

## **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