

Minutes of a meeting of the **Audit Committee** held remotely on **Thursday 22 October 2020** at **10.00am** when there were present:

Cllr G K Nurden – Chairman

Cllr P E Bulman

Cllr N J Brennan

Cllr S I Holland

Cllr D King

Cllr S Catchpole also attended the meeting for its duration.

Also in attendance were the Managing Director, Director of Resources, Director of Place, Director of People and Communities, Assistant Director of Finance (Section 151 Officer), Assistant Director Governance and Business Support (Monitoring Officer), Chief of Staff, Internal Audit Director TIAA, Strategy and Programme Manager and the Democratic Services Officer (JO).

52 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Crotch and Cllr K Vincent.

53 MINUTES

The revised circulated Minutes of the meeting held on 16 July 2020 were confirmed as a correct record, save for the following amendments:

Minute No 43: Draft Statement of Accounts 2019/20

At this draft stage the *Comprehensive Income and Expenditure Accounts* showed an accounting surplus for the year of £183,000.

The Movement in Reserves Statement showed a net addition to the General Fund of £1.047m.

The Chairman also requested that draft Minutes be sent to him for approval as soon as possible after the meeting.

54 MATTERS ARISING

Minute No: 42 – Matters Arising

In respect of online Member training; the Assistant Director Governance and Business Support (Monitoring Officer) confirmed that courses for Members

provided by SkillGate, the Council's E-learning Platform, on Risk Management and Cybercrime were being assessed and would be made available on Members iPads shortly.

The Director of Resources advised the Committee that no feedback on the Broadland Growth Ltd briefing had been received, other than it having been an informative session.

The Assistant Director Finance informed the meeting that the negotiations with EY over the increase in their fee levels were still to be resolved.

The Committee were informed that a new Fraud Officer had been appointed and would be able to bring a revised Fraud Policy to a meeting in the near future.

55 DRAFT STRATEGIC RISK REGISTER

The Chief of Staff introduced the report, which presented a draft Strategic Risk Register (SRR) for the Council, which the Audit Committee were asked to review, before it went on to form part of the Council's quarterly Performance, Risk and Finance Reports to Cabinet.

The risks in the SRR had been identified through the Corporate Management Leadership Team's assessment of the risks to the Council's Strategic Plan, based on the framework set out in the Risk Management Policy, adopted by Council in September 2020.

The Risk Management Policy broke risks down into three main categories; Strategic Risks, Directorate or Operational Risks and Project Risks.

Strategic risks were large scale risks that would impact on the delivery of the Council's services and might include operational risks escalated from a particular service according to the potential scale of their impact. All of the risks in the SRR were linked to the Council's corporate priorities.

The Audit Committee were asked to review the SRR prior to being presented to Cabinet in Quarter 3.

The Chairman informed the meeting that he had concerns about the Risk Register, as it had two risks with the objective of supporting individuals and empowering the community and nine with the objective of working smartly and collaboratively. He noted that the SRR included risks such as local government reform that were not within the Council's ability to control, but none in respect of growing the economy and environmental matters. He suggested that it was, therefore, not a balanced Risk Register. He would also have liked to see more information provided in the comments column.

In response to a Member's comment, it was confirmed that the likelihood and severity controls and the numbering ascribed to them was set out in the Risk Management Policy.

In answer to the issues raised by the Chairman, the Chief of Staff confirmed that the risks had been linked to the Council's Delivery Plan and were those risks that were seen as having the greatest impact on it. However, the SRR would evolve according to circumstances and risks could be added or removed accordingly. The rationale for including local government reform in the SRR, was because of the huge potential impact it could have on the Council. It was confirmed that the comments columns would be updated for the Quarter 3 performance report.

The Chairman noted these points, but considered the environment and the economy to be higher priorities, than some of the risks in the SRR

In response, the Director of Place acknowledged that the environment was a global threat and reminded the Committee that the Council had an Environmental Strategy and a new graduate apprentice scoping it out and drafting a Delivery Plan for it, which would address many of the issues that were within the Council's control.

The Chairmen responded that he would like to see the risks of not achieving the goals and targets in the Environment Strategy set out in the SRR and the impact this might have on the reputation of the Council. He added that he wanted to see a more balanced SRR that covered all of the strategic ambitions of the Council.

Another Member also noted that some risks were not within the risk appetite and asked what measures could be put in place to move them within it. In response to this the Chief of Staff confirmed that although mitigations could be put in place, some risks would never be completely within the Council's control and therefore not within the risk appetite of the Council.

In response to a question regarding the Food Innovation Centre, it was confirmed that this would be listed under project risks and that consultants were working on a robust project management plan for this largescale capital project.

The Chairman asked that the SRR be looked at again to make it more balanced and be brought back to the 26 November 2020 Audit Committee for a final review from the Committee.

A Member also suggested that the risks listed in the SRR were too generic and that the Council had some very specific risks that were not listed.

The Assistant Director Governance and Business Support (Monitoring Officer) pointed out that many risks would be listed at an operational level, so would

not be included in the SRR; an example of this would be the Food Innovation Centre. She also asked Members to note that the matrix within the Risk Management Policy was a tool to help officers assess risk and then plot them onto the Risk Registers. Not all of the Council's ambitions and targets would be linked to the SRR; as they could be managed and mitigated at an operational level, so would not be escalated to a strategic level. She emphasised that the risks set out in the SRR were the key strategic risks that should be brought to the Committee's attention. A discussion could be had with Cabinet about the inclusion of risks that had been mitigated and whether they should remain on the SRR or come off it.

The Director of People and Communities added that a risk of not achieving environmental targets, such as recycling 60 percent of collected waste by 2025, was very much an operational matter and would not be raised to the strategic level. However, issue such as local government reform and devolution could have a profound effect on the residents of the District and beyond and, therefore, should be raised as a strategic risk.

A Member suggested that the Committee should have seen the other Risk Registers to give some context to the SRR. Officers confirmed that as per the Risk Management Policy, operational risks are managed by Officers and Members have oversight of those which are strategic in nature through the SRR.

RESOLVED

To note and request that further work be done on the draft Strategic Risk Register to make it more balanced, as suggested by the Chairman, and brought back to the Committee's meeting on 26 November 2020.

56 PROGRESS REPORT INTERNAL AUDIT

The Chairman welcomed Fiona Dodimead, the Internal Audit Director TIAA, to the meeting who was presenting the report in the absence of the Internal Audit Manager, who was on maternity leave.

The report reviewed the work performed by Internal Audit in delivering the Annual Audit Plan for 2019/20 during the period 7 July 2020 to 12 October 2020.

No significant changes occurred during the period. Two minor revisions to the plan had been to move the Service Desk Review and the Remote Access Review to the Quarter 3.

Quarter 2 was very light with only Assurance Mapping taking place; this took the form of an Officer questionnaire to identify any issues in their areas that

needed to be added to the Internal Audit Plan. Assurance Mapping was being carried out across the Consortium of Norfolk local authorities, which should provide very good coverage and ensure that no important areas were missed. This work was reaching the conclusion stage, so the Committee should get an update on this at the 26 November 2020 meeting.

Quarter 3 and 4 would be far busier; with Payroll and HR and Council Tax Audits already having commenced and a further seven audits to be completed.

The Chairman noted that the Service Desk and Remote access audits had been moved at the request of the Committee and that this should have been recorded in the Minutes.

In response to a query, the Internal Audit Director assured Members that although only four of the eight days set aside for the Assurance Mapping Audit had been carried out so far, she was confident that the other four days would be completed shortly. The delay was due to the Audit being carried out at the same time across the Consortium to obtain the best possible picture of any areas that needed looking into further. This was the only Audit in the Plan of this nature. There was now significant capacity available to complete the Audits in Quarter 3 and 4 on time, subject to any restrictions introduced to fight the pandemic.

RESOLVED

To note the progress in delivering the Internal Audit Plan of work for the 200/21 financial year.

57 FOLLOW UP REPORT INTERNAL AUDIT

The Chairman welcomed the Managing Director to the meeting and drew Members' attention to Minute 45 of the 16 July 2020 meeting, where he had noted the number of recommendations that had been given more than one extension and had suggested that Officers drew up plans of implementation and submit them to the Managing Director, so that the Committee could get a response from him if they were not implemented.

The Internal Audit Director advised the meeting that it was pleasing that there were only two outstanding recommendations raised prior to 2019/20 that were outstanding, with the majority of unimplemented recommendations being from 2019/20.

She also advised Members that progress had been made on many of the recommendations despite the due dates being revised and that some were close to implementation.

The Chairman drew Members' attention to BRD 1809, (Key Controls and Assurance Work) and reminded them that this had had numerous revised due dates. He advised the Committee that he was concerned that there was a lack of commitment by Officers to implement recommendations by their due date. He asked the Managing Director if Officers had a commitment to implement these recommendations.

The Managing Director confirmed that Internal Audit was critical for ensuring that the Council maintained its controls and procedures correctly and to further raise the profile of Internal Audit from Quarter 3, outstanding recommendations would be included on Quarterly Performance Reports to Cabinet, to ensure that the responsible Officers were managing the recommendations.

The Managing Director re-emphasised that the role of Internal Audit was valued and taken seriously and the recommendations would be addressed in a timely fashion and appropriate feedback given to the Committee.

He asked the Committee to note the exceptional circumstances of the pandemic and that according to the materiality of recommendations there might be delays in some cases, so realistic implementation deadlines should be set.

The Managing Director recommended that BRD1809 (key controls assurance work) be closed, as there was a system in place to pick up any issues on a weekly basis and to check for any recurring issues with individual Members of staff.

In response, the Internal Audit Director confirmed that there were sufficient controls in place to close the recommendation and that it could be re-visited in Quarter 4 as part of the Key Controls and Assurance Audit to confirm if any purchases were occurring without a Purchase Order being raised.

In respect of the three outstanding recommendations relating to Broadland Growth Ltd, the Managing Director suggested that they should be for the Joint Venture Company to consider as part of its own Internal Audit process, which in turn would be reported to the Council via Broadland Growth Ltd Annual Report.

In respect of BRD2003 (Monthly reconciliations to be checked by a separate officer to the person completing them) it was confidently anticipated that all controls for this would be in place by the revised due date of 31/12/20.

The Committee was advised that Broadland's reconciliation process was too manual and Officers were looking into replacing it.

BRD 2006 (SLAs with temporary accommodation providers) should be closed

as the Council had the appropriate assurance that the accommodation met the required standard from the providers that were contracted with. When the need arose to spot purchase temporary accommodation, assurances about the required standard would be confirmed on a case by case basis. Internal Audit had confirmed that this recommendation could be closed.

For BRD2010 (Planning and Development Management) it was confirmed that the reconciliations were being completed, it was just the sign off process that was being looked at to determine how to best do this electronically. It was confirmed that a Team Leader, was sufficiently senior for the sign off if it fell into their area of responsibility. It was anticipated that this recommendation would be completed by 31/12/20.

The Managing Director suggested that BRD2011 (Disaster Recovery) could be closed, as an appropriate disaster recovery plan was in place. In respect of power, an alternative power source was in place and tested on a routine basis. COVID-19 had improved the resilience of the Council, by the introduction of softphones and had fundamentally shifted the focus of disaster recovery from the offices and the systems within it. He suggested that disaster recovery should feature in a future audit, but should reflect the new environment that the Council was working in.

RESOLVED

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

58 ANNUAL GOVERNANCE STATEMENT 2019/20

The Assistant Director Governance and Business Support (Monitoring Officer) introduced the report which the Committee was asked to review to ensure that it reflected the comments made at the 16 July 2020 meeting and subject to this giving its final approval of the Annual Governance Statement 2019/20.

The following four changes had been requested by the Committee:

Page 47 'confidentially' replaced by 'confidently'

Page 48 repeated 'limited' deleted

Page 51 reference to the COVID-19 legislation was added

Page 52 risk training for Members was added

RESOLVED

To approve the final Annual Governance Statement for 2019/20.

59 AUDIT COMMITTEE WORK PROGRAMME

The Committee was advised that an annual rolling Work Programme was to be drafted to give a fuller picture to Members of the work of the Committee over the whole year.

It was confirmed that the Committee would be considering the Risk Register three times over the course of the financial year.

The following items were added to the Work Programme

26 November 2020

- Assurance Mapping Update

11 March 2021

- Anti-Fraud Policy
- Whistle-blowing Policy

The meeting closed at 12.21pm