

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 12 March 2020** at **10.00am** when there were present:

Mr G K Nurden – Chairman

Mr P E Bulman

Mr A D Crotch

Ms S I Holland

Mrs K A Vincent

In attendance were the Director of Resources, the Assistant Director of Finance (Section 151 Officer), the Internal Audit Manager and the Committee Officer (DM).

Also attending were Mr D Cook of Ernst & Young LLP and Mr M L Murrell

### 31 MINUTES

The Minutes of the meeting held on 9 January 2020 were confirmed as a correct record and signed by the Chairman.

### 32 MATTERS ARISING

In response to questions from the Chairman on matters referred to in the Minutes, Officers updated Members on the latest position regarding the following matters:

Broadland Growth Ltd briefing – a briefing had been arranged to follow the Committee's meeting that day and, if appropriate, would be offered to a wider audience of Members.

Risk Management Training – initial discussions had taken place regarding the development of training for staff and potentially Members of the Audit Committee and a wider audience of Members if appropriate. There was a need to ensure that an assessment of risk was an integral part of the culture of the organisation.

Purchase Orders – staff continued to be reminded of the need to raise purchase orders prior to making purchases and measures were being put into place to reinforce this. The situation had been complicated by staff currently having to learn two processes across two Councils. The Internal Audit Manager confirmed that this outstanding audit recommendation could be signed off once evidence of these measures was submitted. This area of activity was one which internal audit would continue to test and monitor. In response to a question, Officers confirmed that cases of repeated non-compliance would be managed on a case by case basis with particular areas of concern being raised with the Corporate Management Leadership Team and ultimately could be addressed by disciplinary action if appropriate.

Cyber-crime training – initial inquiries regarding rolling out cyber-crime training for Members had taken place.

### **33 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2020/21**

Members considered the report providing an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2020/21 to 2022/23 and the Annual Internal Audit Plan for 2020/21. 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.

In response to a question, the Internal Audit Manager commented that, the Annual Internal Audit Plan for 2020/21 would seek to ensure that the majority of the internal audit reviews were carried out jointly across both councils allowing internal audit to provide assurance that people and processes were working together for the same goal and supporting collaboration. With regard to the reporting of findings, where appropriate the findings would be presented in a joint report but if appropriate, individual reports would be prepared.

The Internal Audit Manager then highlighted the areas of work included in the Audit Plan set out at Appendix 3 of the report. Particular areas of interest were economic development where some significant projects were being explored and an audit would provide assurance these were being well managed with appropriate governance arrangements. The audit of waste management would relate only to Broadland and would help provide assurances on the management of the contract which was due for renewal in the near future.

With regard to environmental health, this audit would include business continuity and emergency planning arrangements particularly in view of the recent events regarding Coronavirus. With regard to the recent flooding event at Thorpe Lodge, a review of the management of the emergency would take place to feed into existing continuity plans. With regard to current arrangements for home working, it was noted that current restrictions on IT capacity for home working were being examined with a view to ensuring the capacity available was used most effectively. As part of collaboration arrangements, work was ongoing to develop and enhance options for facilitating home working and remote access by staff and Members.

### **RESOLVED**

to note and approve the Internal Audit Strategy for 2020/21, the Strategic Internal Audit Plans 2020/21 to 2022/23 and the Annual Internal Audit Plan 2020/21.

**34 EXTERNAL AUDIT PLAN YEAR ENDED 31 MARCH 2020**

Members considered the provisional Audit Plan from Ernst & Young LLP which summarised their initial assessment of the key risks driving the development of an effective audit for the Council and outlining the planned audit strategy in response to those risks. The Chairman reported that he had recently attended a presentation at Ernst Young Ltd with other Chairmen of Audit Committees and Finance Officers from the region about the current issues with the completion of public sector audits and he undertook to circulate a copy of a letter on this matter to Members/substitutes on the Audit Committee.

Mr D Cook, Audit Manager for Broadland and South Norfolk from Ernst & Young LLP then took Members through the Plan for 2019/20, highlighting the key areas of activity, drawing attention to two new area of focus: apportionment of recharged expenditure overheads between Broadland and South Norfolk and the implementation of two new auditing accounts standards.

With regard to the timeline for the work, Members noted the change in the date of reporting of the conclusions and judgement from July to October, resulting from the current national issues facing public sector audits and the pressure on all local authority auditors to undertake more robust audits of public services following major failings in the private sector with the audit of some national companies. The 31 July audit deadline was not a statutory requirement and would still allow for the publication of the Council's accounts by that date, including a statement that the accounts would not be audited until October. In response to concerns about the potential impact of the delay of the audit on issues such as government grants/funding, Members were reassured this was a national issue which the government was aware of and would continue to be monitored.

With regard to fees and charges, it was noted that the scale of fees would be impacted by additional work performed in relation to the new risk of incorrect apportionment of recharged expenditure overheads between the two councils. Any increase would be agreed with officers and Public Sector Audit Appointments Ltd (PSAA).

Audit fees were based on a number of assumptions which if not met could result in an increase in fees. Members were assured that the Council had always satisfied the assumptions and if it continued to provide the high levels of support to the audit work carried out, fees would not need to be increased for this reason.

Going forward, the public sector audit service was facing challenges because of the increasing complexity of public sector audits and the need for a higher

level of audit. Fairer charging options were being explored nationally and with the PSAA.

**RESOLVED** to note and approve the Plan.

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

Members considered the report which summarised the work of the Audit Committee during 2019/20, confirmed that it had operated in accordance with its Terms of Reference, complied with best practice and demonstrated effective challenge during its meetings. Subject to a few minor typographical changes, Members supported the Annual Report for presentation to Council.

In accordance with a suggestion arising from the Committee's self-assessment exercise (see minute 37 below) the Chairman would be seeking feedback from Members when presenting the Annual Report to Council.

**RESOLVED TO RECOMMEND COUNCIL**

to note and approve the content of the Annual Report of the Audit Committee.

### **36 ANNUAL FRAUD UPDATE**

Members considered the report of the Director of Resources setting out the counter fraud activities of the Council during 2019/20. The Senior Investigations and Enforcement Officer outlined work being undertaken in relation to supporting the Department of Works and Pensions Fraud and Compliance Teams and also the National Fraud Hub formed and funded by the County Council as part of the National Fraud Initiative. It was noted that whilst there was no financial cost to the Council in supporting the work of the Fraud Hub, there was a cost in officer time. Available officer time was currently relatively limited and work was ongoing to identify where best to target resources.

With regard to internal fraud, and how this was investigated, it was noted that cases would only be investigated by the Senior Investigations and Enforcement Officer following a specific referral but that other measures were in place as part of the internal and external audit processes including policies such as whistle blowing.

Mindful of issues which had occurred nationally, and the increasingly sophisticated methods used by fraudsters, Members stressed the need more than ever to be mindful of the recommendations of the Auditors and ensure these were taken seriously and enforced.

### **RESOLVED**

to note the Annual Fraud Update for 2019/20.

### **37 AUDIT COMMITTEE SELF ASSESSMENT**

Members considered the report setting out the results of the Committee's self- assessment exercise undertaken in January 2020. The exercise had highlighted the following areas of partial conformance with best practice.

- Question 4 – it was felt that more could be done to highlight the role and purpose of the Committee across the authority and it was suggested that this area could be improved by enhancing the executive summary section of the Annual Report presented to Council by going into more detail about what the Committee was responsible for and how their role supported the Council.
- Question 15 – Members of the Committee had not been provided with the CIPFA Audit Committee core knowledge and skills framework. This had now been circulated to all Members of the Committee and it was confirmed that there were currently no training gaps.
- Question 18 – It was felt that more could be done to seek feedback on the Committee's performance from those interacting with the Committee or relying on its work. It was suggested that, in future, when the Annual Report of the Committee was reported to Council, feedback from Members on performance would be requested.

### **RESOLVED**

to

- (1) agree that the self-assessment checklist was an accurate reflection of the self-assessment exercise undertaken by the Committee;
- (2) to note and approve the actions taken or to be taken in response to the areas of partial compliance in regards to questions 4, 15 and 18 above.

**38 WORK PROGRAMME**

The Committee noted the work programme set out in the agenda as follows:

June 2020	<ul style="list-style-type: none"><li>• Internal Audit Progress Report</li><li>• Internal Audit Follow Up Report</li><li>• Head of Internal Audit's Report and Opinion for 19/20</li><li>• Annual Governance Statement</li></ul>
October 2020	<ul style="list-style-type: none"><li>• Draft Statement of Accounts</li><li>• External Audit Opinion</li></ul>

*The meeting closed at 11.30am.*

*At the end of the meeting the Committee received a presentation on Broadland Growth Ltd.*