

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 4 July 2019** at **10.00am** when there were present:

Mr G K Nurden – Chairman

Mr P E Bulman  
Mrs K A Vincent

Mr A D Crotch

Ms S I Holland

Mr M L Murrell also attended the meeting. The Chairman pointed out that, in addition to attending as a named substitute for a Committee Member unable to attend, he welcomed attendance by other substitute Members to observe the work of the Committee.

Also present were the Director of Resources, the Internal Audit Manager and the Committee Officer (DM).

### 1 MINUTES

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

#### *Minute no: 31 – Minutes – Risk Register and Performance Report*

The risk register and performance report had been due to be considered at the Committee's meeting in June/July, but it was acknowledged that a comprehensive review of performance reports had recently been undertaken by the Overview and Scrutiny Committee who would now be undertaking this on a quarterly basis. In endeavouring to undertake its role in relation to the management of the Council's risks, and in the absence of a risk register, the Audit Committee had sought to review the performance reports as these incorporated information on the Council's management of risk. The Internal Audit Manager advised that she was currently reviewing the process for management of risk across both councils and would be reporting back to the Committee on her review. Members welcomed such a review and an alternative way of managing risk other than via analysis of performance reports. They did not wish to wait until the next scheduled meeting of the Committee to consider this matter and agreed that an additional meeting of the Committee be held in September/October to consider the issue of management of risk.

#### *Minute no: 34 – Annual Fraud Update*

In response to a question as to whether the Council had as yet been able to establish if involvement in the Fraud Hub had value for money, the Director of Resources undertook to update Members on this matter.

*Minute no: 35 – Independent Audit Committee Member*

Consideration of this matter had been deferred until after the May elections. Members felt there were benefits to be gained from having an independent member on the Committee in terms of skills and objectivity, and were keen to progress consideration of engaging an independent member. The Internal Audit Manager undertook to report back with further information on this to the meeting in September/October.

*[Note: the remaining order of business on the agenda was changed]*

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

Members considered the report of the Internal Audit Manager reviewing the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2018/19 during the period 21 December 2018 to 13 March 2019, including executive summaries in respect of audit reviews which were finalised over that period. Members noted that the date referred to in paragraph 2.1 of the report should read January 2019 and not January 2015. With regard to the three final reports issued by Internal Audit Services, six recommendations had been made within accounts payable, payroll and HR, and key controls and assurances. Two of these were regarded as priority 2, (important) and four were priority 3, (needing attention). The Internal Audit Manager then highlighted each of the recommendations.

### **RESOLVED**

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

## **3 FOLLOW UP WORK ON INTERNAL AUDIT RECOMMENDATIONS**

Members considered the report of the Internal Audit Manager advising them on progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2019. Members noted that a number of the deadlines had now passed and were updated on progress as follows:

**Purchase Orders (BRD1809 key controls and assurance work)** – the date for compliance in ensuring that purchase orders were used for all purchases made had been extended twice and had now been set at March 2020. Members raised questions as to where the issues were occurring and for what reasons purchase orders were not being used. They were concerned about the non-compliance with this requirement and felt it was a matter which needed to be addressed urgently. They felt it would help to have an understanding of the reasons for non-compliance to ensure appropriate

measures were put in place to achieve complete compliance. This could include a hard touch approach of non-payment of any invoices received without a purchase order. A review of the exemptions list would also be helpful. It was agreed that the target date for compliance with this requirement should be amended from March 2020 to September/October 2019 and the Director of Resources undertook to report back to the Committee on measures put in place to ensure compliance with the requirement.

**BRD 1901 – Procurement** – progress was being made and it was noted that the target date for compliance had now been amended to September 2019.

**BRD 1902 – Cyber Crime** – progress was being made and funding had been sourced. The target date for compliance had been amended to July 2019.

It was noted that, going forward, any references to previous post holders such as the Head of Democratic Services and Monitoring Officer needed to be updated to reflect new post titles.

### RESOLVED

to note the position in relation to the completion of agreed Internal Audit recommendations subject to the above comments and suggestions.

## 4 ANNUAL REPORT AND OPINION 2018/19

Members considered the report of the Internal Audit Manager on the internal audit activity undertaken during 2018/19. It provided the annual opinion concerning the organisation's framework of governance, risk management and control, the conclusion of the effectiveness of Internal Audit and key information for the Annual Governance Statement. The overall opinion was that the framework of governance, risk management and control at Broadland for the year ended 31 March 2019 was deemed reasonable representing a stable control environment which was to be welcomed. All nine assurance audits completed concluded in a positive assurance grading with a "substantial" assurance grading given for council tax and NNDR which was the highest level.

### RESOLVED

to note

- (1) the contents of the Annual Report and Opinion of the Head of Internal Audit.
- (2) that a **reasonable** audit opinion has been given in relation to the framework of governance, risk management and control for the year

ended 31 March 2019.

- (3) that the opinions expressed together with significant matters arising from internal audit work and contained within the report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2018/19.
- (4) the conclusions of the Review of the Effectiveness of Internal Audit.

### **5 ANNUAL GOVERNANCE STATEMENT 2018/19**

Members considered the report of the Director of Resources asking the Committee to review the Annual Governance Statement for 2018/19 to ensure that it reflected the reports that had been considered over the past year and that it supported the Committee's general understanding of the Council's Governance arrangements. The Council was required to produce the Governance Statement prior to signing off its final accounts. The Governance Statement also reflected the matters dealt with in the previous reports considered by the Committee. Overall the Governance Statement for Broadland Council was a very positive one with no issues raised.

In response to questions, officers confirmed that the Constitution, including the Terms of Reference of all Committees/Panels was being reviewed. They also confirmed that, whilst the Audit Committee's terms of reference allowed for the them to commission ad hoc work from internal/external audit, this facility was also available to the Managing Director who had commissioned a piece of work on the Eco Cube which would be considered by the Overview and Scrutiny Committee. It was noted that the reference in the report to the Assistant Director Finance should have still been the Head of Finance and Revenue Services.

Members welcomed the positive report and it was

#### **RESOLVED**

to approve the Annual Governance Statement for 2018/19.

### **6 EXTERNAL AUDIT FINAL FEE LETTER**

Members received the letter from Ernst and Young LLP (EY) setting out the final fee for 2017/18 following completion of the audit work undertaken.

The Director of Resources reported that, whilst the fee was derived from national guidelines set by PSSA Ltd, discussions with them indicated that there may be scope for a reduction in this fee from EY having regard to the

fact that the Council was regarded as being stable and low risk.

The final outcome of the Audit was awaited pending minor adjustment to reflect national changes relating to pensions, but indications were for a very positive outcome and that the working papers had improved.

### RESOLVED

to note the final fee for 2017/18.

## 7 WORK PROGRAMME

The work programme was updated as follows:

25 July 2019	<ul style="list-style-type: none"><li>• Final Accounts 2018/19</li><li>• Audit of Accounts</li><li>• <del>Performance Report</del></li></ul>
September/October 2019 (additional meeting date tbc)	<ul style="list-style-type: none"><li>• Risk Management Assessment</li><li>• Independent Audit Committee Member</li><li>• BRD1809 - Key Controls and Assurance Work - Purchase Orders</li></ul>
9 January 2020	<ul style="list-style-type: none"><li>• Internal Audit Progress Report</li><li>• Internal Audit Follow Up Report</li><li>• Audit Committee Self-Assessment</li></ul>
12 March 2020	<ul style="list-style-type: none"><li>• Strategic and Annual Internal Audit Plan 2020</li><li>• Fraud Update</li></ul>

*The meeting closed at 11:15 am*