

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 10 January 2019** at **10.00am** when there were present:

Mr N C Shaw – Chairman

Mr R J Knowles

Mrs B H Rix

Mrs K A Vincent

Mrs Copplestone, Mr Fisher and Mrs Mancini-Boyle also attended the meeting for its duration.

Also in attendance were the Deputy Chief Executive, Interim Head of Housing and Environmental Services, Head of Internal Audit, Head of Corporate Resources, Internal Audit Manager and the Committee Officer (JO).

Mark Hodgson (Ernst and Young) was also in attendance.

22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Carrick and Mr Tapp.

23 MINUTES

The Minutes of the meeting held on 20 September 2018 were confirmed as a correct record and signed by the Chairman

24 SERVICE RISKS

The Interim Head of Housing and Environmental Services advised the meeting that her department was the largest in the Council, with 78 members of staff covering the following five service areas:

- 1 The Help Hub, which dealt with early intervention and community safety and worked with 40 partner organisations.
- 2 Housing Health and Partnership Team
- 3 Private Sector Housing Team
- 4 Food, Safety and Licensing Team
- 5 Environmental Protection Team

The department delivered against five of the six corporate ambitions of the Council and had seven areas of risk. None of these were high risk; one was medium risk (IT in the Housing Advice and Homelessness department) and the rest were low risk.

The introduction of new regulations, responsibilities and demand was an ongoing risk as a result of **Policy and Legislative Change**. Recent examples included: the new Waste Strategy for England, the Homelessness Reduction Act and Animal Welfare Regulations 2018. Measures to mitigate this risk included: staff training, service redesign and partnership working.

Working with partners could result in **Service Delivery** risk and a dependency on the market and Service Level Agreements. Measures to mitigate this risk were staff training, service redesign and a clearly stated commitment to partnership working. A partnership workshop had been held last year in which partners had been asked how they viewed Broadland as a partner and the learning from this had been very useful in improving relationships further.

Demand on the service was a major risk and could fluctuate according to circumstances. For example, illegal Gypsy and Traveller encampments in Broadland had increased by 1,000 percent in 2018. New animal welfare regulations and pressure on the Housing Options Team meant demand could vary in similar ways. Mitigation of the risk include service redesign and recruitment of an additional part-time Environmental Health Officer.

Long-term sickness, resignations and difficulties in finding suitably qualified staff meant that **Staffing and Recruitment** was a major risk. Mitigations for this included: utilising underspends to offer additional hours to staff; redesigning services and recruiting jointly with South Norfolk Council a student Environmental Health Officer.

There was considerable risk to the **Reputation** of the Council in the activities of Housing and Environmental Services, although this rarely had anything to do with service delivery and was largely to do with unrealistic expectations. To address this it was ensured that staff were well trained and had a single clear message. Staff also worked closely with the Communications Team to proactively promote the service.

The current **IT** system used by the Housing Options Team was not adaptable enough to meet the requirements of the Homelessness Reduction Act. To address this risk, a grant had been utilised to buy new software and fund additional staff.

The department had a long history of successfully bidding for additional **Funding** (such as the £3.1m recently secured from the Warm Homes Fund), but with additional funding came greater risk for the Council, especially when acting for other local authorities. This was mitigated by joint training with

colleagues at South Norfolk Council to build up expertise in securing external funding and using the evaluation of externally funded services to secure further funding.

The Interim Head of Housing and Environmental Services confirmed that the department was in a good position and had the capacity to respond to new demands on the service. For example, the Council was already collecting food waste in 50 percent of its area and was well placed to meet the proposed Government target of 100 percent food waste collection by 2023.

In response to a query, the Portfolio Holder for Environmental Excellence confirmed that the sale of recycled paper and cardboard continued to be a challenge due to quality restrictions placed by China. The Material Recycling Facility had improved the quality of its product in response to this.

In respect of plastic, the Government had placed an emphasis on producers and the Council was working with them to identify plastics that were easier to recycle.

The Deputy Chief Executive emphasised that there were many activities of the Council that required investment in prevention and brought with them an element of risk. However, it was important that a certain amount of risk be accepted to meet the demand placed on the Council.

25 RISK REGISTER AND PERFORMANCE MANAGEMENT

The report had been drafted in response to a request by the Chairman for a Council Risk Register.

The Deputy Chief Executive explained that since 2013 the Council had adopted a risk approach based on Systems Thinking principles, this had included the cessation of a formal Corporate Risk Register. In its place services managed and reported risk through half yearly Performance Reports.

The Council's external and internal auditors had not raised any significant issues regarding this change in approach and there had been no negative impact on the Council or any negative audit results since this change.

The Audit Committee was requested to define their preferred approach to risk management and the process and timetable for implementing any changes they suggested.

The Head of Internal Audit informed the Audit Committee that she had previously advised that Broadland's approach to risk management was not in line with recommended best practice, and subsequent internal audit reviews were undertaken against the approach now being taken rather than the usual

review against best practice. She suggested that a Risk Management Maturity Assessment might be useful. This would allow Members to make a considered judgement on the approach they would like to adopt for risk management. A Risk Management Maturity Assessment was an evidence based analysis of the risk management framework, which sought to provide assurance that the Council was identifying risks that threatened the achievement of strategic objectives and evaluated whether it was mitigating risks within a defined appetite.

The Chairman suggested that he would prefer to see a Risk Register that clearly set out risks and their status, so that the Committee could identify areas of concern and investigate them further, if necessary.

The Portfolio Holder for Finance emphasised that the current Systems Thinking approach to Risk Management was very effective and if this was going to be reviewed Members would need to be very clear about what they wanted to achieve from a different approach.

She added that the update from the Interim Head of Housing and Environmental Services had demonstrated the effectiveness of allowing Heads of Service to manage risk within their departments and it would be unwise to discard this approach. The Head of Internal Audit concurred with this view and emphasised that any new risk management system should complement the Systems Thinking approach, rather than replace it.

The Internal Audit Manager advised the Committee that she estimated that any Risk Register that was produced as a result of the review would wholly contain around ten or 12 high-level strategic risks that would impact on delivery of the Councils objectives.

The Head of Corporate Resources suggested that the half yearly Performance Reports that were presented to Cabinet already delivered corporate risk register information in a narrative form and that this could be adapted to add any comments or additional information from Cabinet and then brought to the Audit Committee for further consideration on a regular basis.

The Head of Internal Audit suggested that a Risk Management Assessment be undertaken that would take account of best practice and bring back some options for the Committee to consider.

It was estimated that a Risk Management Assessment could be completed by the Committee's meeting in June 2019. The 14 March 2019 meeting of the Audit Committee would also receive the latest Council Performance Report for consideration.

RESOLVED

that a Risk Management Assessment be undertaken to collect evidence of the current approach to risk management at the Council and to present some options for the Committee to consider about its future operation.

26 PROGRESS REPORT AN INTERNAL AUDIT ACTIVITY

The report reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2018/19 during the period 12 September 2018 to 21 December 2018.

Since the Annual Internal Audit Plan for the year was approved, there had been one significant change to the Plan. The review of the Exchange and Ancillary Services had been postponed to 2019/20, as an upgrade was currently underway and an audit review would be more beneficial once this work had been completed. The IT audit plan of work would, however, take account of the IT projects for collaboration.

The current position in completing audits to date within the financial year was in line with expectations, with 113 days of programmed work completed, equating to 78 percent of the Audit Plan for 2018/19.

Two final reports had been completed during the period: Corporate Governance GDPR, which had received a 'reasonable' assurance and Council Tax and NNDR, which had received a 'substantial' assurance.

As a result of these audits six recommendations had been raised, which had all been agreed by management and two of the Corporate Governance GDPR recommendations had already been implemented.

All audits had concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

RESOLVED

to note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2018/19 financial year.

27 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The report informed the Committee of progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 December 2018.

As a result of Internal Audit recommendations, management agreed action to ensure implementation within a specific timeframe and by a responsible officer. The management action was subsequently monitored by Internal Audit and reported to the Committee. Verification work was also undertaken for those recommendations reported as closed.

In 2017/18 Internal Audit raised 36 recommendations, with 30 now being closed. Three 'important' and two 'needs attention' recommendations remained outstanding. One recommendation was not yet due.

In 2018/19 Internal Audit had raised 24 recommendations so far. Of these ten were closed. Five 'important' and four 'needs attention' recommendations were currently outstanding. A total of five recommendations were not yet due.

Internal Audit were pleased to note that good progress had been made to address recommendations raised from the previous financial year and against those raised so far in 2018/19.

RESOLVED

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

28 EY 2017/18 GRANT CERTIFICATION REPORT

The report summarised the results of External Audit's work on the Council's 2017/18 claim.

Members were advised that there were only two minor errors identified by the audit and a good assurance could be issued.

There was an addition to the 2017/18 fee of £965 for extra work undertaken during the period.

Members noted that a £78 variation, when dealing with a £20m claim was very good.

The Committee commended the Head of Finance and Revenue Services and her Benefits Team on their excellent work.

29 EY 2018/19 AUDIT PLAN

The Committee received the Audit Plan, which set out the approach and scope that External Audit proposed for 2018/19. The scope of the Audit

remain largely unchanged, although the risk of management override had been split into two areas of focus: (1) misstatements due to fraud or error and (2) omission or understatement of provisions.

Two new risks that would be audited were: financial instruments and revenue from contracts with customers.

Performance materiality had been set at 75 percent of materiality, which was the same as last year.

The value for money conclusion would be based on no significant risks being identified by the audit.

30 WORK PROGRAMME

The following items were added to the Committee's Work Programme:

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| 14 March 2019 | <ul style="list-style-type: none">• Progress Report on Internal Audit Activity• Performance Report – Broadland Business Plan• Independent Audit Committee Member |
| June 2019 | <ul style="list-style-type: none">• Annual Report and Opinion 2018/19• Annual Governance Statement |

The meeting closed at 11.38 am