

Audit Committee

Agenda

Members of the Audit Committee

Mr G K Nurden
(Chairman)

Mr P C Bulman
(Vice Chairman)

Mr A D Crotch
Ms S I Holland
Mrs K A Vincent

Substitutes Conservatives

Mr N J Brennan
Mr D King
Mr M L Murrell
Mr N C Shaw

Liberal Democrat Vacancy

Date

Thursday 9 January 2020

Time

10.00 am

Place

Trafford Room
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich

Contact

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If any member wishes to clarify details relating to any matter on the agenda they are requested to contact the relevant Officer.

The Openness of Local Government Bodies Regulations 2014

Under the above Regulations, any person may take photographs, film and audio-record the proceedings and report on all public meetings. If you do not wish to be filmed / recorded, please notify an officer prior to the start of the meeting. The Council has a protocol, a copy of which will be displayed outside of each meeting room and is available on request.

**The Chairman will ask if anyone wishes to
film / record this meeting**

A G E N D A

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| 2 | Apologies for absence | |
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| 5 | Norfolk Pension Fund

To receive a presentation on the Council's Pension Fund | |
| 6 | <u>Progress Report on Internal Audit Activity</u>

To receive a report on delivery of the Audit Plan over the period July to December 2019. | 14 - 33 |
| 7 | <u>Follow Up Report Internal Audit</u>

To receive a report on progress with implementation of agreed audit recommendations. | 34 - 42 |
| 8 | <u>Audit Committee Self-Assessment</u>

For the Committee to conduct its annual self-assessment. | 43 - 46 |
| 9 | <u>Work Programme</u>

To consider the Committee's Work Programme. | 47 |

Trevor Holden
Managing Director

Glossary

General Terms	
AGS	<i>Annual Governance Statement</i> – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework
BAD DEBT PROVISION	To take account of the amount of debt which the Council estimates it will not be able to collect
CIPFA	<i>The Chartered Institute of Public Finance and Accountancy</i> – The accountancy body for public services
CREDITOR	A person or organisation which the Council owes money to for a service or goods
KPI	Key Performance Indicator
LDF	<i>Local Development Framework</i> – Outlines the management of planning in the Council
LEDGER	A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger
LGA	<i>Local Government Association</i> – a lobbying organisation for local councils
LGPS	<i>Local Government Pension Scheme</i> - Pension Scheme for all public sector employees
NFI	<i>National Fraud Initiative</i> – A national exercise to compare data across public sector organisation to aid identifying potential frauds
NHB	<i>New Homes Bonus</i> – Grant paid by central Government to local councils for increasing the number of homes and their use
NI	<i>National Indicator</i> – A measure used to identify how the Council is performing that is determined by central Government
NNDR/NDR	<i>(National) Non-Domestic Rates</i> – Commonly known as Business Rates
PI	<i>Performance Indicator</i> – Measure used to identify how the Council is performing
PSN	<i>Public Services Network</i> – Provides a secure private internet for organisations across central Government and the Wider Public Sector and standardised ICT infrastructure
RAD	Rent Assisted Deposit scheme
SLA	<i>Service Level Agreement</i> – An agreement that sets out the terms of reference for when one organisation provides a service to another
MTFP	<i>Medium Term Financial Plan</i> – Sets out the future forecast financial position of the Council
SUNDRY DEBTOR	A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the Council e.g. the Sundry Debtors system which is a module within the financial system.

Audit Terminology	
APB	<i>Auditing Practices Board</i> – The body that sets the standards for auditing in the UK
COUNT	<i>Count Once, Use Numerous Times</i> – A system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways
ISA	<i>International Auditing Standard</i> – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts
VFM Conclusion	<i>Value for Money Conclusion</i> – The Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts
Accounting Terminology	
BRRS	<i>Business Rates Retention Scheme</i> – Provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)
CFR	<i>Capital Financing Requirement</i> – A calculated figure that establishes the amount of money the Council needs to borrow
Collection Fund	A separate account statement that records the transactions relating to the collection and redistribution of Council Tax and Business Rates
GAAP	<i>Generally Accepted Accounting Practice</i> – This provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)
IAS	<i>International Accounting Standards</i> – These were the precursors for international financial reporting standards (see below)
IFRS	<i>International Financial Reporting Standards</i> – The underlying standards for the Council's accounting policies and treatment of balances
IPSAS	<i>International Public Sector Accounting Standards</i> – These set out the accounting standards for public sector bodies, and are based on the international financial reporting standards
MRP	<i>Minimum Revenue Provision</i> – The amount of money the Council needs to set aside each year to fund activities from revenue balances
Non-current assets	Assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)
RSG	<i>Revenue Support Grant</i> – One source of Council funding from central Government
SSAP	<i>Statement of Standard Accounting Practice</i> – Preceded the financial reporting standards in the UK
The Code	<i>Code of Practice on Local Authority Accounting in the UK</i> – Main guidance on accounting treatment required for the statement of accounts
Virement	The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval
WGA	<i>Whole of Government Accounts</i> – An exercise undertaken to consolidate all the accounting records of Government bodies
International Accounting and Financial Reporting Standards Reference Numbers	
IAS1	<i>Presentation of Financial Statements</i> – Sets out the prescribed format for statements of accounts

IAS19	<i>Employee Benefits</i> – Essentially provides the basis for accounting for the pension fund
IAS20	<i>Accounting for Government Grants</i> – Establishes the accounting treatment for receiving Government grants
IAS40	<i>Investment Property</i> – How organisations should account for properties held as an investment
IPSAS16	<i>Investment Property</i> – How public sector organisations should account for properties held as an investment
IPSAS23	<i>Revenue from non-exchange transactions (taxes and transfers)</i> – This determines how monies from taxes should be treated in the accounts

DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.

Does the interest directly:

1. Affect yours, or your spouse / partner's financial position?
2. Relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?
3. Relate to a contract you, or your spouse / partner have with the Council
4. Affect land you or your spouse / partner own
5. Affect a company that you or your partner own, or have a shareholding in

If the answer is "yes" to any of the above, it is likely to be pecuniary.

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?

If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

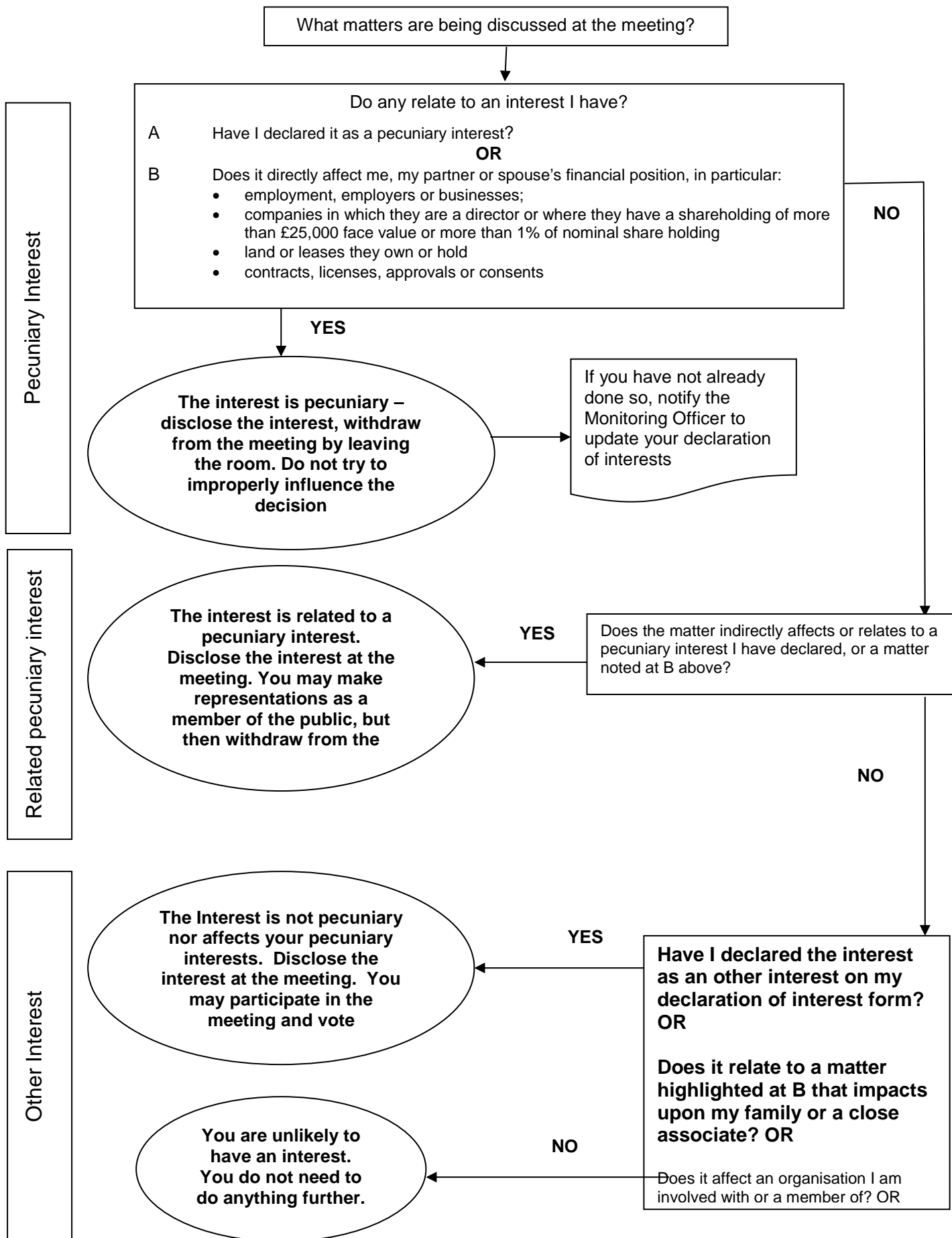
Is the interest not related to any of the above? If so, it is likely to be another interest. You will need to declare the interest, but may participate in discussion and voting on the item.

Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF

PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST INSTANCE

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 14 November 2019** at **10am** when there were present:

Mr G K Nurden – Chairman

Mr N J Brennan

Mr P E Bulman

Mr M L Murrell

Also in attendance were the Director of Resources, Assistant Director of Finance, Procurement Consortium Manager and the Senior Committee Officer.

19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Crotch, Ms Holland and Mrs Vincent.

20 MINUTES

The Minutes of the meeting held on 10 October 2019 were confirmed as a correct record and signed by the Chairman.

Minute no: 16 – Draft Commercialisation Strategy

In response to a question on when the report on Broadland Growth Ltd would be presented to the Audit Committee, the Director of Resources referred Members to the committee's work programme (Minute no: 22 referred). The intention was for a presentation, as opposed to a written report, providing the history to the joint venture, its governance arrangements and proposed future reporting arrangements. In addition, the Managing Director would be making a presentation on both Broadland and South Norfolk Councils' joint venture companies at the joint all Member briefing on 4 December 2019.

In response to questions on why the Committee had not had sight of the financial accounts and audit report, the Director of Resources clarified that the accounts belonged to the JVC but were included within the Council's own accounts. In terms of the Council's interest, this was limited to its investment in the company and ensuring it was satisfied with the risks and returns and not how the company was run. She added that the company had recently been the subject of an internal audit which looked at governance arrangements etc. The Chairman requested that the accounts and audit reports be considered by the Audit Committee and the Director of Resources responded that, as Broadland Growth was a limited company, she would put this request to the Board of Directors for decision.

21 CONTRACT STANDING ORDERS (CONTRACT PROCEDURE RULES)

The Procurement Consortium Manager presented his report, advising that the Contract Standing Orders (Contract Procedure Rules) had been reviewed to align the framework within which both Broadland and South Norfolk Councils operated in terms of procuring for works, supplies and services. The proposed revisions also provided for enabling social value, encouraging participation by local businesses to support the local economy and to assist in protecting the environment when bidding for council procurement opportunities.

It was noted that the proposed joint Contract Procedure Rules provided a single, comprehensive summary of the procurement processes which the councils needed to comply with to demonstrate value for money, competitiveness and legal compliance, as well as setting out clearly what officers needed to do from project appraisal, tender evaluation, award of contract and through to ongoing contract management. They were also up to date in terms of risk management, bribery, collaborative working and the European Union legislative requirements and associated UK regulations.

The Committee had before it a copy of the current procedures alongside the proposed procedures to highlight the main changes. The Procurement Consortium Manager advised that the key changes related to threshold values, the contract awards process (ie authority to award) and disposal of assets. He added that part of his role involved working with other local authorities, including Gt Yarmouth Borough and North Norfolk District Councils, who were also considering the same model. The benefits of this approach were that it would be easier for officers to operate on collaborative procurement plus the market would find it easier to tender if the same processes applied. Furthermore, document preparation would be simpler with just the one set of Contract Procedure Rules.

A Member referred to an issue which the Internal Auditor had raised about Purchase Orders not always being produced and the risk of suppliers not being paid as a result and asked if this would be tightened up through this new process. The Director of Resources responded that the authorisation of payments was being reviewed as part of the new staffing structure to reflect new posts and postholders etc and this would be followed by comprehensive training in January 2020. Each service area was responsible for producing Purchase Orders and if staff failed to comply, once they had received the training, this could potentially result in disciplinary proceedings. Producing Purchase Orders enabled better budget management but even without a PO, payments still had to be officially authorised. In response to a question on whether this issue had also arisen at South Norfolk Council, the Director of Resources advised that this had been an issue in the past (approximately 8 years ago) and a strong stance had been taken – no PO resulted in no payment. It was accepted this was extreme but suppliers had been warned that they must have a PO and officers would soon comply once suppliers

ceased supplying them with goods and services. The Procurement Consortium Manager added that any new supplier had to complete a form with their details before they could be approved and added to the finance payments system – without going through this process and without a PO, they could not be paid. The Director of Resources drew Members' attention to some situations where it was not feasible to produce a PO in advance – such as at the depot when parts needed to be ordered outside normal office hours and therefore an element of flexibility was needed. However, a PO would always be produced retrospectively. In addition, a small percentage of tolerance was permitted for variations between the PO and invoice to allow for rounding up of numbers etc.

When asked how the Contracts Procedure Rules compared to those used by South Norfolk Council, the Director of Resources responded that they were currently very different and its Finance, Resources, Audit and Governance Committee had very recently recommended adoption of the new procedures. She emphasised that it had not simply been a case of merging both authorities' Standing Orders but the Procurement Consortium Manager had been asked to look at all models, such as Preston held as a Vanguard for procurement and also use his experiences as well as meeting with suppliers. She added that a number of small suppliers wanted to be included on the business list for all local authorities and the public sector and this would be easier with just the one set of Procedure Rules.

A Member queried how value for money could be demonstrated if only a single quotation was required for contracts less than £20,000 in value. The Procurement Consortium Manager responded that the previous experience of the supplier would be required to be evidenced. Furthermore, officers could request additional information if they were not satisfied, such as requesting two or more quotations. Officers would use their own judgement on a case by case basis. In response to a question on the level of delegation (eg Assistant Director or officer), the Director of Resources advised that it would be up to the AD to determine, eg if it related to expensive vehicle parts at the depot or leisure centres. She added that this was less relevant at Broadland which tended to have either low level expense or very high (eg waste services). Furthermore, the delegation did not necessarily have to be for the full amount but would be appropriate to the level of officer and also based on trust.

A Member questioned if this also referred to the renewal or extension of contracts and, in response, the Procurement Consortium Manager advised that this was a completely different subject area with each contract being dealt with on a case by case basis. Members' attention was drawn to paragraph 21 of the proposed Procedure Rules which stipulated that no contract could be extended except in accordance with the original contract terms. The Procurement Consortium Manager advised that, for major procurement, officers were recommended to have early engagement with the procurement team for advice on contract extensions etc. The Director of Resources added that the Council's Contracts Register was published on the website identifying contract end dates. Suppliers kept a close eye on expiry

dates and frequently contacted the procurement team to ensure they were involved in any new procurement opportunities.

A Member repeated his concerns about the proposed change to contracts less than £20,000, considering this to be the biggest area of risk. He stated that he was uncomfortable with the proposed value size if only one single quotation was required. As he considered this to be a potential area for fraud, he considered the requirement should be tightened. The Procurement Consortium Manager responded that regular checks were carried out on spend values and monitoring undertaken on a six monthly basis. If this identified procurement was being carried out for, say £10,000 for the same thing, then officers would be advised that this should be done under one contract and not multiples. In response to a comment that officers could potentially split a contract to keep within the financial limit, the Procurement Consortium Manager advised that this would not be possible as the procurement regulations, accompanied by a quick-step guide, specifically referred to the non-splitting of contracts. When asked how this could be prevented / controlled, the Assistant Director of Finance responded that budget monitoring would highlight any rogue spending and this was an effective way of control.

In response to a question on the level of threshold for overspend, the Assistant Director of Finance advised that this varied according to the budget code but three business partners in the finance team provided the appropriate controls.

A Member questioned how incompetence would be dealt with as opposed to fraudulent activity. The Director of Resources responded that Internal Audit would check annually, using Purchase Order and payments data. As it was a two-step process, it required more than one person to complete. Furthermore, staff were aware that they needed to check when they received notification from suppliers that they had changed their bank details – they would not just rely on a letter received in the post on the company headed paper.

When questioned on whether suppliers were audited, the Procurement Consortium Manager advised that this depended on the contract value but financial checks were carried out, especially for tenderers. In addition, for strategic contracts, health and safety requirements also had to be complied with. Tenderers were requested to supply insurance documents, financial accounts, credit history etc.

In relation to contract awards approvals, a Member raised concerns at the proposals as they no longer included Portfolio Holder authority. He suggested the following:

Contract Value	Authority
Up to £75,000	Director
£75,000 - £100,000	CMLT
£100,000 - £500,000	Portfolio Holder
Above £500,000	Cabinet

In response, the Procurement Consortium Manager advised that this would mean it would not be possible to align the Contract Procedure Rules with South Norfolk Council as its Scheme of Delegation did not include Portfolio Holder approvals. The Director of Resources added that she had discussed the proposals with the Portfolio for Finance as procurement fell within her remit and she had confirmed she was satisfied. Furthermore, it was unknown what other local authorities' arrangements were for delegating decisions to Portfolio Holders but every council had a Cabinet. The Procurement Consortium Manager indicated that the figures suggested for a Portfolio Holder decision were exceptionally high and £100,000 was the normal value for a Cabinet decision. In response to a comment that the level of scrutiny would be reduced without Portfolio Holder decisions, the Assistant Director of Finance advised that the Contract Procedure Rules would be reviewed annually and could be changed if required.

Regarding disposal of assets, a Member questioned why the Section 151 Officer had to consult the Monitoring Officer and asked how this would be documented / evidenced. In addition, the suggested wording was unclear for assets with a value of £20,000 and above. Another Member expressed concern that there was no upper financial limit proposed and suggested that assets with a value over £100,000 require Cabinet approval for disposal. The Director of Resources responded that the wording could be clarified as requested and if it was agreed by the Committee, Council could be recommended to amend the approval method as suggested.

Accordingly, it was

RECOMMENDED TO COUNCIL:

to approve the new Contract Procedure Rules (as attached to the signed copy of these Minutes), subject to the following amendments:

Disposal of Assets

Paragraph 25.3

Total Value	Method
Up to £20,000	By whatever means the relevant Director shall decide consistent with the asset disposal rules
£20,000 to £100,000	Tender sought by public advertisement or by public auction or Such other means as the Section 151 Officer shall approve, after formal written consultation with the Monitoring Officer
£100,000 and above	Cabinet approval

22 WORK PROGRAMME

The Director of Resources advised that the Counter Fraud Investigation Officer would be leaving the Council's employment before Christmas and had therefore requested her to prepare the fraud update in advance. This would then be available for the Committee's next meeting on 9 January 2020.

The Committee noted / updated its work programme as follows:

9 January 2020	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Audit Committee Self-Assessment• Fraud Update• Pension Fund Presentation• BDR 1809 – Key Controls and Assurance Work – Purchase Orders
12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020
TBC 2020	<ul style="list-style-type: none">• Broadland Growth Ltd Update

The meeting closed at 12.30pm

Agenda Item: 6

**Audit Committee
9 January 2020**

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Report Author:	Faye Haywood, Internal Audit Manager, fhaywood@s-norfolk.gov.uk 01508 533873
Portfolio Holder:	Finance
Wards Affected:	All
Purpose of the Report:	This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2019/20 during the 5 July 2019 to 18 December 2019 and includes executive summaries in respect of audit reviews which have been finalised over this period.

Recommendations:

1. That Members note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2019/20 financial year.

1 SUMMARY

- 1.1 This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2019/20 during the period 5 July 2019 and the 18 December 2019 and includes executive summaries in respect of audit reviews which have been finalised over this period.

2 BACKGROUND

- 2.1 The Audit Committee receive updates on progress made against the Annual Internal Audit Plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Measures.

3 CURRENT POSITION

- 3.1 The current position in relation to the delivery of the Annual Internal Audit Plan 2019/20 is shown in the report attached.

4 PROPOSED ACTION

- 4.1 For the Audit Committee to review the progress made in the delivery of the Annual Internal Audit Plan for 2019/20.

5 OTHER OPTIONS

- 5.1 n/a

6 ISSUES AND RISKS

- 6.1 **Risks** - Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion. Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.

6.2 **Resource implications** – none

6.3 **Legal implications** – none

6.4 **Equality implications** – none

6.5 **Environmental impact** – none

6.6 **Crime and disorder** – none

7 CONCLUSION

7.1 The 2019/20 Annual Internal Audit Plan has been completed as expected.

8 RECOMMENDATIONS

8.1 That Members note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2019/20 financial year.

Background Papers

None

Eastern Internal Audit Services



Broadland District Council

Progress Report on Internal Audit Activity

Period Covered: 5 July 2019 – 18 December 2019

Responsible Officer: Faye Haywood –Internal Audit Manager for Broadland District Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 14 March 2019 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the last progress report presented to the Committee in July 2019 there have been no further changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 77 days of programmed work has been completed, equating to 55% of the Audit Plan for 2019/20.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services have issued four final reports:

Audit	Assurance	P1	P2	P3
Private Sector Housing DFGs	Substantial	0	0	0
Disaster Recovery	Reasonable	0	2	4
Broadland Growth	Reasonable	0	5	8
Accounts Receivable	Substantial	0	0	0

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

- 4.5 As can be seen in the table above as a result of these audits 19 recommendations have been raised and agreed by management.

In addition, two Operational Effectiveness Matters have been proposed to management for consideration.

- 4.6 It is also pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas, the performance measures can be seen at **Appendix 3**.

- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

- 5.3 The second quarters work has been completed and a report on the performance measures provided to the Head of Internal Audit. Performance is currently at green status with the 2019-20 Internal Audit Plan being delivered in line with expectations.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee	Comments
							Urgent	Important	Needs Attention	Op		
Quarter 1												
TOTAL		0	0	0								
Quarter 2												
Broadland Growth	BRD2001	10	10	10	Final report issued 1 November 2019	Reasonable	0	5	8	2	Jan-20	
Risk Management	BRD2009	5	5	5	Final report issued 17 September 2019						Oct-19	Joint Audit SNC
Private Sector Housing inc DFGs	BRD2007	10	10	10	Final report issued 14 October 2019	Substantial	0	0	0	0	Jan-19	
TOTAL		25	25	25								
Quarter 3												
Corporate Governance	BRD2002	6	6	5	Draft report issued 6 December 2019							Joint Audit SNC
Accountancy Services	BRD2003	15	15	14	Draft report issued 2 December 2019							
Accounts Receivable	BRD2004	10	10	10	Final report issued 4 December 2019	Substantial	0	0	0	0	Jan-20	
Income	BRD2005	8	8	7	Draft report issued 11 November 2019							
Homelessness, Home Options and Private Sector Leasing	BRD2006	12	12	6	Fieldwork stage. Final report due 7 January 2020							
TOTAL		51	51	42								
Quarter 4												
Key Controls and Assurance	BRD2008	15	15	0								
Planning and Development - Joint SNC	BRD2010	20	20	0								Joint Audit SNC
TOTAL		35	35	0								
IT Audits												
Disaster Recovery and Business Continuity	BRD2011	10	10	10	Final report issued 19 November 2019	Reasonable	0	2	4	0	Jan-20	Joint Audit SNC
Network Infrastructure and Security	BRD2012	10	10	0								Joint Audit SNC
TOTAL		20	20	10								
Follow Up												
Follow Up	NA	10	10	0								
TOTAL		10	10	0								
TOTAL		141	141	77			0	7	12	2		
Percentage of plan completed				55%								

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Private Sector Housing

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

No recommendations arose during the course of this review.

SCOPE

The Warm Homes Fund project was reviewed to provide assurance that the team are managing grant audit requirements effectively. The scope included recipient agreements and processes, budget and funding arrangements, grant awards, performance measures and monitoring, and reporting arrangements.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The project is overseen by a Warm Homes Fund (WHF) Steering Group, which is attended by key stakeholders and meets on a quarterly basis. There is also a Local Authority Working Group which meets on a monthly basis to manage the project, and meetings have been held with attendance from the funders. These meetings reduce the risk of the project failing to meet its objectives through lack of stakeholder oversight and engagement.
- A WHF Administrator Handbook has been produced and there are written instructions for how to process grants on the BDC Flare system, reducing the risk of administrative errors especially in the event of key staff being unavailable.
- Quarterly submissions are made to the funder, Affordable Warmth Solutions (AWS) for scrutiny prior to the release of funding, reducing the risk of a failure to meet project requirements as set out in the signed Recipient Agreements.
- Signed contracts are in place with the partnership organisations (Saffron and Clarion) for the work to be undertaken, reducing the risk of non-delivery which could lead to failure of the project.
- The Warm Homes Fund budget covers all aspects of the programme and covers the cost of delivering the service. The budget is discussed on a quarterly basis with a Management Accountant, reducing the risk of overspend. The project is currently underspent and a small final underspend of £130 is forecast.
- Grants are supported by evidence of eligibility, approval by the Private Sector Housing Manager or Warm Homes Programme Manager, satisfactory completion of works, and funding amounts in line with the scheme. All grants in the sample could be traced to quarterly returns to AWS and to invoices. Maintenance of this evidence and the controls in place reduce the risk of ineligible or unauthorised installations.
- A market and communication consultant has been engaged to help promote the programme more widely across Norfolk through a planned marketing plan including social media activity, reducing the risk of vulnerable people being unaware of the possible help available to them.

Assurance Review of Broadland Growth

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance	0	4	7	1
Accounting & Financial Arrangements and Business Plan	0	1	0	1
Plumstead Development	0	0	1	0
Total	0	5	8	2

SCOPE

The objective of the audit is to review the systems and controls in place over Broadland Growth to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of five 'important' and eight 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous audit of Broadland Growth (BR/18/02) was completed in July 2017 with a 'Reasonable' assurance opinion, as a result of five 'important' and one 'needs attention' recommendations being raised. This indicates an adverse direction of travel since the previous audit in this area, although is still within the range of reasonable assurance.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Governance

- The company register is up to date and consistent with Companies House records enabling transparent filing of company records. In addition, annual confirmation statements have been filed in a timely manner and on an annual basis.
- Rights of the shareholders are made clear in the shareholders agreement which lists the matters which require shareholder consent. This enables distinction to be made between the shareholders rights and the responsibilities of the company board of directors.

Accounting and financial arrangements

- NPS undertook a benchmarking exercise of NPS Project Fees against Nationally Published Data for Great Plumstead Housing Project for Broadland Growth Ltd which concluded that other than Mechanical and Electrical Engineering, the NPS fee is lower than benchmark figure and overall the NPS fees for the project are 30% less than the benchmark figure which demonstrates VFM.

Plumstead Development

- Management accounts are presented to the board on a monthly basis which outline profit and loss, balance sheet, cash flow and loan drawdown. This facilitates timely decision making based on current financial information.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where five 'important' recommendations have been made.

Governance

- A company risk register be produced to capture all risks in relation to the company's objectives as outlined in the business plan including risk appetite. Without effective risk management, there is an increased risk the company's objectives are not met.
- The quarterly reports to cabinet, regarding ongoing projects, are re-instigated containing key financial information and progress against plan. These mitigate the risk of inadequate transparency and escalation of issues to the Council.
- The company formally adopt key policies such as business continuity and disaster recovery, counter fraud, corruption and bribery, which are aligned with the Council's / NPS own policies. If policies are not in place, there will not be defined procedures to follow in various eventualities, resulting in ineffective responses.
- Business resilience arrangements are reviewed with regards to the Council's client management role to ensure there is adequate contingency in place.

Accounting & Financial Arrangements and Business Plan

- The business plan is reviewed to ensure it consistently refers to the correct period it covers; the objectives and aims are consistent; inclusion of Plumstead Development; financial information insertion; and one year business plan. This mitigates the risk of unclear direction and achieving the set objectives.

The audit has also highlighted the following areas where eight 'needs attention' recommendations have been made.

Governance

- More information is provided on the Council's website about Broadland Growth and the relationship between the company and the Council. This helps reduce the risk of misconceptions about the relationship which may cause reputational damage to the Council
- 'Other sites for future development' is a standing agenda item which includes an update on sites covered in the previous board meeting. This assists in the continuity of reporting and mitigates the risk that the board is not fully informed of latest developments.
- Board Procedures and Terms for BGL are produced to complement the articles of association which helps reduce the risk that board proceedings are unclear leading to inconsistent understanding of the of the scope and objectives of the board meetings.
- Frequency of board meetings are undertaken quarterly in accordance with the articles of association, which mitigate the risk that the board is not informed of key activities in a timely manner which leans to inadequate decision making.

- Board minutes be circulated to the board within one month of meeting date and minutes be reviewed by the Company Secretary prior to circulation. This assists in mitigating the risk that there is an inaccurate record of actions agreed and decisions made.
- Job descriptions be produced for the Directors role, taking into account any areas of specialism such as property development or finance. This helps to mitigate the risk that there is ambiguity over roles and responsibilities of the Directors.
- The company secretary role is formally documented and agreed, mitigating the risk that the role is unclear and there is ineffective administration of the company.

Plumstead Development

- To update the Plumstead development risk register to include a target risk score after mitigation control actions. It should also be made clear what the current risk score is. This assists in the appropriate management of identified risks.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Governance

- Processes are updated so that Broadland Growth supplier/creditor invoices are sent direct to the NPS office instead of the Council. This mitigates the risk that suppliers are not paid in a timely manner.

Accounting & Financial Arrangements and Business Plan

- Consideration be given to reviewing market share based on the industry's competitors on a like for like basis.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding as confirmed during audit cyclical follow up checks. However, management were unable to provide evidence in respect of two recommendations which relate to the company formally adopting key policies; and information being provided on the Council's website about Broadland Growth. Therefore, two similar recommendations have been raised.

Assurance Review of Disaster Recovery (DR)

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adequacy of DR Provision	0	1	0	0
DR Testing	0	1	1	0
DR Development for New Systems	0	0	1	0
Alignment with the Business Continuity Plans	0	0	1	0
Continuous Improvement	0	0	0	0
Physical Access Controls	0	0	1	0
Total	0	2	4	0

No recommendations were made in the areas of Backup & Recovery capabilities and Third Party Management

SCOPE

This area was last reviewed in 2017/18 and was given reasonable assurance. This area is viewed as a high risk due to infrastructure capabilities. There is a long- term aspiration to increase the DR resilience at both Broadland and South Norfolk by sharing these services. This review will therefore be joint and focus on the similarities of the DR offering at both Councils, provide assurance that DR plans are closely linked with Business Continuity (BC) Arrangements and are regularly tested to check their adequacy.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'Important' and four 'Needs Attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- There is a range of internal IT operational guidance documentation and local staff knowledge in place to help support the timely recovery of key IT systems, following an incident.
- Invocation and escalation plans were noted as being part of the Council's Corporate Business Continuity plan.
- The Council has set up a system of daily backups that involve backing up all data at Thorpe Lodge to disc and then sending a copy of the data to Carrowbreck. As Carrowbreck is also an active site in its own right, its data is also backed up to disc and then copied across to Thorpe Lodge on a daily basis. Thus, there is an offsite copy of the data stored at both sites. The offsite copies are known as replicas.
- The replicas created from the backups are used to build the required business system environments as required either at Carrowbreck or Thorpe Lodge depending on where an outage has occurred. The Veeam implementations hosted at Carrowbreck and Thorpe Lodge enable recovery to be performed for both sites from either site depending on where the outage has occurred.
- The Emergency Planning Manager and ICT & Facilities Manager worked with all Council departments to understand their business priorities for the purposes of designing an appropriate DR response to support them. The priorities were documented into a 'swim lane' spreadsheet matrix that was also incorporated into the BC plan.
- The Council's telephony infrastructure is supported by Vodafone. The support includes the ability to redirect telephony traffic to Carrowbreck, should Thorpe Lodge systems be unavailable.
- We noted adequate environmental and physical security controls at both sites. Such controls were noted as including climate controls and security locks at entrance doors to both facilities.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'Important' recommendations have been made.

Adequacy of DR Provision

- Hard copy BC and DR documentation needs to be stored on- and off-site so that these can be consulted as required where IT systems are not available.

DR Testing

- There is a need to devise an appropriate, risk-based DR testing strategy and plan to reduce the risk of not being able to support the recovery of key systems and infrastructure, following an incident.

The audit has also highlighted the following areas where four 'Needs Attention' recommendations have been made.

DR Testing

- There is a need to ensure that all DR tests are formally documented into test reports and that lessons learned from them are accounted for.

DR Development for New Systems

- There is a need to incorporate appropriate consideration of DR support requirements within the Council's project management framework.

Alignment with the Business Continuity Plans

- There is a need to ensure ongoing review and formal approval of the Recovery Time Objectives document to demonstrate that it remains aligned to changing Council priorities.

Physical Access Controls

- There is a need to install camera surveillance at the Carrowbreck DR facility to reduce the risk of undetected unauthorised entry.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

Two recommendations raised in the BRD1803 Disaster Recovery Audit Report were recorded as complete but have since lapsed and have therefore been re-raised and superseded by the recommendations raised within this audit. These recommendations relate to; holding copies of DR plans at the recovery site and documenting disaster recovery testing. The control issues are still present, but the recommendations have been expanded and modified to reflect the testing results and current situation.

Other points to note:

Testing for this audit was undertaken at both South Norfolk Council and Broadland as a joint review. The review established that there is an assumption that as part of the collaboration work, Broadland and South Norfolk will explore options for disaster recovery integration. Once complete, it is suggested that in the event the South Norfolk office was unreachable due to an incident, data and systems could be accessed at Broadland and vice versa. Management at both Councils have confirmed that once an acceptable solution has been established, business continuity and disaster recovery plans will be updated to reflect the new arrangements.

Assurance Review of the Accounts Receivable Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

No recommendations arose relating to raising debts, refunds, credit notes, recovery or write-offs. There is one outstanding recommendation relating to policies and procedures.

SCOPE

This key financial systems control testing and results feed into the Statement of Accounts. These areas require regular review to confirm the adequacy and effectiveness of controls.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Council's debt recovery process is clearly stated in its Debt Management Policy and this process is adhered to. This helps to reduce the risk of debts not being recovered.
- Authorised users in department can raise invoices on Civica, and these are promptly issued to following a control check by the Payments team. The Payments Team routinely reviews any invoices not fully submitted to ensure no invoices are overlooked.
- A report run on 18th November 2019 showed there had been 145 credit notes totalling £24,402 and five refunds totalling £555 raised since 1st January. Testing confirmed that all were appropriately authorised with reasons documented, thus helping to ensure that credits and refunds are correct.
- Aged debt reports are reviewed on a weekly basis. Sample testing confirmed that all debts on the listings are reviewed, and actions taken are documented including the agreement of instalment plans, and referrals to a debt collection agency and solicitors. This helps to increase the chances of income due being received.
- There is a process for documenting and authorising write-offs, although there had been very few of these in 2019 and all were very low value meaning a minimal loss of income to the Council.

Agenda Item: 7

**Audit Committee
9 January 2020**

FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Report Author: Faye Haywood, Internal Audit Manager,
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Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: This report seeks to inform Members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 18 December 2019.

Recommendations:

1. That Members note the position in relation to the completion of agreed Internal Audit recommendations.

1 SUMMARY

- 1.1 This report seeks to inform members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 18 December 2019.

2 BACKGROUND

- 2.1 This report forms part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting at Broadland District Council is twice yearly.
- 2.3 To comply with the above this report includes the status of agreed actions.

3 CURRENT POSITION

- 3.1 The report attached shows the progress in relation to implementing agreed internal audit recommendations.

4 PROPOSED ACTION

- 4.1 For the Audit Committee to review the progress made by the Council in implementing agreed Internal Audit recommendations.

5 OTHER OPTIONS

- 5.1 The Audit Committee has the following option:

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

6 ISSUES AND RISKS

- 6.1 Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.
- 6.2 **Resource implications** – none
- 6.3 **Legal implications** – none

- 6.4 **Equality implications** – none
- 6.5 **Environmental impact** – none
- 6.6 **Crime and disorder** – none

7 CONCLUSION

- 7.1 Good progress has been made in addressing prior financial year recommendations with only two now outstanding from 2017/18 which we would urge management to resolve in time for year-end reporting.
- 7.2 There are currently five recommendations outstanding from 2018/19. None are outstanding from 2019/20.

8 RECOMMENDATIONS

- 8.1 That Members note the position in relation to the completion of agreed Internal Audit recommendations.

Background Papers

None

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2019 to 18 December 2019

Responsible Officer: Faye Haywood – Internal Audit Manager for Broadland DC

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1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken to enable the Committee to easily identify old outstanding recommendations. The table also identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 In 2017/18 internal audit raised 36 recommendations, with 34 now being closed. One important and one needs attention recommendations remain outstanding. The management responses in relation to the outstanding important recommendation can be seen at **Appendix 2** of the report.

Number raised	36	
Complete	34	94%
Outstanding	2	6%

- 2.4 In 2018/19 Internal Audit raised 30 recommendations. Of these 25 are closed. A total of five recommendations are now outstanding, three important and two needs attention. The management responses in relation to the outstanding important recommendations can be seen at **Appendix 3** of the report.

Number raised	30	
Complete	25	
Outstanding	5	

- 2.5 In 2019/20 internal audit has raised 19 recommendations so far. Of these three are complete. A total of 16 recommendation are not yet due.

Number raised	19	
Complete	3	16%
Not yet due	16	84%

- 2.6 We are pleased to note that good progress has been made to address recommendations raised from the previous financial years with only two remaining from 2017/18 which we would urge management to resolve in time for year-end reporting.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 1 April 2019 - 18 December 2019			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2017/18 Internal Audit Reviews															
BRD1806	Accounts Receivable	Substantial						1				1			
BRD1809	Key Controls and Assurance	Reasonable					1					1			
2018/19 Internal Audit Reviews															
BRD1901	Procurement	Reasonable		2			2					2			
BRD1902	Cyber Crime	Reasonable					1					1			
BRD1903	GDPR	Reasonable		1				1				1			
BRD1906	Accounts Payable	Reasonable						1							
BRD1907	Payroll and HR	Reasonable		1	1										
BRD1909	Key Controls and Assurance	Reasonable		1											
2019/20 Internal Audit Reviews															
BRD2001	Broadland Growth	Reasonable			2									5	6
BRD2011	Disaster Recovery	Reasonable		1										1	4
TOTALS			0	5	1	0	4	3	0	0	0	6	0	0	0

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1809 Key Controls assurance work	Recommendation 1: Purchase orders are to be used for all purchases within the Council apart from suppliers on an approved exceptions list. In addition, all purchase orders to be raised prior to the purchase and independently authorised by a manager.	2	Agreed	Senior Finance Officer	31/07/2018	31/03/2020	Outstanding	The level of compliance is improving internally and is still being monitored. The payments supervisor meets with those not using purchase orders and their managers to request that purchase orders are used. The number of signatories on site is a current issue, which impacts on availability to sign them off/use them in advance. A new arrangement is being trialled for housing officers to raise their own purchase orders. With restructures ongoing over the next few months it may not be possible to reach a position of purchase orders being used for all relevant purchases. As such a revised date is required, to allow time following the restructures in finance.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1901 Procurement	Recommendation 3: The contract register to be presented to the Corporate Leadership Team on a quarterly basis.	2	Agreed	Director of Resources	30/09/2018	31/03/2020	Outstanding	Preparations are being made to provide quarterly updates on procurement activities across both Councils to CMLT, to commence following completion of quarter 4.
BRD1901 Procurement	Recommendation 4: As part of a quarterly update of the contracts register, a review of higher value and aggregate invoices to be completed in order to identify whether formal contracts should have been procured. The outcomes of the review to be reported to the CLT.	2	Agreed	Director of Resources	31/08/2018	31/12/2019	Outstanding	The Procurement team will now be carrying out this work for SNC and BRD. The Finance Team will provide the data required and the first quarter's analysis on aggregate spend will be completed for Q3 2019/20.
BRD1902 Cyber Crime	Recommendation 3. The Council to investigate options for deploying appropriate Cyber security training to all relevant staff. Options available from SOCITM or existing Council e-learning facilities are potential avenues for investigation.	2	Agreed	Head of ICT and Facilities	01/12/2018	31/03/2020	Outstanding	Training (e-learning) has been set up and configured. There are 12 modules that will be split into three sections, this is being arranged with the supplier before being rolled out to staff.

Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
	Audit Committee purpose and governance			
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full authority?			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
	Functions of the committee			
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			

11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
	Membership and support			
12	Has an effective audit committee structure and composition of the board been selected? This should include: <ul style="list-style-type: none"> - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process 			
13	Does the chair of the committee have appropriate knowledge and skills?			
14	Are arrangements in place to support the committee with briefings and training?			
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?			
17	Is adequate secretariat and administrative support to the committee provided?			
	Effectiveness of the committee			
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
19	Has the committee evaluated whether and how it is adding value to the organisation?			
20	Does the committee have an action plan to improve any areas of weakness?			

Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making		
Contributing to the development of an effective control environment		
Supporting the establishment of arrangements for the		

governance of risk and for effective arrangements to manage risks		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence		
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements		
Supporting the development of robust arrangements for ensuring value for money		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks		

WORK PROGRAMME

12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020• Fraud Update
TBC 2020	<ul style="list-style-type: none">• Broadland Growth Ltd Update (requested 10/10/19)