

# 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 12 March 2020

### Time

10.00 am

### Place

Trafford Room  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich

### Contact

James Overy tel (01603) 430540

Broadland District Council  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich NR7 0DU



E-mail: [james.overy@broadland.gov.uk](mailto:james.overy@broadland.gov.uk)



@BDCDemServices

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**

**Page No**

<b>1</b>	<b>To receive declarations of interest under Procedural Rule no 8</b>	
<b>2</b>	<b>Apologies for absence</b>	
<b>3</b>	<b>Minutes of the meeting held on 9 January 2020</b>	<b>8</b>
<b>4</b>	<b>Matters arising therefrom (if any)</b>	
<b>5</b>	<b>Strategic and Annual Internal Audit Plans 2020/21</b>	<b>13</b>
<b>6</b>	<b>External Audit Plan Year Ended 21 March 2020</b>	<b>30</b>
<b>7</b>	<b>Annual Report of the Audit Committee</b>	<b>72</b>
<b>8</b>	<b>Annual Fraud Update</b>	<b>78</b>
<b>9</b>	<b>Audit Committee Self-Assessment</b>	<b>81</b>
<b>10</b>	<b>Work Programme</b>	<b>91</b>

Trevor Holden  
Managing Director

# Glossary

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

<b>Audit Terminology</b>	
<b>APB</b>	<i>Auditing Practices Board</i> – The body that sets the standards for auditing in the UK
<b>COUNT</b>	<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
<b>ISA</b>	<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
<b>VFM Conclusion</b>	<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
<b>Accounting Terminology</b>	
<b>BRRS</b>	<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)
<b>CFR</b>	<i>Capital Financing Requirement</i> – A calculated figure that establishes the amount of money the Council needs to borrow
<b>Collection Fund</b>	A separate account statement that records the transactions relating to the collection and redistribution of Council Tax and Business Rates
<b>GAAP</b>	<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)
<b>IAS</b>	<i>International Accounting Standards</i> – These were the precursors for international financial reporting standards (see below)
<b>IFRS</b>	<i>International Financial Reporting Standards</i> – The underlying standards for the Council's accounting policies and treatment of balances
<b>IPSAS</b>	<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
<b>MRP</b>	<i>Minimum Revenue Provision</i> – The amount of money the Council needs to set aside each year to fund activities from revenue balances
<b>Non-current assets</b>	Assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)
<b>RSG</b>	<i>Revenue Support Grant</i> – One source of Council funding from central Government
<b>SSAP</b>	<i>Statement of Standard Accounting Practice</i> – Preceded the financial reporting standards in the UK
<b>The Code</b>	<i>Code of Practice on Local Authority Accounting in the UK</i> – Main guidance on accounting treatment required for the statement of accounts
<b>Virement</b>	The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval
<b>WGA</b>	<i>Whole of Government Accounts</i> – An exercise undertaken to consolidate all the accounting records of Government bodies
<b>International Accounting and Financial Reporting Standards Reference Numbers</b>	
<b>IAS1</b>	<i>Presentation of Financial Statements</i> – Sets out the prescribed format for statements of accounts

<b>IAS19</b>	<i>Employee Benefits</i> – Essentially provides the basis for accounting for the pension fund
<b>IAS20</b>	<i>Accounting for Government Grants</i> – Establishes the accounting treatment for receiving Government grants
<b>IAS40</b>	<i>Investment Property</i> – How organisations should account for properties held as an investment
<b>IPSAS16</b>	<i>Investment Property</i> – How public sector organisations should account for properties held as an investment
<b>IPSAS23</b>	<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.

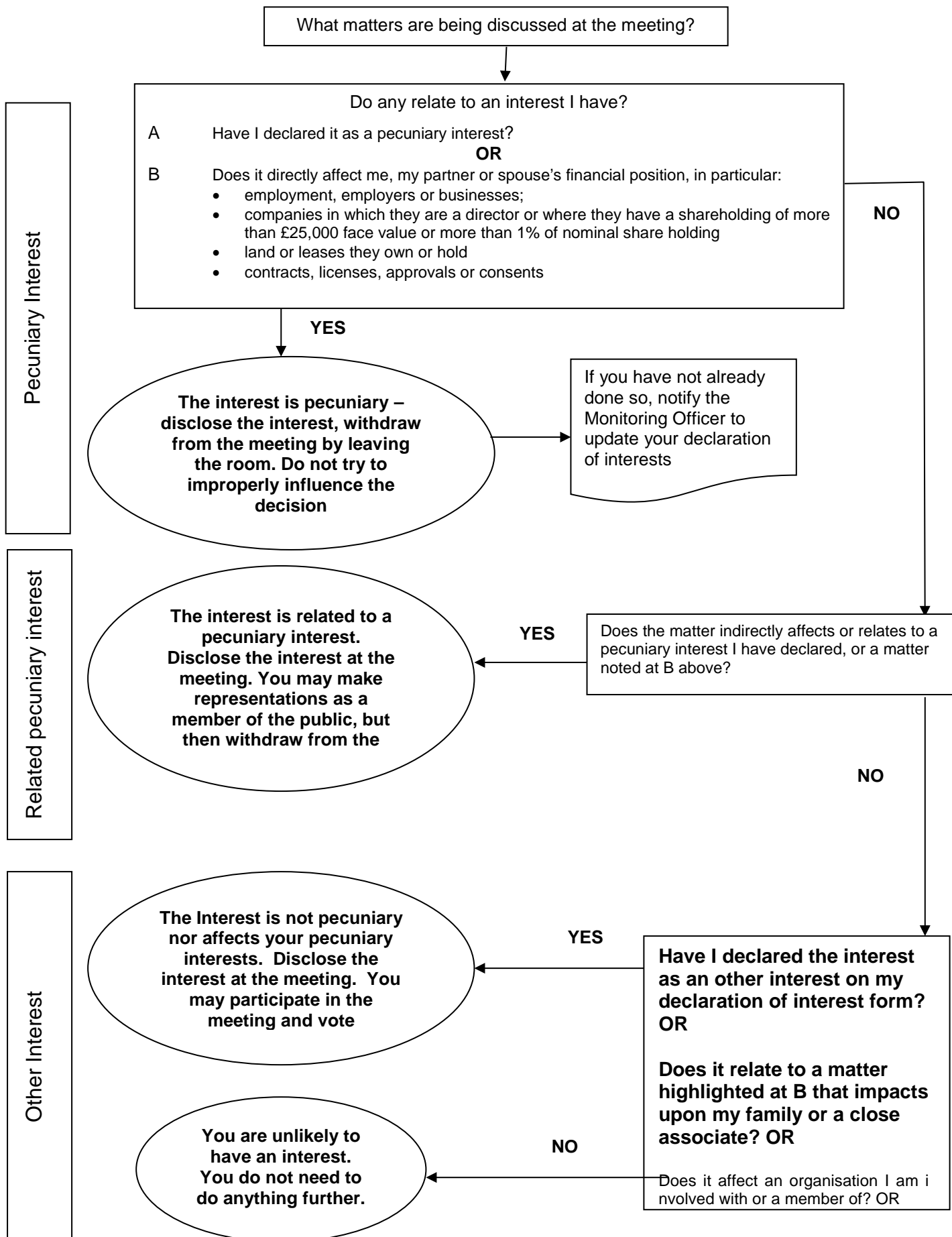
Is the interest not related to any of the above? If so, it is likely to be another interest. You will need to declare the interest, but may participate in discussion and voting on the item.

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 9 January 2020** at **10.00am** when there were present:

Mr G K Nurden – Chairman

Mr A D Crotch

Ms S I Holland

Mr M L Murrell

Mrs K A Vincent

Also 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 in attendance were Alex Younger, Investment & Actuarial Services Manager, and Laura Carter-Rigg, Norfolk Pension Fund, Norfolk County Council.

## **23 APOLOGIES FOR ABSENCE**

An apology for absence was received from Mr P E Bulman.

## **24 MINUTES**

The minutes of the meeting held on 14 November 2019 were confirmed as a correct record and signed by the Chairman.

## **25 MATTERS ARISING**

*Minute no 20 – Minute no 16 – Draft Commercialisation Strategy*

In response to a concern that the proposed presentation for the joint all-member briefing on 4 December on Broadland and South Norfolk joint venture companies had not taken place, the Director of Resources confirmed that the nature of the briefing to all Members had changed to meet Members' needs. Since then, she had briefed the Finance, Resources, Audit and Governance Committee at South Norfolk on its joint venture company and the Committee had felt it would be helpful for the briefing to be extended to a wider range of Members. She offered to arrange a briefing on Broadland Growth for the Audit Committee and, if appropriate, to then offer this to a wider audience of Members. She also pointed out that the Managing Director had undertaken to provide a regular update on the work of the joint venture companies by way of issuing a shareholder letter after each Board meeting.

The Chairman again raised his concern that the accounts and audit report for the joint venture company were not considered by the Audit Committee and was advised that this matter had been raised with the Board who felt the proposed update by way of a shareholder letter would provide the required information. The audit report was already presented to the Audit Committee, the accounts were publically available and the Board included Members of the Council. The Chairman stressed that he continued to be keen to ensure the Audit Committee had the opportunity to have oversight of the joint venture company.



*Minute no 21 – Contract Standing Orders (Contract Procedure Rules)*

The Chairman reported that, because of concerns he had about some of the changes in the scheme of delegation, he had approached the Portfolio Holder for Finance to seek agreement to a number of changes in procedures as follows:

- 1) There should be a clear and fully documented audit trail for all expenditure linking it to the Council's Strategic Business Plan and approved MTFP and budget.*
- 2) Expenditure that is not within the departmental or portfolio budget must be channeled through Cabinet, so that it can be subject to proper scrutiny.*
- 3) All expenditures above £100k should be included in Cabinet papers and clearly identify the portfolio that the expenditure relates to. These reports should be presented to O & S and Cabinet by the respective portfolio holder, i.e. not the officers.*

He believed the Portfolio Holder had supported the suggestions and he had therefore given his support to the Audit Committee's recommendation that Council approve the new Contract Procedural Rules at the Council meeting on 17 December 2019. He now understood that the matters were being discussed further with the Portfolio Holder. He stated he would be seeking further clarification on this matter to ensure the procedures were adhered to.

The Chairman asked about progress on the delivery of training on risk management and was advised that work was progressing on developing a framework for risk across the two councils which would include a training programme for staff and potentially for Members. A further update would be provided at the next meeting.

## **26 NORFOLK PENSION FUND**

Members received a presentation from Alex Younger, Investment & Actuarial Services Manager, Norfolk Pension Fund, Norfolk County Council, outlining the fund, the triennial valuation and IAS19 Reporting (a copy of the presentation is attached at appendix 1 to the signed copy of these minutes).

Mr Younger explained the Norfolk Pension fund was a Local Government Pension Scheme locally administered and highly regulated at a local and national level. A number of governance arrangements were in place to oversee the fund and its administration. Valuation of liabilities could only ever be an estimate and not an exact science. Nationally and locally, membership of the scheme continued to grow and the 2018 report had seen an increase in the value of assets. As at March 2019, overall funding levels were at 99%. Mr Younger answered a number of questions from Members. It was noted that council contributions to the fund varied according to a number of factors. Officers commented that measures were being taken to retain the existing proportions of overall staff numbers at Broadland and South Norfolk to help retain some consistency in the councils' contributions to the fund despite the move to a single workforce.

Members thanked Mr Younger for the informative presentation and welcomed his offer to provide a further presentation in the summer with regard to the pension valuation figures for the Council's annual accounts.

## **27      PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

Members considered the report reviewing work of the Internal Audit in delivering the annual internal audit plan for 2019/20, specifically for the period 5 July 2019 to 18 December 2019. It was noted that, of the audits concluded, all had resulted in a positive opinion being awarded and two had concluded with no recommendations for action which was to be welcomed.

With regard to the recommendations for Broadland Growth, these related to strengthening governance arrangements. It was noted that the latest proposals would allow for updates on financial information and progress against the business plan to be shared via the shareholders letter rather than being presented to Cabinet. The Board would be looking to formally adopt the range of key policies at its next meeting and look to address succession planning.

With regard to recommendations for disaster recovery, the potential for increased resilience by sharing services across the two councils was noted. In response to questions, officers confirmed that auditors had access to appropriate IT expertise for the purpose of the audit and it was hoped that a plan would be in place by the end of the financial year. It was noted that digitalisation of services would continue which would facilitate more flexible working.

### **RESOLVED**

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

## **28      FOLLOWUP REPORT INTERNAL AUDIT RECOMMENDATIONS**

Members considered the report on progress made in relation to management's implementation of agreed internal audit recommendations falling due by 18 December 2019.

Members noted that there were currently only two recommendations outstanding from 2017/18 and five recommendations outstanding from 2018/19. None were outstanding from 2019/20.

Members were concerned that the recommendation regarding the use of purchase orders prior to all purchases was still outstanding and officers explained the measures introduced to date and the difficulties arising from the recent staff restructuring and changes in staff generating purchase orders. A package of training had been prepared for delivery to staff following the restructuring. Notwithstanding this, Members were keen to see a resolution to this matter and felt that further extensions of the compliance date should not be granted. It was suggested there was an even stronger reason for strict compliance during periods of change. The Internal Audit Manager highlighted

that Accounts Payable was due for an audit in 2020/21 and levels of non-compliance would be tested and reported back to the Committee.

A comment was made regarding procurement and the contract register and that the register was not received by the Overview and Scrutiny Committee or Cabinet. The Director of Resources advised that the register was publically available on the Council's website. A concern was raised that renewal of the IT contract should have been dealt with in a timelier manner and the Director of Resources explained that this contract under the previous contract standing orders would normally have been signed off by way of a Portfolio Holder decision, but it had been agreed to wait until the new Contract Standing Orders were in place in order that the decision be approved by Cabinet to increase transparency. However, the procurement for the contract had been considered much earlier when South Norfolk Council had progressed with a procurement exercise to ensure that Broadland Council could join in with that arrangement. Going forward, the contract register would allow for a forward plan of forthcoming procurements to be produced and maintained. With regard to cyber-crime, funding had been secured for staff training and a programme was being developed for roll out to staff. In response to a suggestion, officers undertook to examine the options for cyber-crime training for Members.

**RESOLVED**

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

**29 AUDIT COMMITTEE SELF ASSESSMENT**

Members considered their responses to the range of questions forming the high-level self-assessment which supported an assessment against recommended practice. Overall Members assessed their performance positively and scored mainly four or five out of five. Where this was not the case, recommendations for improvement were identified. With regard to the question relating to whether membership of the Committee had been assessed against the core knowledge and skills framework, the Internal Audit Manager agreed to circulate the framework to all Members and substitutes to enable them to formulate an informed response to this question. In response to a question as to whether there were any "spare" days within the Internal Audit work plan, the Internal Audit Manager clarified that a three year plan of Internal Audit work had been put together which could be developed, and would therefore allow for an area of concern to be raised by the Committee if appropriate.

The Internal Audit Manager undertook to collate the responses and the areas for action and report back to the next meeting.

**30 WORK PROGRAMME**

The Committee noted the work programme set out in the agenda. The work programme was subsequently updated after the meeting as follows:

12 March 2020	<ul style="list-style-type: none"><li>• Audit committee self-assessment - follow up to consideration at the meeting on 9 January</li><li>• Strategic and Annual Internal Audit Plan 2020</li><li>• Annual Report on Counter Fraud</li><li>• External Audit Plan</li><li>• Broadland Growth Ltd Update (Presentation)</li><li>• Annual Report of the Audit Committee</li></ul>
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><li>• Draft Statement of Accounts</li></ul>

*The meeting closed at 1.00pm*

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

<b>Report Author:</b>	Faye Haywood, Internal Audit Manager for Broadland District Council tel: 01508 533873 e-mail: <a href="mailto:fhaywood@s-norfolk.gov.uk">fhaywood@s-norfolk.gov.uk</a>
<b>Portfolio Holder:</b>	Finance
<b>Wards Affected:</b>	All
<b>Purpose of the Report:</b>	This report provides 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. It will also provide 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.

### **Recommendations:**

1. 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.

## **1 SUMMARY**

- 1.1 This report provides 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 Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services contractor; TIAA Ltd. It will also provide 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.

## **2 BACKGROUND**

- 2.1 The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector standards or guidance'.
- 2.2 Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The attached report contains:
- The Internal Audit Strategy, which is a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities;
  - The Strategic Internal Audit Plan, which details the plan of work for the next three financial years;
  - The Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2020/21.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review and approve the, Internal Audit Strategy and planned scope of work for the 2020/21 financial year for Internal Audit Services.

## **5 ISSUES AND RISKS**

- 5.1 **Resource implications** – the Internal Audit Service is provided by way of a Partnership Agreement with South Norfolk Council, whereby South Norfolk Council provide the role of the Contract Manager to Broadland District Council, and the service provision i.e. delivery of the audits, is provided through a contract with TIAA Ltd.

- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.
- 5.6 **Risks** – the Risk Based Internal Audit approach will ensure that the Council's key risks are accurately reviewed and updated and thus the Internal Audit Service is adding value and auditing the key risk areas.

## **6 CONCLUSION**

- 6.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

## **7 RECOMMENDATIONS**

- 7.1 The Audit Committee is requested 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.

---

## **Background Papers**

None

# Eastern Internal Audit Services



## BROADLAND DISTRICT COUNCIL

### Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit and Internal Audit Manager

#### CONTENTS

1. INTRODUCTION.....	2
2. INTERNAL AUDIT CHARTER .....	2
3. INTERNAL AUDIT STRATEGY .....	3
4. STRATEGIC INTERNAL AUDIT PLAN.....	3
APPENDIX 1 – INTERNAL AUDIT STRATEGY .....	5
APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN .....	9
APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN.....	12



## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also considered when developing the internal audit plan:
  - Any declarations of interest to avoid conflicts of interest;
  - The requirements of the use of specialists e.g. IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
  - The relative risk maturity of the Council;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Audit Committee should '*review and assess the annual internal audit work plan*'.

## 2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, Senior Management and the Audit and Risk Committee every two years, or as required for review. The Charter was approved in 2019 and will next be reviewed and approved by the Committee March 2021. No changes have been required for the year ahead.
- 2.2 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Internal Audit Manager adhere to these, specifically with regard to;

integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

### **3. INTERNAL AUDIT STRATEGY**

- 3.1 The purpose of the Internal Audit Strategy **Appendix 1** is to confirm:
- How internal audit services will be delivered;
  - How internal audit services will be developed in accordance with the internal audit charter;
  - How internal audit services links to organisational objectives and priorities; and
  - How the internal audit resource requirements have been assessed.

### **4. STRATEGIC INTERNAL AUDIT PLAN**

- 4.1 The overarching objective of the Strategic Internal Audit Plan **Appendix 2** is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform each Council's Annual Governance Statement.
- 4.2 The coverage over the forthcoming three years has been discussed with senior management to ensure audits are undertaken at the right time and at a time where value can be added.
- 4.3 The discussions also went into greater detail in relation to the scope of the audits for the forthcoming year, where we have aimed to carry out joint reviews with South Norfolk where possible to compliment collaboration work, enabling efficiencies and comparisons to be made and to ensure the best service is provided.
- 4.4 A Delivery Plan containing high-level objectives for the Council has recently been approved and has been used to guide discussions regarding assurance requirements over key risks, in line with a risk-based planning approach.
- 4.5 A risk-based planning approach also requires Internal Audit to consider the risk maturity of the Council when determining whether reliance can be placed on the Council's identification and assessment of risk. An Internal Audit review of risk maturity undertaken in 2019 concluded that the risk maturity of Broadland is currently at the lower end of the maturity scale. A set of recommendations have been agreed and are currently being worked towards. Whilst this work is ongoing, Internal Audit, in line with best practice, has gathered information on the current risk profile and used senior management's assessment of risk through discussion, rather than relying on formally documented risk registers.

### **5 ANNUAL INTERNAL AUDIT PLAN 2020/21**

- 5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year and is included at **Appendix 3**. This shows the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a brief summary/purpose of the review.
- 5.2 The Annual Internal Audit Plan for 2020/21 totals 144 days, encompassing 15 assignments which will conclude in an audit opinion, three of which are IT audits. Internal Audit will also carry out a position statement (critical friend/consultancy work) in the area of Project Management. This work will conclude with a set of improvement actions for management to consider.

- 5.3 A total of 10 of the 15 internal audit reviews will be carried out jointly across both Councils this year allowing Internal Audit to provide assurance that people and processes are working together for the same goal, supporting collaboration and that any inconsistencies can be remedied through formal recommendations where appropriate.
- 5.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

## APPENDIX 1 – INTERNAL AUDIT STRATEGY

### EASTERN INTERNAL AUDIT SERVICES BROADLAND DISTRICT COUNCIL

#### INTERNAL AUDIT STRATEGY FOR 2020/21

#### 1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
  - how internal audit services will be developed in accordance with the internal audit charter;
  - how internal audit services links to the organisational objectives and priorities; and
  - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

#### 2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years ending 31 March 2020. In line with the terms of this contract an extension has been agreed which will allow the contract to run for a further two years terminating on 31 March 2022.

#### 3. How internal audit services will be developed in accordance with the internal audit charter

##### 3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit Committee and the Section 151 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work;
  - The Progress Reports which provide summaries of the work achieved throughout the year and the individual opinions awarded on conclusion of reviews;
  - The Follow Up Reports which detail the level of management action taken in respect of agreed internal audit recommendations; and
  - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

## 3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
  - Objectives set in the strategic plan and business plans;
  - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
  - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
  - Legal and regulatory requirements;
  - The audit universe – all the audits that could be performed; and
  - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 151 Officer and Senior Management takes place through specific meetings during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates a strategic internal audit plan, and the resulting annual internal audit plan, which are discussed with and approved by the Corporate Leadership Team prior

to these being brought to the Audit Committee. In addition, External Audit is also provided with early sight of the plans.

### 3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
  - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
  - the outcomes of the performance indicators and
  - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

## **4. How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national Issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with, all help to ensure developments are noted and incorporated where appropriate.

## **5. How internal audit resource requirements have been assessed**

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

## APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2019/20	2020/21	2021/22	2022/23	Joint Review
<b>Annual Opinion and Governance audits</b>							
Key Controls and Assurance	2018/19 - Reasonable 2019/20 - Review Due	High	15	<b>10</b>	15	10	
Corporate Governance GDPR	2019/20 - Reasonable	High	6		6		√
Performance Management, Business Planning	2016/17 - Substantial	High		<b>6</b>		6	√
Procurement	2016/17 - Position Statement 2018/19 Reasonable	High		<b>10</b>		10	√
Project Management	New area	S6 High		<b>5</b>			√
Risk Management	Risk Maturity Assessment	High	5		6		√
Broadland Growth	2019/20 Reasonable	High	10		10		
Corporate Health and Safety	New area	Medium		<b>5</b>			√
<b>Fundamental Financial Systems</b>							
Accountancy Services - includes control accounts, banking, bank reconciliation, asset register, budgetary control and treasury management	2017/18 - Substantial 2019/20 Review Due	High	15		15		
Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 Reasonable	High		<b>12</b>		12	
Accounts Receivable	2017/18 - Substantial 2019/20 - Substantial	High	10		10		
Income / Remittances	2017/18 - Substantial 2019/20 - Review Due	High	8		8		
Payroll and Human Resources	2016/17 - Reasonable 2018/19 Reasonable	High		<b>10</b>		10	√
Council Tax and NNDR	2016/17 - Reasonable 2018/19 Substantial	High		<b>15</b>		15	
Housing Benefit and Local Council Tax Support	2016/17 - Substantial 2018/19 Reasonable	High		<b>15</b>		15	



Audit Area	Last review & assurance	Associated Risk	2019/20	2020/21	2021/22	2022/23	Joint Review
<b>Service Area Audits</b>							
Economic Development	2015/16 - Reasonable 2016/17 - Reasonable 2017/18 - Reasonable	Medium		10			
Collaboration Feasibility	New area	High			8		√
Democratic Services, Training, Allowances & expenses	2013/14 - Reasonable 2016/17 - Position Statement	Low			8		√
Legal services	New area	Medium			8		√
Elections and Electoral Registration	2015/16 - Substantial	Medium			8		√
Environmental Health - includes emergency planning, community safety, food safety, environmental protection, pest control, dog warden, licensing and pollution control	2017/18 - Substantial (licensing, H&S, Food & Safety) 2018/19 Reasonable	Medium		8		10	√
Waste Management - includes contract monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance	2016/17 - Reasonable	Medium		8	10		√
Community Safety including Early Help Hub	New area	Medium			10		√
Community Leisure	New area	Medium			4		√
Homelessness, Home Options and Private Sector Leasing	2016/17 - Reasonable 2019/20 - Limited	Medium	12		12		√
Housing Strategy and Affordable Housing	2016/17 - Reasonable	Medium			10		√
Private Sector Housing - includes DFGs, grants and loans	2016/17 - Substantial 2019/20 - Substantial	Medium	10			10	√
Planning and development management	2017/18 - Reasonable 2019/20 - Audit Due	Medium	20		15		√

<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Joint Review</b>
<b>ICT Audits</b>							
Cyber Crime	2018/19 Reasonable	High			10		✓
Remote Access	New area	Medium		<b>7.5</b>			✓
Disaster Recovery	2018/19 - Reasonable 2019/20 - Reasonable	High	10		10		✓
Network Security and Infrastructure	2014/15 Reasonable	Medium					✓
Service Desk	New area	Medium		<b>7.5</b>			✓
Exchange and Ancillary Services	2016/17 - Reasonable	Medium					✓
Data Centre	2019/20 Position Statement	Medium	7.5	<b>5</b>			✓
IT audit reviews to be determined						20	
<b>Follow Up of audit recommendations</b>							
Follow up of agreed audit recommendations			10	10	10	10	
<b>Total number of days</b>			<b>138.5</b>	<b>144</b>	<b>193</b>	<b>128</b>	

### APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Annual Opinion / Governance audits</b>							
Key Controls and Assurance	10				10		This is an annual review of key financial controls and informs the Head of Internal Audit's overall opinion on the control environment and feeds into the Statement of Accounts. For those systems not subject to a full audit review within the year, assurance will be provided. In 2020/21 this review will cover; Accountancy Services, Accounts Receivable and Income.
Performance Management, Business Planning	6				6	√	Following restructure of One Team at both Councils, a set of corporate objectives and directorate plans have been developed outlining the key aims and objectives for a period of one year. A suite of performance metrics are being devised to demonstrate achievement. Our review will provide assurance that adequate monitoring and reporting processes are in place to support business plan delivery.
Project Management	5		5			√	As part of the collaboration programme, the two Councils will be carrying out a series of projects to unify culture, procedures processes and systems, many of these requiring significant investment and calling on the newly set up consultancy team who will act as a project management office. The Consultancy Team will categorise projects according to the SPARK approach. Our review will provide a position statement to assess whether best practice is being considered in developing project governance and to confirm that all Council projects are being co-ordinated in line with this approach.
Procurement	10		10			√	A new set of Contract Standing Orders was approved in 2019 guiding staff on the approval and procedural requirements that must be followed when undertaking a procurement exercise for both Councils. Our review will provide assurance that value for money and compliance with all legal requirements can be demonstrated for a sample of independently selected procurement exercises. We will also provide assurance that the contracts register and all relevant documentation is kept up to date to support the procurement process.
Corporate Health and Safety	5	5				√	A review of Corporate Health and Safety has not been undertaken at Broadland before. Norfolk County Council currently provides health and safety related advice and support to both Councils. Our review will cover the contract management arrangements, key roles and responsibilities, inspections and reporting to provide assurance that the service is operating effectively. Our review will also examine the adequacy of procedures in relation to loan working and the dangerous persons.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
Annual Opinion / Governance audits							
Fundamental Financial Systems							
Accounts Payable	12			12			These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.
Payroll and Human Resources	10		10			v	
Council Tax and NNDR	15			15			
Housing Benefit and Local Council Tax Support	15			15			
Service Area Audits							
Economic Development	10	10				v	Economic Development was last reviewed in 2017/18 and given a reasonable assurance grading. Broadland is managing a significant projects including the Food Innovation Centre and the Bure Valley Path and Railway. Our review will provide assurance that the project and partnership is being well managed and governance arrangements for managing and reporting against funding received are appropriate. This review will be carried out as a joint piece of work examining whether a joint methodology has been adopted for economic development projects across both Councils.
Environmental Health	8		8			v	This area was last reviewed in 2018/19 and focused on air quality, contaminated land and private water supplies. A reasonable assurance grading was given. Our audit this year will review controls in relation to licencing, food and Health and Safety at Work, regulation and enforcement at both Councils now that this area has come together as one team. In addition we will provide an opinion on business continuity and emergency planning arrangements.
Waste Management	8	8					Waste management was last audited in 2016/17 and given a reasonable assurance grading. As one team investigates the viability of joint waste collection services for the future, our review will provide assurance that contract management arrangements between Veolia and Broadland are adequate and sufficient information is available to analyse performance.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>ICT Audits</b>							
Service Desk	7.5				7.5	v	This area has not been reviewed at Broadland before. The IT team will be working on developing a consistent service and joint platform this year. Our review will provide assurance that this has been successful, focusing on the adherence with an SLA and performance of the service.
Remote Access	7.5				7.5	v	A review of remote access has not been carried out at Broadland before. Both Council's are investing in infrastructure that will enable each Council to work seamlessly at each site and from home if required in line with newly encouraged working practices. Our review will provide assurance that improvements and increased capacity support these objectives.
Data Centre	5			5		v	At the request of management a position statement was provided in 2019/20 on the adequacy of data centre arrangements at both Councils. A number of suggested actions were raised for consideration. This review will revisit these action points to provide assurance over the progress made in enhancing and unifying the data centre at both Councils.
Follow Up of agreed audit recommendations	10	2.5	2.5	2.5	2.5		Bi-monthly follow up of agreed recommendations and evidence of closure verified.
<b>Total</b>	<b>144</b>	<b>25.5</b>	<b>35.5</b>	<b>49.5</b>	<b>33.5</b>		

# Broadland District Council

## Audit Plan

Year ended 31 March 2020

24 February 2020





Broadland District Council  
Audit Committee Members  
Thorpe Lodge,  
1 Yarmouth Road  
Norwich, NR7 0DU

24 February 2020

Dear Committee Members

#### **Audit Plan - 2019/20**

We are pleased to attach our provisional Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 12 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

*MARK HODGSON*

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Enc

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Broadland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Broadland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Broadland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2019/20 audit strategy





## Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finance, Resources, Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect apportionment of recharged expenditure overheads between Broadland District Council and South Norfolk District Council	Fraud risk	New area of focus	<p>The new partnership with South Norfolk District Council has resulted in an agreement for apportioning expenditure overheads shared between the two councils.</p> <p>The allocation of these expenditure overheads provides opportunity for management to manipulate accounting records directly or indirectly and prepare fraudulent financial statements.</p>
Omission or understatement of NDR appeals provisions	Inherent Risk	Reduced from significant to inherent risk	We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.

## Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	<p>The valuation of land and buildings represent significant balances in the Council's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.</p>
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

In addition to the risks outlined above we have identified an area of audit focus.

Area of focus	Change from PY	Details
Implementation of new auditing and accounting standards	New area of focus	<p><b>IFRS 16 Leases:</b> Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'. It is likely there will be some disclosure requirements for the 2019/20 statement of accounts.</p> <p><b>Going Concern Compliance with ISA 570:</b> This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.</p>

## Overview of our 2019/20 audit strategy

### Materiality



# Overview of our 2019/20 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Broadland District Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Broadland District Council's audit, we will discuss these with management as to the impact on the scale fee.



## 02 Audit risks



## Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*	What is the risk?	What will we do?
	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"><li>▶ Identifying fraud risks during the planning stages;</li><li>▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;</li><li>▶ Understanding the oversight given by those charged with governance of management's processes over fraud;</li><li>▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;</li><li>▶ Determining an appropriate strategy to address those identified risks of fraud; and</li><li>▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.</li></ul>





## Audit risks

### Our response to significant risks (continued)

**Misstatements due to fraud or error - Incorrect apportionment of recharged expenditure overheads between Broadland District Council and South Norfolk District Council \***

#### What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).

As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:

- ▶ the incorrect application of recharges between Broadland District Council and South Norfolk District Council thus manipulating the financial position of one or both Councils.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing the appropriateness of recharges and that they are in line with the agreed cost sharing arrangement;
- ▶ Performing sample testing on recharge invoices to ensure that they are in line with the cost sharing agreement; and
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements purporting to recharges.



## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### Omission or understatement of NDR appeals provisions

We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Testing the calculation of the NDR Provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing is performed we will apply a lower testing threshold to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued;
- ▶ Consider the work performed by the Council's expert, Analyse Local, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; and
- ▶ Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of the provision.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2019 the value of PPE totalled £7.1 million.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>At 31 March 2019 this totalled £31.1 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of the administering authority (Norfolk County Council), to obtain assurances over the information supplied to the actuary in relation to Broadland District Council;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul>

## Other areas of audit focus (continued)

### What is the risk/area of focus?

#### IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- ▶ the identification of leases
- ▶ the recognition of right-of-use assets and liabilities and their subsequent measurement
- ▶ treatment of gains and losses
- ▶ derecognition and presentation and disclosure in the financial statements,
- ▶ the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- ▶ the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- ▶ the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

### What will we do?

IFRS 16 - leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020 and some narrative disclosures are likely to be required for 2019/20.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- ▶ all leases which need to be accounted for
- ▶ the costs and lease term which apply to the lease
- ▶ the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 - leases with the finance team over the course of our 2019/20 audit.

## Other areas of audit focus (continued)

### What is the risk/area of focus?

#### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

### What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.



03

## Value for Money Risks





# Value for Money

## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

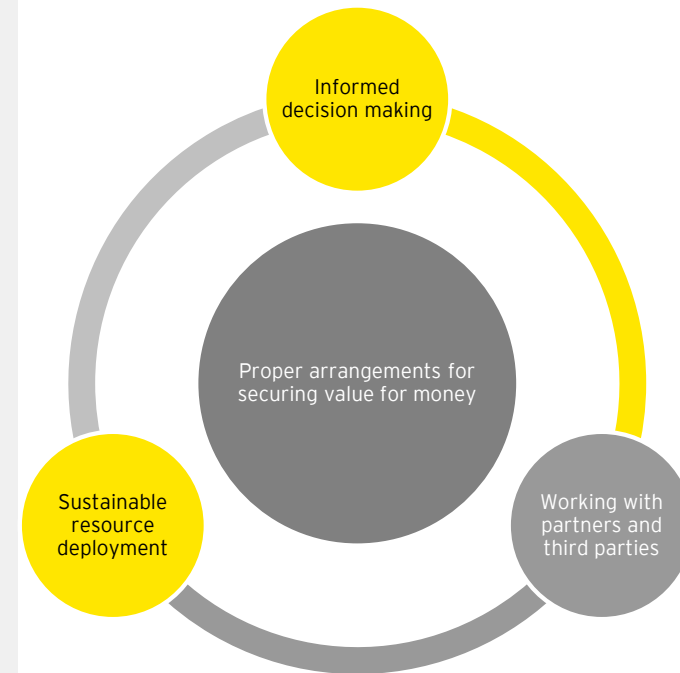
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

We have not yet completed our value for money planning risk assessment for 2019/20. As part of this we will consider the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we would expect that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers. Our risk assessment will consider both the potential financial impact of the issues we identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.







04

## Audit materiality

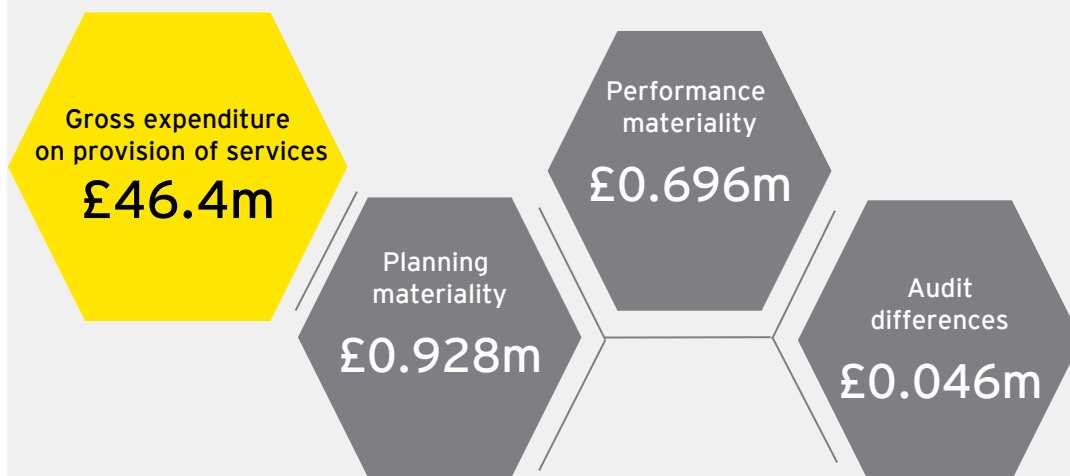




## Materiality

### Materiality

For planning purposes, materiality for 2019/20 has been set at £0.928 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have used this basis primarily due to the fact that the main function of the entity is to provide services to the local community. We have provided supplemental information about audit materiality in Appendix C.



We request that the Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.696 million which represents 75% of planning materiality (2018/19: 75%). We maintained this level due to the low volume of errors identified in 2018/19 and the risk that a similar volume of errors will recur in 2019/20.

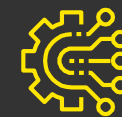
**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. A marginally higher threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund. The audit differences threshold has been set at £0.046 million.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the committee, or are important from a qualitative perspective.



05

## Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

##### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

##### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

# Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

#### Internal audit:

As in prior years we will review internal audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

# Scope of our audit

## Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Council staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Authority we will:

- ▶ Work with the Authority and officers to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Authority's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate a closedown workshop with Statutory Finance Officers to agree an approach to enable us all to achieve a successful closure of accounts for the 2019/20 financial year.
- ▶ Work with the Authority to implement/ embed/ improve the use of EY Client Portal, this will:
  - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
  - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
  - ▶ Reduce risk of duplicate requests; and
  - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.





06

## Audit team



## Audit team

The engagement team is led by Mark Hodgson for his second year as Associate Partner on the audit. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mark is supported by Dan Cooke, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance manager. Dan was the manager for the execution and conclusion stage of the 2018/19 South Norfolk District Council audit and now provides continuity across the two Councils.

## Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Broadland Council's property valuer. We will also consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary)
NDR appeals provision	Broadland Council's NDR appeals expert, Analyse Local.
Fair Value Investment Measurement	Link Asset Services (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





07

## Audit timeline







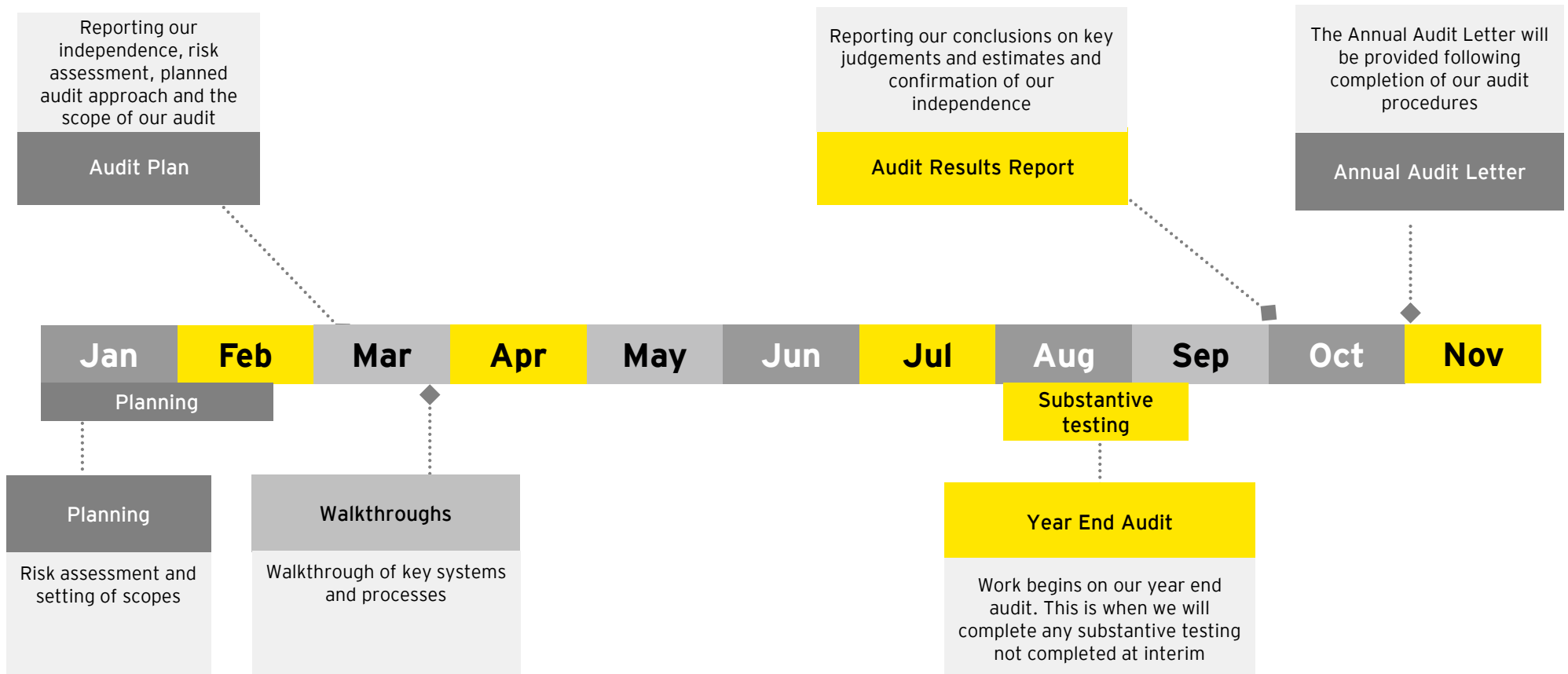
## Audit timeline

# Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Written confirmation that all covered persons are independent;</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 22.1%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. The agreed upon procedures on the certification arrangements are due to start in April. Our current fee level is £14,500 however we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2019/20.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



## Other communications

### EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



09

## Appendices





## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Scale fee 2019/20	Final Fee 2018/19
	£	£
Total Fee - Code work	32,022 (Note 2)	32,022
Other non-audit services not covered above (Housing Benefits)	14,500 (Note 1)	14,500 (Note 1)
<b>Total fees</b>	<b>47,522</b>	<b>47,522</b>

*All fees exclude VAT*

(1) The 2018/19 work has just been completed and a final fee is based on the engagement letter issued on 26 June 2019. For 2019/20 the planned fee represents the base fee and expected number of extended testing samples based on 2018/19 testing.

(2) For 2019/20, the scale fee will be impacted by a range of factors which will result in additional work (see Page 8). The issues we have identified at the planning stage which will impact on the fee include:

- The work performed in relation to the new risk of incorrect apportionment of recharged expenditure overheads between Broadland District Council and South Norfolk District Council.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.



If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B




# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee .

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - 12 March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - September/October 2020




## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - September/October 2020
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - September/October 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report - September/October 2020
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - September/October 2020




## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Results Report - September/October 2020</p> <p>Audit Plan - 12 March 2020</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - September/October 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of</li> </ul>	Audit Results Report - September/October 2020
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - September/October 2020

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September/October 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September/October 2020
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - September/October 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Results Report - September/October 2020  Audit Plan - 12 March 2020
Certification work	Summary of certification work undertaken	Certification report - December 2020

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



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

**Report Author:** Faye Haywood  
Internal Audit Manager  
01508 533873  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

**Portfolio:** Finance

**Wards Affected:** All

### **Purpose of the Report:**

This report summarises the work of the Audit Committee during 2019/20, confirms that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.

### **Recommendations:**

1. The Audit Committee recommend for Council to note and approve the content of the Annual Report of the Audit Committee.

## **1 SUMMARY**

- 1.1 The Terms of Reference of the Audit Committee require "...a formal Annual Report of the Committee's work and performance during the year to Council.
- 1.2 The purpose of this report is, therefore, to summarise the work of the Audit Committee during 2019/20, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.
- 1.3 Thus, this report looks back over 2019/20 and examines the range of reports which have been brought to the attention of the Committee by various parties; Senior Management, Internal Audit and External Audit.

## **2 BACKGROUND**

- 2.1 Broadland District Council's Audit Committee has been meeting on a regular basis since its inaugural meeting on the 23 August 2012, following approval of the Terms of Reference by Council.
- 2.2 The Committee was established to play a pivotal role in the delivery of corporate governance at the authority, improve standards of internal control, review financial information including such items as the Annual Statement of Accounts, and to allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions. This wide-ranging remit ensures that the Committee is meeting best practice.
- 2.3 This is the eighth year that an Annual Report has been produced, which sets out to analyse the work of the Audit Committee and in doing so fulfil the requirements within the Terms of Reference of the Committee and to demonstrate compliance with best practice.

## **3 CURRENT POSITION**

### Membership of the Audit Committee

- 3.1 During 2019/20 the Committee will have met on five occasions, with a review of the minutes from these meetings highlighting that attendance by Members is high, with apologies provided where needed and substitutes attending as appropriate. There has also been a consistently strong level of officer support throughout the year, with regular representation from Finance, Internal Audit, the Council's External Auditors and officers attending to present reports as required.

### The role and remit of the Audit Committee

- 3.2 The Terms of Reference of the Audit Committee are established in the Constitution and emphasise how the Committee is to champion governance arrangements at the authority and follow best practice.

- 3.3 The Committee also ensures that it operates to the highest standards, and with this in mind, a self-assessment exercise is undertaken. The assessment ensures that the Committee continues to meet best practice and identifies where improvements would be beneficial.
- 3.4 The Committee carried out a self-assessment in January 2020, the results of which will be reported elsewhere within this agenda.
- 3.5 Finally, a work programme is in place which is reviewed and discussed at each meeting, to ensure reports are considered and received by the Committee at appropriate times over the course of the year.

#### Overview of key items considered and reviewed

##### Annual Governance Statement 2018/19

- 3.6 At the meeting on the 4 July 2019 the Committee received the Annual Governance Statement for the financial year 2018/19. This sets out how the Council had complied with its responsibilities to ensure that its business was conducted in accordance with the governance principles set out in the statement. The Committee were required to sign this off prior to signing the final Statement of Accounts. The Committee noted the positive position of the Council and noted areas such as; Terms of Reference of Committee's and work that was commissioned by Internal Audit to progress.

##### Statement of Accounts 2018/19

- 3.7 The Committee received the Statement of Accounts at the meeting held on 25 July 2019.
- 3.8 The Committee were presented and noted the key items within the accounts; the Narrative Report, the Statement of Responsibilities, the Core Financial Statements which included a Comprehensive Income and Expenditure Statement, Reserves Statement, Balance Sheet and Cash Flow Statement.
- 3.9 Matters considered by the Committee related to; pensions, National Non-Domestic Rates, CNC Building Control, car loans and the treatment of and capital grants for Disabled Facilities Grants.

##### Internal Audit

- 3.10 Throughout 2019/20 the Audit Committee has received regular reports from Internal Audit. These range from the Annual Report and Opinion of the Head of Internal Audit to regular updates provided in relation to the progress made against the 2019/20 Internal Audit plan and the status of agreed recommendations. Finally the Strategic and Annual plan of work for the forthcoming (2020/21) financial year.
- 3.11 This approach ensures that the Committee is kept up to date in relation to the internal controls that the Council has in place and whether they are operating

adequately, effectively and efficiently. The audit reviews also ensure that risks are appropriately managed and that the governance framework is effective.

- 3.12 The Internal Audit team presented the results of the Broadland Risk Maturity Assessment at an additional meeting held in October 2019. This report highlighted improvements that should be made to processes at the Council to demonstrate a more mature approach to risk management. The suggested recommendations included ensuring that the Audit Committee upholds its terms of reference by receiving assurance over the risk management framework. The Audit Committee will be working with Internal Audit over the coming year to support the recommendations made.

#### External Audit

- 3.13 The Committee also received reports from its External Auditor; Ernst and Young throughout 2019/20.
- 3.14 The Audit Results Report 2018/19 was received by the Committee on 25 July 2019 which summarised the preliminary conclusion of the audit. It was anticipated, that subject to the satisfactory conclusion of some outstanding matters, an unqualified opinion would be concluded. The Committee concluded that the audit gave a true and fair view of the financial position of the Council as at 31 March 2019.
- 3.15 The Committee received the Final Annual Audit Letter from the auditors at the meeting on the 10 October 2019, which confirmed the conclusion that proper arrangements were in place to secure value for money in its use of resources and that an unqualified opinion was provided.

#### Commercialisation Strategy

- 3.16 The Committee received a report from the Director of Resources on a Draft Commercialisation Strategy at its meeting on 10 October 2019.
- 3.17 The Committee had a robust discussion on the strategy, with officers emphasising that a more commercial approach would not be at the detriment of the Council's social responsibilities and public service ethos. Members were also advised that officer skills would need to be developed in order to deliver these objectives. However the Council has a large customer base and insight into that group could be utilised.

- 3.18 Contract Standing Orders

The Committee received a report containing the updated Contract Standing Orders in November 2019. The Procurement Consortium Manager presented the significant updates and changes to the framework which had been aligned to support both South Norfolk and Broadland Councils with future spending on goods and services.

The Committee recommended approval of the new Contract Procedure Rules, subject to the following amendments in relation to the minimum contracts procedures:

#### 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

## 4 PROPOSED ACTION

- 4.1 To note the work of the Audit Committee during 2019/20 and approve the contents of the Annual Report.

## 5 OTHER OPTIONS

- 5.1 No other options are necessary.

## 6 ISSUES AND RISKS

- 6.1 **Resource Implications** – there are no resource implications arising from this report.
- 6.2 **Legal Implications** – there are no legal implications arising from this report.
- 6.3 **Equality Implications** – there are no equality implications arising from this report.
- 6.4 **Environmental Impact** – there are no environmental impacts arising from this report.
- 6.5 **Crime and Disorder** – there are no crime and disorder implications arising from this report.
- 6.6 **Risks** – there are no risks arising from this report.

## **7 CONCLUSION**

- 7.1 This report highlights that the Committee continues to operate in accordance with best practice. It plays an important part in the Council's governance framework, remaining an active Committee and ensuring that it delivers its remit and reviews a wide range of items, providing an appropriate level of support.

## **8 RECOMMENDATIONS**

- 8.1 The Audit Committee recommend for Council to note and approve the content of the Annual Report of the Audit Committee.

## **ANNUAL FRAUD UPDATE**

**Report Author:** Debbie Lorimer  
Director of Resources  
01508 533981  
dlorimer@s-norfolk.gov.uk

**Portfolio:** Finance

**Wards Affected:** All

**Purpose of the Report:**

Annual report on the counter fraud activities of the Council

**Recommendation:**

1. To note the Annual Fraud Update for 2019/20



## **1 SUMMARY**

- 1.1 This report provides details of the counter fraud work undertaken during 2019/20.

## **2 BACKGROUND**

- 2.1 Prior to collaboration, Broadland District Council had employed a part time (0.6 FTE) Corporate Fraud Officer and South Norfolk had employed a full time Senior Investigations and Enforcement Officer who also had responsibility for the Council Tax Recovery Team, the Property Officers and fraud in general.
- 2.2 The establishment of the new One Team brought the teams together as an Enforcement and Fraud Team. This is now led by the full time Senior Investigations & Enforcement Officer who is responsible for the part time 0.6 FTE Fraud Officer post which is currently vacant pending recruitment, as well as the Property Inspectors and Recovery Officers.

## **3 CURRENT POSITION/FINDINGS**

- 3.1 The team continues to serve the needs of the Department of Work and Pension (DWP) Fraud and Compliance Teams, who investigate all matters of fraud and error in relation to DWP and housing benefit. In general terms, unless a matter has a value in excess of £3000, the case will be referred to the Compliance Team. The Council is currently servicing the DWP Teams based at Norwich, Great Yarmouth, Lowestoft and Ipswich, which on average produces ten to fifteen enquiries per week. There is a standard fee (£15) calculated by the DWP, which is reflected in a subsidy payment to the Authority.
- 3.2 There has been a significant reduction in the creation of housing benefit overpayments due to the enhanced data sharing that now automatically takes place between the DWP and Her Majesty's Revenues and Customs Service, following the introduction of electronic recording of earnings submissions by employers.
- 3.3 From April 2019, Norfolk County Council has funded a Norfolk Fraud Hub, based upon the National Fraud Initiative conducted under the Cabinet Office. The basis of the Fraud Hub is for each of the authorities, including Norfolk County Council, to upload monthly data in order to detect fraud and error at a local level through the sharing of data. The concept of the idea is very sound in identifying matters across local authorities but particularly in respect of funds or services provided by the County based upon trust and self-declaration. It is anticipated that the greatest savings will be made by the matching of data held by local authorities for the benefit of the County Council. An example would be where care is provided by the County Council based on incomplete knowledge of the recipient's capital which later turns out to be inaccurate, following data matching through the Hub. To date there have been very few mismatches of data requiring further investigation by Broadland Council and no cases of fraudulent activity have been identified.

- 3.4 The current intention is to expand the criteria of the Fraud Hub to include National Non-Domestic Rates (Business Rates) data in order to match potential fraud claimants of Small Business Rate Relief and to identify, through other data sources, unknown business premises. The Council is awaiting further information from Norfolk County Council to determine whether this may be a way of using the Hub to detect Business Rates fraud.
- 3.5 Much of the recent work with the Hub relates to how data can be used to review Single Person Discount entitlements. In the past Broadland Council and South Norfolk Council have used an external company to carry out reviews. Along with other districts Officers are currently exploring with County the feasibility of using fraud hub data to carry out a review of single discounts in conjunction with an external company. This work for Broadland and South Norfolk Councils is likely to take place over the summer and Autumn.
- 3.6 The National Fraud Initiative 2019/20 has just commenced with the first tranche of data being uploaded in order to establish potential matches between persons claiming Single Person Discount (25%) on 17,585 properties and the latest Electoral Register, following the 2019 election, which has resulted in 8,614 potential enquiries. It is highly likely that a large number of these matches can be attributed to rising 18-year olds or students registering to vote at their parents' home address. There will undoubtedly be a number of households that have failed to declare a change in their circumstances.
- 3.7 There have been no instances of reported staff fraud activity within the Authority over the past year.
- 3.8 The team also supports, both internally and externally, other agencies including HMRC, Trading Standards and the Police in their fight against crime. Those crimes include domestic violence, crime both current and historic, county lines drug dealing and increasingly online child abuse or exploitation. Since December 2019 the team have answered 43 fraud related enquiries.

## **4 CONCLUSION**

- 4.1 This service continues to progress with planned enhancements, as detailed above.

## **5 RECOMMENDATIONS**

- 5.1 To note the Annual Fraud Update for 2019/20

**Agenda Item: 9**

**Audit Committee  
12 March 2020**

---

## **AUDIT COMMITTEE SELF-ASSESSMENT**

**Report Author:** Faye Haywood, Internal Audit Manager  
[fhaywood@s-norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk) 01508 533873

**Portfolio Holder:** Finance

**Wards Affected:** All

**Purpose of the Report:** The Audit Committee carried out a self-assessments exercise in January 2020. The results of the assessment have been written up and are attached to this report for discussion.

### **Recommendations:**

- a) That Members note the attached checklist at **Appendix 1** to this report to ensure that this is an accurate reflection, and update as appropriate.

## **1 SUMMARY**

The Chartered Institute of Public Finance and Accountancy (CIPFA) document on “audit committee’s practical guidance for local authorities and police” sets out the guidance on the function and the operation of audit committees. It represents CIPFA’s view of best practice and incorporate the positions statements previously issued.

The Audit Committee used the CIPFA documentation to conduct out a self-assessments exercise in January 2020. The results of the assessment have been written up and are attached to this report for discussion.

## **2 BACKGROUND**

- 2.1 The CIPFA Audit Committee guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
- 2.2 The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide and support challenge.
- 2.3 Good audit committees are characterised by; balanced, objective, independent, knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded Chair, an unbiased attitude and the ability to challenge when required.
- 2.4 It is therefore good practice to complete a regular self-assessment exercise against a checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards also call for the committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this committee. This committee has been undertaking self-assessment exercises on a regular basis since 2008 and has acted where necessary to ensure full compliance with best practice.
- 2.5 The first part of the assessment is a yes / no response and covers:
  - Purpose and Governance;
  - Functions of the Committee;
  - Membership and Support; and
  - Effectiveness of the Committee.
- 2.6 The second part of the exercise requires an assessment as to how the committee displays it is effective through the reports it receives, and is broken down into the following key areas:
  - Promoting the principles of good governance and their application to decision making;
  - Contributing to the development of an effective Audit Committee;

- 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, controls 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.

### 3 CURRENT POSITION / FINDINGS

3.1 At the meeting held on the 9 January 2020 the Internal Audit Manager facilitated the self-assessment exercise by asking the Committee to consider the first and second part of the questionnaire. The results are provided in **Appendix 1** of this report for review.

3.2 The exercise has highlighted the following areas of partial conformance with best practice. It is suggested that the Committee considers the suggested improvement recommendations.

- Question 4 – The Committee considers that more could be done to highlight the role and purpose of the audit committee across the authority.

The Audit Committee has suggested that this area could be improved by enhancing the executive summary section of the Annual Report which is presented to Full Council by going into more detail about what the Committee are responsible for and how their role supports the Council.

- Question 15 – The membership of the committee has not been provided with the CIPFA Audit Committee core knowledge and skills framework. It was suggested that this should be circulated enabling a conversation to occur with members to identify any training gaps.

The CIPFA Skills and Knowledge Matrix was circulated to members by email on 10 January 2020.

- Question 18 – The Committee feels that more could be done to seek feedback on its performance from those interacting with the committee or relying on its work.

It is suggested that in future, when the Annual Report of the Committee is reported to Full Council, feedback from members on performance will be requested.

- 3.3 In part two of the questionnaire, members were asked to score the activities of the Committee in supporting the establishment of arrangements for the governance of risk, and for effective arrangements to manage risks.

The Committee scored this area a three, suggesting that members have mixed experience in supporting improvement in this area and that there are also significant gaps. Whilst the Committee is responsible under its terms of reference for reviewing the adequacy of the risk management framework, risk registers or risk reports are not presented to the Committee. The Committee is however, very supportive of a recent risk maturity assessment undertaken by Internal Audit which concluded that the risk management framework requires improvement in relation to reporting. The Committee will be working with Internal Audit to champion these improvements over the coming year.

#### **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review the areas of partial non-conformance and agree the suggested improvement actions to ensure that best practice is demonstrated.

#### **5 OTHER OPTIONS**

- 5.1 The alternative approach would be for the Audit Committee not to complete the Self-Assessment exercise; however, this would not allow the Committee to provide assurance that it is assisting the Council in achieving good corporate governance.

#### **6 ISSUES AND RISKS**

- 6.1 **Resource implications** – none
- 6.2 **Legal implications** – none
- 6.3 **Equality implications** – none
- 6.4 **Environmental impact** – none
- 6.5 **Crime and disorder** – none

**Risks** – The Committee is responsible for supporting the oversight of the Council's risk management framework, which will in turn ensure that the Council's key risks are accurately reviewed and addressed. This is ensured by following best practice and adopting sound terms of reference.



## **7 CONCLUSION**

- 7.1 In conclusion, the Audit Committee self-assessment has indicated that the Committee feels it is acting broadly in line with best practice and can demonstrate that it is adding value to the Council through its role and terms of reference. This exercise will be carried out annually and improvement actions tracked in the Audit Committee work plan to ensure completion.

## **8 RECOMMENDATIONS**

- a) That Members note the attached checklist at **Appendix 1** to this report to ensure that this is an accurate reflection and update as appropriate.

---

### **Background Papers**

None

### 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
	<b>Audit Committee purpose and governance</b>	√		
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council?	√		
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?		Partly	
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 accounts 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"> <li>- Good governance</li> <li>- Assurance framework</li> <li>- Internal audit</li> <li>- External audit</li> <li>- Financial reporting</li> <li>- Risk management</li> <li>- Value for money or best value</li> <li>- Counter fraud and corruption</li> </ul>	√		
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?	Not applicable		

## Appendix 1

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?	√		
	<b>Membership and support</b>			
12	Has an effective audit committee structure and composition of the board been selected? This should include: - 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?			No
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?	√		
	<b>Effectiveness of the committee</b>			
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		Partly	
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?	√		

4 – Whilst the committee are content with the mechanisms for reporting against their performance in the annual report, it is felt that the executive summary section of the report could be enhanced to go into details about what the committee are responsible for and how they support the Council.

15 – The CIPFA skills and knowledge framework will be circulated to the Committee for a discussion.

18 – When the Annual Report of the Committee is reported to full Council, feedback from members on performance will be requested.

## 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	<p>The Committee meets regularly to question and challenge as appropriate, as shown through the minutes.</p> <p>Significant control weaknesses identified during the Audit Committee meetings are reported to full Council. The Annual governance statement is reviewed by the committee.</p>	5

## Appendix 1

	<p>The Committee seeks to gain assurance as needed on the reports received. The Committee provides robust review of the Annual Governance Statement and the assurances underpinning it. The Audit Committee also discusses any significant constitutional changes.</p> <p>Through the reports received and the questions raised, the Committee supports reviews / audits of governance arrangements. The Committee regularly participates in self-assessments of governance arrangements.</p>	
Contributing to the development of an effective control environment	<p>The Committee monitors the implementation of recommendations made by the auditors, and regularly challenges those that are overdue.</p> <p>The Committee encourages ownership of the internal control framework by appropriate managers and calls managers to account as necessary / required. The Committee raises significant concerns over controls with appropriate senior managers through those presenting the reports.</p> <p>The Committee recently provided feedback on the revised Contract Standing Orders suggesting changes where appropriate to strengthen the control framework. The Commercialisation Strategy was also recently reviewed by the Committee and they have been robust in their challenge of revised deadlines for the completion of recommendations in relation to noncompliance with 'No PO No Pay'.</p>	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Risk registers/reports are not presented to the Committee despite being included within their remit in the terms of reference. The Committee is however very supportive of a recent risk maturity assessment undertaken by Internal Audit which concluded that the Risk Management framework required improvements in relation to reporting. The Committee will be working with Internal Audit to champion these improvements.</p>	3

## Appendix 1

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>The Committee is responsible for assuring itself that internal audit coverage is sufficient when the annual plan is presented each year. The Internal Audit team where possible has been working on ensuring that where possible joint reviews are carried out with South Norfolk to identify inconsistencies in shared processes.</p> <p>Whilst Broadland did not experience any significant delays from EY in relation to delivering external audit work in 2019/20; the Chair of the committee will be kept informed of any future difficulties experienced by EY that could impact on delivery during 2020/21. The Chair has recently attended an EY event in Cambridge.</p>	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Committee reviews the audit charter and functional reporting arrangements as part of the annual internal audit plans report brought to the Committee by the Internal Audit team.</p> <p>The Committee assesses the effectiveness of internal audit arrangements and supports improvements. The Committee recognises that internal audit is a key source of information for them to consider.</p>	5
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	The Committee reviews and endorses the risk based internal audit plan annually and is involved in reviewing the effectiveness of performance management arrangements through the specific internal audit reviews as appropriate. In addition, external audit provides reports in relation to the financial stability of the Council.	4
Supporting the development of robust arrangements for ensuring value for money	The Committee evaluates the three E's (effectiveness, efficiency and economy) regularly and ensures that assurances on value for money arrangements is included in the assurances received by the Committee. The Committee considers how performance in value for money is evaluated as part of the AGS, contract standing orders and through internal/external audits.	5



## Appendix 1

Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<p>The Committee reviews the arrangements in place for countering fraud and corruption through regular review of the relevant policies and receives regular updates from the Fraud team.</p> <p>The Committee recognises that fraud risks and the effectiveness of the organisations strategy to address those risks are highlighted through the reports received from internal audit as necessary and through the Annual Governance Statement.</p>	4
--	---	---

**WORK PROGRAMME**

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></ul>