

## **BROADLAND AUDIT COMMITTEE**

**Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 21 July 2022 at 10.00 am.**

**Committee Members Present:** Cllr Grant Nurden (Chairman), Cllr Adrian Crotch, Cllr Susan Holland and Cllr Karen Vincent

**Apologies for Absence:** Cllr Peter Bulman (Vice-Chair)

**Substitute:** Nigel Brennan

**Officers in Attendance:** Rodney Fincham (Assistant Director of Finance), Corinne Lawrie (Assistant Director of Transformation and ICT/Digital), Faye Haywood (Head of Internal Audit), Erika Voinic (Internal Audit Trainee) and Jessica Hammond (Democratic Services Officer)

**1. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS (GUIDANCE ATTACHED)**

No declarations of interest were received.

**2. TO REPORT APOLOGIES FOR ABSENCE AND TO IDENTIFY SUBSTITUTE MEMBERS**

Apologies were received from Cllr Bulman, with Cllr Brennan substituting.

**3. TO CONFIRM THE MINUTES FROM THE MEETING OF THE AUDIT COMMITTEE HELD ON 17 MARCH 2022**

The minutes of the meeting of the Audit Committee held on 17 March 2022 were agreed as a correct record.

**4. MATTERS ARISING THEREFROM (IF ANY)**

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

In response to questions, the Assistant Director of Finance informed the Committee that the Chairman of the Audit Committee and the Chairman of South

Norfolk Council's Finance, Resources, Audit and Governance Committee had written a joint letter to Public Sector Audit Appointments Ltd (PSAA) (as the appointing person) to express both Council's disappointment in the delays to the 20/21 external audit. He added that PSAA were undertaking the appointment exercise for the external audits for the 23/24 to 27/28 period and that the Council should be informed in August 2022 who the new external auditor will be.

Members were advised that Ernst & Young (EY) had started their audit work in July 2021 however it was not completed, they were due to return in August 2022 to complete their audit. The Assistant Director of Finance further advised that there was no statutory deadline for the audit of accounts.

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

Members queried whether PSAA had been successful in increasing the number of accredited firms who could carry out local government audits. The Assistant Director of Finance informed the Committee that this would not be known until PSAA released the appointments of external auditors due in August 2022. He added that it was unlikely that the number of accredited firms would significantly increase as many firms believed that the fee was too low to be viable.

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

Members requested an update on the Risk Management Policy Review. The Assistant Director for ICT/Digital and Transformation explained that the policy review would be in the form of a position statement and that she was liaising with the Head of Internal Audit as the policy review would coincide with the Risk Management Audit. The Head of Internal Audit added that the opinions of the Audit Committee would form part of the review work.

*Minute No: 37 – Self Assessment of the Audit Committee*

With regard to the quorum issues within the Audit Committee, the Chairman thanked the Head of Internal Audit for providing an Audit Committee training session. He noted that there was now a larger pool of trained members who could substitute for members of the Committee.

*Minute No: 39 – Follow Up Report on Internal Audit Recommendations*

The Assistant Director of Finance informed the Committee that businesses who had not responded to any of the three letters regarding their NNDR Relief entitlement had had their relief cancelled and were issued with a bill, he confirmed that in some cases these businesses then contacted the Council, as had been expected.

Members queried whether the new HR and Payroll system was on track to be implemented by the new deadline. The Assistant Director of Finance advised members that the new system implementation was still currently scheduled in line with the new deadline, however, payroll issues had been raised by other users of the system. He confirmed that the Council would not go ahead with the implementation without assurance that these issues had been resolved.

In response to questions, the Assistant Director for ICT/Digital and Transformation explained that the Remote Access Recommendation had previously been delayed due to resource availability within the team, she added that recruitment was ongoing, and an interim resource was in place. The recommendation was on track to be implemented by the revised date.

*Minute No: 40 – Audit Committee Work Programme*

Members queried how a follow up of the Limited Assurance of Counter Fraud and Corruption would be provided. The Head of Internal Audit explained that she would carry out evidence gathering to provide assurance that recommendations had been completed.

## **5. 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 9 March 2022 to 11 July 2022.

The Head of Internal Audit explained that 149 days of programmed work had been completed, which equated to 99% of the Audit Plan for 2021/22.

Members were advised that between 9 March 2022 to 11 July 2022 four internal audit reports had been finalised and four reports had been issued in draft, with a total of 41 recommendations raised and agreed by management:

- Accountancy Services (finalised) – Reasonable Assurance
- Disaster Recovery (finalised) – Limited Assurance
- Homelessness and Housing Options (finalised) – Reasonable Assurance
- Corporate Health and Safety (finalised) – Substantial Assurance
- Food Safety and Licensing (draft) – Reasonable Assurance
- Accounts Receivable (draft) – Limited Assurance
- Income (draft) – Reasonable Assurance
- Key Controls and Assurance (draft) – Reasonable Assurance

In response to a query on the changes made to the approved plan, the Head of Internal Audit explained that internal audit formulated the plan based on the service areas which required assurance, the plan was then approved by the Audit Committee who continued to oversee the progress made in delivering the plan. She added that the Corporate Management Leadership Team (CMLT) and Audit Committee could request additional audit days if it was necessary. Since the plan's approval on 24 June 2021, one significant change had been made, in order to complete a position statement covering Council Tax Discounts and Exemptions.

With regard to the Disaster Recovery executive summary, it was highlighted that in 2019/20 Broadland District Council was given a reasonable assurance as opposed to the limited assurance awarded for 2021/22. The Head of Internal Audit explained that the assurance opinion had been set as a result of the three 'urgent', four 'important' and one 'needs attention' recommendations. She

emphasised the need for regular testing to be built into controls. One member queried the urgent recommendation 'DR provision to be considered for new systems' and it was suggested that given the importance of the recommendation, the wording should be strengthened to 'DR provision to be incorporated in new systems'.

Members queried whether a deadline of 30 September 2022 was appropriate for the Disaster Recovery recommendation as it had been listed as an urgent priority. The Head of Internal Audit explained that, whilst one month was an ideal deadline for urgent recommendations, it was important to set realistic deadlines, and given that a new system implementation was involved she felt that the deadline set was appropriate. The Assistant Director for ICT/Digital and Transformation echoed the urgency of the recommendation and assured members that officers were working hard to implement the system as quickly as possible whilst ensuring that full testing was carried out.

One member queried how the increase in remote working had affected the risk of cybercrime. The Assistant Director for ICT/Digital and Transformation explained that in order to mitigate risks, the Council had completed the migration of joint infrastructure with built-in technical components, she added that further work was due to be carried out to put controls in place and perform validation testing. Members noted that the Cyber Security audit was outstanding and queried whether the assurance level of the audit could affect the Annual Report and Opinion for 2021/22. The Head of Internal Audit explained that the Annual Opinion was based on audit work carried out to date. The overall Annual Report and opinion had taken the indicated limited assurance grading for cyber security into account.

Discussion turned to the Accounts Receivable executive summary, where it was noted that of the over £716,000 in debt aged greater than 150 days, approximately £78,000 was attributed to Broadland District Council. The Committee queried why, given the relatively small amount of outstanding debt, Broadland District Council had been downgraded from substantial assurance at the last audit to a limited assurance. The Head of Internal Audit advised members that the audit focused on the controls in place as opposed to the actual figures. Given the fact that a strong control framework and mitigations were not in place, alongside the resource issues within the finance team, it was felt that there were issues to be addressed by the One Team which necessitated the limited assurance for both Councils. The Committee requested that where joint audits were carried out for both Councils, the report highlighted which recommendations related to just one of the Councils. The Head of Internal Audit agreed to incorporate this into future executive summaries.

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.

## 6. ANNUAL REPORT AND OPINION 2021/22

The Head of Internal Audit presented the report, which informed members of the annual internal audit opinion on the Council's governance risk management and control framework and evaluates the effectiveness of the internal audit function for 2021/22. The Council's overall opinion was rated as 'Reasonable'.

It was noted that three assurance reports had resulted in 'Limited' assurance (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable). It was therefore recommended that the 16 recommendations (4 urgent and 12 important) raised within the three assurance reports be referenced within the Annual Governance Statement until such time that they can be verified as complete.

The Committee were updated on the year end position of the follow up of management actions where 39 recommendations had been agreed so far for 2021/22, 11 had been completed, 3 were outstanding, 25 were within deadline and 2 had been rejected by management.

The Head of Internal Audit updated members on the performance of the Internal Audit Contractor (TIAA) and explained that only 7% of reports had been issued within the target of ten working days of the end of the quarter. It was noted that a combination of the Covid-19 pandemic and the national recruitment issues had had an impact on the performance of internal audit. The Head of Internal Audit advised the Committee that in light of the issues faced across the consortium she had enhanced communication and monitoring arrangements as well as strengthened the key performance measures within the contract. TIAA had also committed to reviewing their resource planning processes to prevent similar issues in the future.

It was then

### RESOLVED

To

- a. Receive the contents of the Annual report and Opinion of the Head of Internal Audit
- b. 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 2022
- c. Note the conclusions of the Review of the Effectiveness of Internal Audit

## 7. ANNUAL GOVERNANCE STATEMENT 2021/22

The Assistant Director of Finance introduced the report of the Chief of Staff, which presented the draft Annual Governance Statement 2021/22.

He advised the Committee that the Annual Governance Statement covered

assurances from the Assistant Directors across key service areas, in addition to other key assurance sources as outlined at section 2.3 of the report.

It was noted that the assurance statement highlighted no significant governance issues and governance arrangements were mainly consistent across the Council. However, Assistant Directors had highlighted some development areas which were service specific in relation to risk and control; business continuity; and procurement, which would be reviewed over the forthcoming months.

The Assistant Director of Finance explained to the Committee that the Statement was subject to the outcome of the Head of Internal Audit's Opinion Report and that any areas of concerns highlighted by the Head of Internal Audit would be included within the statement.

The Committee highlighted a number of typographical errors within the report which the Assistant Director of Finance agreed to feedback to the Chief of Staff before the statement was finalised. A number of re-wordings were suggested by the Committee, as outlined below:

- Page 79 – Procurement  
It was suggested that '*hope*' be replaced with '*expect*' to read as follows "*So we expect to see positive progress with this when ADs provide feedback later in the year with regard to progress to compliance*"
- Page 80 – Risk Management  
The Committee requested that the statement "*the Audit Committee has regular oversight of the strategic risks, which are also considered by the Cabinet*" be re-worded as they felt that the Audit Committee had not had 'regular' oversight. Additionally, they felt that the Strategic Risk Register was not "*considered*" by Cabinet, but that Cabinet owned and was responsible for the register.

With regard to the Council's contracts register, the Assistant Director of Finance explained that the Council had a statutory requirement to publish a list of contracts which should be reviewed and updated for accuracy. He added that the Council would not be penalised if the register was not completely accurate, however the Council strove to be as accurate as possible.

One member highlighted the Customer Panel and queried why the statement did not include the recent work undertaken to actively recruit onto the Panel. The Assistant Director for ICT/Digital and Transformation explained that the Annual Governance Statement for 2021/22 covered the period 1 May 2021 to 31 April 2022, during which the Customer Panel was in development, she added that additional work involving the Panel would be included within next year's statement.

After further discussion, it was

## **RESOLVED**

To approve the Annual Governance Statement for 2021/22, subject to the amendments outlined by the Audit Committee.

## **8. VERBAL UPDATE ON THE COUNTER FRAUD SERVICE**

The Assistant Director of Finance updated members on the Council's current Counter Fraud Service.

He advised the Committee that the Council had had a limited counter fraud service of 0.8 full-time equivalent, across the two Councils. With the previous Fraud Officer having moved to a new position within the Council, there was an opportunity to review the Council's counter fraud provision against the raised standard of the Fighting Fraud and Corruption Locally Strategy.

Members were informed that the Council had commissioned the Anglia Revenues Partnership (ARP) to carry out the review and provide options as to how the fraud service could be delivered in future. These options would then be brought to Cabinet for decision. The Assistant Director of Finance outlined the 3 options for consideration:

1. Continue with the Council's current model and recruit one fraud officer.
2. Appoint one fraud officer and one council tax compliance officer to investigate single person discount fraud, the compliance officer would be primarily funded by Norfolk County Council.
3. Work in partnership with the ARP, who would provide the fraud investigation service for the Council.

The Assistant Director of Finance explained that option three was the preferred option for the Council as it would provide the highest-level fraud service at the lowest cost. In addition, it would address the concerns in relation to resilience, capacity and knowledge, raised within the Internal Audit review.

One member queried whether the Committee would have the opportunity to review the options report before it was presented to Cabinet. The Assistant Director of Finance informed members that as the report related to the provision of a service it would not be brought to the Committee ahead of Cabinet, however he would circulate the report to the Committee. He further added that the Cabinet report would be considered by the Overview and Scrutiny Committee as part of the pre-Cabinet scrutiny process.

Discussion turned to the preferred option, and the process to be taken if each Council resolved to support a different option. The Assistant Director explained that as for other joint decisions, a clause could be placed in each recommendation to Cabinet that the decision would be subject to the agreement of both Councils.

*Cllr N Brennan left the meeting after the consideration of this item*

## **9. AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Chairman requested that the draft Statement of Accounts 2020/21 be brought to the Committee at its meeting on 22 September 2022.

The Head of Internal Audit requested that a discussion on an Independent Member of the Audit Committee also be added to the work programme to be considered by the Committee

(The meeting concluded at 11.37 am)

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Chairman