

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

Mr G K Nurden – Chairman

Mr P E Bulman

Mr A D Crotch

Ms S I Holland

Mrs K A Vincent

Officers in attendance were the Director of Resources, Internal Audit Manager and the Committee Officer (JO).

Ms S Powell (Ernst and Young) was also in attendance.

12 APOLOGIES FOR ABSENCE

An apology for absence was received from Mr Shaw.

13 MINUTES

The Minutes of the meeting held on 25 July 2019 were confirmed as a correct record and signed by the Chairman.

Minute No. 9 – Minutes (Matters Arising)

Members were advised that the Council had been very pro-active in detecting fraudulent single person Council Tax discount claims prior to joining the Norfolk Fraud Hub, which was the reason the Council had only recovered a small amount since it had joined the scheme.

An assessment of the value of continuing to remain in the Fraud Hub, would be made at the end of the Financial Year.

Details of the costs of participating in the Fraud Hub would be forwarded to Members after the meeting.

The Director of Resources also reported back to the Committee on the status of the Purchase Orders Audit, (BRD1809 key controls and assurance work) which required Purchase Orders to be used for all purchases. She confirmed that training had taken place to rectify this issue and a number of individuals had subsequently been identified, who were failing to use Purchase Orders. Work would continue to prevent this occurring however it had been decided that the staff restructure should be completed before wider training regarding this issue was rolled out across the whole one officer team. This was due to the restructure leading to some changes in roles and responsibilities together with a requirement to raise purchase orders on the two Finance Systems going forward.

The Internal Audit Manager confirmed that evidence would be required before the audit recommendation could be signed off.

14 RISK MANAGEMENT ASSESSMENT

The report provided details of the results of a Risk Maturity Assessment and made suggestions for improvements to increase the risk maturity level of the Council.

Standards developed by the Chartered Institute of Internal Auditors (CIIA) had been used to compare the risk management framework at Broadland against the following five stages of risk maturity: Risk Naive, Risk Aware, Risk Defined, Risk Managed and Risk Enabled.

The results of the Assessment suggested that Broadland's risk maturity was 'Risk Aware', which was at the lower end of risk maturity and could be characterised as 'a scattered, silo-based approach to risk management'.

The Assessment also identified that:

- No risk training had been requested or delivered for staff and there was no guidance in the Risk Strategy on the practical implementation of risk management.
- There was no defined scoring system for assessing the severity of risk in relation to delivering objectives and risk appetite had not been clearly defined and was not being considered in risk responses.
- There was no evidence that significant risks had been escalated upwards to senior management and Cabinet from operational areas at the Council.
- It was not possible to determine if risk management activity had been effective as although the Performance Report presented to Cabinet listed risks against each objective, in some cases, mitigating actions were not included, no deadlines for compliance were given and it was not clear whether the Council was choosing to reject or accept the identified risk.

As a result of the findings above it was proposed that an Enterprise Risk Management (ERM) framework be established to take a holistic approach to effectively manage risk. This would be especially relevant if the aspiration to develop a 'commercial culture' was to be established, as set out in the collaboration Feasibility Study.

The benefits of an ERM approach included:

- Greater focus on the issues that really matter;
- Risk focused culture; facilitates discussion about risk at all levels;
- Standardised risk reporting; consistent, comparable risks that are easy to interpret for effective decision making;
- Improved perspective; a complete viewpoint on risk that supports early detection, and an opportunity to exploit opportunities;
- Efficient use of resources; consistent analysis of risks allows prioritisation of the most appropriate response.

Members were advised that if it was adopted it would be essential to get all staff on board with this approach and ensure that they were aware of how to identify risk and escalate concerns to senior management.

Members confirmed that they supported the proposal, which would give the Audit Committee clear oversight of the effectiveness of the Risk Management Framework. This was especially important given the more commercially focused approach being taken by the Council going forward.

The Director of Resources advised the meeting that the Corporate Management Leadership Team had been discussing a Risk Management Strategy for both Broadland and South Norfolk and Member input into this piece of work would be welcomed as it was developed.

The Chairman expressed a concern that there could be difficulties if the risk appetites of the two Councils differed significantly. In response, the Director of Resources confirmed that both Councils had a lot of areas in common and the Risk Management Strategy would seek to align many of these and take a shared approach. In terms of risk appetite, any differences would continue to be recognised and monitored accordingly and escalated to senior management, if they were approaching the risk appetite levels set by each Council.

In response to a query, the Internal Audit Manager confirmed that the Audit Committee would have the opportunity to identify areas on the Risk Register that they would like to investigate further, even if they were not specific items identified on the Annual Audit Plan.

Members were informed that as staff were in a transitional period going towards a single paid service across two Councils, it was not thought appropriate to introduce the new the ERM immediately.

RESOLVED

To unanimously endorse the improvements proposed by Internal Audit and to agree to the adoption of an Enterprise Risk Management Framework.

15 AUDIT COMMITTEE – INDEPENDENT PERSON PROPOSAL

The report outlined a proposal for appointing an Independent Person to the Audit Committee and included a person specification that covered the Committee's requirements of ensuring that the individual appointed had the necessary skills and objectivity to carry out the role.

The Internal Audit Manager advised the meeting that Breckland Council had an Independent Member on its Audit Committee, who had proved to be a useful addition to the Committee.

Members suggested that it was premature at this stage to seek to appoint an Independent Member, as the Committee had not had the opportunity to carry out a self-assessment since the District elections in May 2019.

It was also considered that it would more effective to develop current Members' skills further before looking to make an external appointment to the Committee.

RESOLVED

To not proceed with the appointment of an Independent Person to the Audit Committee.

16 DRAFT COMMERCIALISATION STRATEGY

The report presented a draft joint Commercialisation Strategy, which proposed taking a common and collaborative approach to commercial opportunities with South Norfolk Council.

The objectives of the Strategy were to:

- Take a commercial approach to service design and management while having regard to our public service ethos promoting equity and fairness.
- Encouraging innovation while optimising assets and services.
- Exploit opportunities to generate income surplus for reinvestment by increasing income, reducing cost and maximising efficiency.

Members were advised that officer skills would need to be developed in order to deliver these objectives. However, the Councils had a large customer base and insight into that group could be utilised to up-sell and cross-sell where appropriate to deliver new services to new and existing customers.

It was emphasised that a more commercial approach would not be to the detriment of the Council's social responsibilities and public service ethos.

The Chairman emphasised that the Audit Committee should have oversight of commercial ventures such as Broadland Growth Ltd and he requested that a report on the Joint Venture Company be brought to a future meeting of the Committee.

RESOLVED

to endorse and recommend the Joint Commercialisation Strategy for approval.

17 ANNUAL AUDIT LETTER – YEAR END 31 MARCH 2019

The Audit Letter set out the work undertaken by External Audit during 2018/19.

An unqualified opinion had been given for the audit of the Council's financial statements for 2018/19 and it had been concluded that proper arrangements to secure value for money in its use of resources had been put in place.

The report also focused on the future and set out the impact that new accounting standards would have on the Council from 2020/21 in respect of leases which would need to be included on the balance sheet to comply with FRS 116.

The Director of Resources advised Members that due to a resource issue at EY, the certification work for the Housing Benefit subsidy claim for 2018/19

would not be completed by the 30 November 2019 deadline. The Council had asked the Department of Work and Pensions to grant it an extension to the New Year. A number of other local authorities were in a similar position.

RESOLVED

To note the Annual Audit Letter 2018/19.

18 WORK PROGRAMME

RESOLVED

to hold an additional meeting on 14 November 2019 to consider the following item:

- Contract Standing Orders

The meeting closed at 11.51 am