government audits.

### **35 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2022/23**

Members considered the report, which provided an overview of the stages followed prior to the formation of the Strategic Internal Audit Plan for 2022/23 to 2025/26 and the Annual Internal Audit Plan for 2022/23, which would then serve as the work programme for the Council's Internal Audit Services contractor; TIAA Ltd. The report also provided the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of Broadland District Council's framework of governance, risk management and control.

The Head of Internal Audit explained that meetings had been held with all Assistant Directors to discuss service area risks and scheduled projects.

She also informed the Committee that the Risk Management Audit work would be carried out by herself and the Internal Audit Trainee, it was expected that the work would coincide with the Risk Management Policy Review suggested by the Committee at its last meeting.

Members thanked the Head of Internal Audit for the comprehensive report, and it was unanimously

#### **RESOLVED**

To note and approve:

- The Internal Audit Strategy
- The Strategic Internal Audit Plans 2022/23 to 2025/26
- The Annual Internal Audit Plan 2022/23

### **36 ANNUAL REPORT OF THE AUDIT COMMITTEE**

The Chairman introduced the report and thanked the Internal Audit Trainee for including all changes requested at the previous meeting.

Members agreed that the report accurately reflected the work carried out by the Committee.

It was then

#### **RESOLVED**

TO RECOMMEND TO COUNCIL that it approves the content of the Annual Report of the Audit Committee.

### **37 SELF ASSESSMENT OF THE AUDIT COMMITTEE**

The Chairman introduced the item and referred members to the previous year's self-assessment included within the agenda. Members felt that the gradings for the good practice questionnaire were accurate for the Committee.

Discussion turned to the self-assessment evaluating the effectiveness of the Audit Committee. Attention was drawn to the section "*Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks*" and members suggested that the grading should be upgraded to 4 as a Risk Management Policy had been established.

Members felt that the section '*Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements*' should remain at a grade 4.

Regarding the section '*Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks*' the Chairman queried whether the grading should be downgraded as a result of the Fraud Officer vacancy and the limited assurance in the Progress Report. Quorum issues within the Committee were raised, and the steps taken to resolve them were noted. The Assistant Director of Finance reminded members that the self-assessment evaluated whether the Committee was fulfilling its role and that gradings should not be affected by circumstances outside of the Committee's control. After further discussion the Committee felt that the grading should remain at 4.

### **38 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

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 2021/22 during the period 19 January 2022 to 8 March 2022.

The Head of Internal Audit explained that 98 days of programmed work had been completed, which equated to 70% of the Audit Plan for 2021/22. She further advised that due to staffing issues within the team it would not be possible to resolve all audits by 31 March 2022. She assured members that she was in regular contact with TIAA's Audit Manager and was satisfied with the current position.

Members were advised that three Internal Audits had been finalised between 19 January 2022 - 8 March 2022.

- Performance Management and Business Planning – Reasonable Assurance
- Counter Fraud and Corruption – Limited Assurance
- Annual Governance Statement – Substantial Assurance

With regard to the Counter Fraud and Corruption executive summary, the Head of Internal Audit explained that the review had been carried out consortium-wide using the latest Fighting Fraud and Corruption Strategy. The seven 'important' and two 'needs attention' recommendations were highlighted to members.

Discussion moved to the two recommendations rejected by management. Members were advised that one of the recommendations was 'Important' and had requested that the assessment process for allegations of fraud and corruption be documented centrally rather than on local records, with evidence retained on file. This was rejected by management on the basis that records of cases were kept and the notes held on the systems.

The second recommendation was 'Needs Attention' and requested that evidence of fraud risks be considered in the development of new policies, strategies and initiatives across the Council. This had been rejected by management on the basis that appropriate policies were reviewed by the Fraud Officer and all policies reviewed by CMLT as they arose.

The Assistant Director of Finance stressed that CMLT supported the recommendations in principle, however, the current resource level within the fraud team would make it impossible to implement the recommendation. Members noted that the decision had been made to prioritise the most important recommendations at this time.

In response to a question, the Head of Internal Audit explained that the rejection of two recommendations would not restrict a future audit to a limited assurance, provided the remaining recommendations were resolved.

The Committee requested that the full Counter Fraud and Corruption audit report be circulated after the meeting, and that an update be provided to a future meeting of the Committee. The Assistant Director of Finance agreed to provide an update on the Fraud Team at the next meeting of the Audit Committee.

Looking ahead to audits due in quarter four, the Head of Internal Audit advised that both Key Controls & Assurance and Environmental Health had been delayed. With regard to IT Audits, a draft report had been prepared regarding Disaster Recovery.

It was then

## **RESOLVED**

To note the progress in completing the internal audit plan of work and the outcomes of the completed audits for the 2021/22 financial year.

### **39 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS**

The Head of Internal Audit presented her report, which informed members on the progress made in relation to management's implementation of agreed internal audit recommendations which were due by 8 March 2022.

With regard to the Council Tax and NNDR recommendation, the Assistant Director of Finance advised that there had been a delay as the awarding of Covid related grants had been prioritised. The team had now reviewed the entitlement of 3800 NNDR reliefs across the two Councils. 116 businesses within Broadland had not responded, and their relief was due to be cancelled. Completion of the recommendation could then be confirmed to Internal Audit. Members noted that the cancellation of the NNDR Relief would likely initiate a response from some of the businesses.

Members were informed that the HR and Payroll recommendation deadline had been extended due to the implementation of the new system being delayed.

The Head of Internal Audit advised that the Remote Access recommendation had not yet been implemented due to resource availability. The revised timeline for implementation was now by the end of quarter one 2022.

It was then

## **RESOLVED**

To note the position in relation to the completion of agreed Internal Audit recommendations.

### **40 AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Assistant Director of Finance confirmed that he would provide members with an update regarding the Fraud Team at the next meeting.

The Head of Internal Audit confirmed that a follow up on the Limited Assurance of Counter Fraud and Corruption would be provided at a future meeting.

(The meeting concluded at 11.47am)

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Chairman