

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 4 July 2019

Time

10.00 am

Place

Trafford Room
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich

Contact

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

The Openness of Local Government Bodies Regulations 2014

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

A G E N D A

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Trevor Holden
Managing Director

Glossary

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

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

International Accounting and Financial Reporting Standards Reference Numbers	
IAS1	<i>Presentation of Financial Statements</i> – Sets out the prescribed format for statements of accounts
IAS19	<i>Employee Benefits</i> – Essentially provides the basis for accounting for the pension fund
IAS20	<i>Accounting for Government Grants</i> – Establishes the accounting treatment for receiving Government grants
IAS40	<i>Investment Property</i> – How organisations should account for properties held as an investment
IPSAS16	<i>Investment Property</i> – How public sector organisations should account for properties held as an investment
IPSAS23	<i>Revenue from non-exchange transactions (taxes and transfers)</i> – This determines how monies from taxes should be treated in the accounts

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Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 14 March 2019** at **10.00 am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mrs K A Vincent

Also in attendance were the Head of Finance and Revenue Services, Internal Audit Manager, Counter Fraud Investigation Officer and the Committee Officer (JO).

Mrs Copplestone, Mr Knowles, Mrs Mancini-Boyle and Mr Vincent were also in attendance.

Chris Scott, Head of Treasury Team at Link Market Services was present for item no. 32 - Risk and Treasury Management.

31 MINUTES

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

Minute no. 25 – Risk Register and Performance Management

Members were advised that the Performance Report would now be considered at the 27 June 2019 meeting.

32 RISK AND TREASURY MANAGEMENT

Members received a presentation from Chris Scott, Head of Treasury Team at Link Market Services (attached at Appendix 1 to the signed copy of these Minutes).

In response to Members' questions the Committee was advised that:

- There was no restriction on local authorities investing in emerging markets, as long as it was through a Sterling fund.
- There were no restrictions on how much a local authority could borrow, but a good business plan would need to be in place to access Government funding. It was noted that since 2016 Spelthorne Borough Council had borrowed £1bn from the Public Works Loan Board to invest in property.

Members thanked Mr Scott for his comprehensive presentation.

33 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20

The report provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2019/20 to 2021/22 and the Annual Internal Audit Plan for 2019/20. It also provided 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.

The Annual Internal Audit Plan was produced in consultation with senior management and comprised 141 days encompassing 12 assignments. Five joint audits with South Norfolk Council would be undertaken: Corporate Governance; Risk Management; Planning and Development Management; Disaster Recovery and Business Continuity and Network Infrastructure and Security.

The Internal Audit Charter had been updated to reference the role of the reporting lines of Internal Audit through the Internal Audit Manager to the Head of Internal Audit.

The Internal Audit Strategy, which set out how internal audit services would be delivered, developed, resourced and linked in with the priorities of the Council remained unchanged.

In response to a query Members were advised that the timing of audits had been agreed with officers, but the Plan remained flexible and the timetable could be amended if required.

RESOLVED

To note and approve the:

- (1) Internal Audit Charter;
- (2) Internal Audit Strategy for 2019/20;
- (3) Strategic Internal Audit Plans 2019/20 to 2021/22; and
- (4) Annual Internal Audit Plan 2019/20.

34 ANNUAL FRAUD UPDATE

The report provided details of the counter fraud work undertaken during 2018/19 and set out the Fraud Plan for 2019/20.

Over the course of the last year the Corporate Fraud Officer had worked alongside a number of services to prevent fraud; including the Housing Team, the Police, Norfolk County Council Fraud Hub, Trading Standards and the Department for Work and Pensions. Work had also been undertaken with the Council Tax Team to detect fraudulently claimed 25 percent Single Person's Discount.

A notable success had been the Crown Prosecution Service pursuit of a Housing Benefit overpayment of £14,674.62, which had led to a Proceeds of Crime Act 2002 hearing, where the Council was awarded a full compensation order and the claimant given six months to repay the overpayment in full or face a custodial sentence.

The Corporate Fraud Officer continued to identify previously unknown holiday accommodation and public use swimming pools in the district, which had led to an additional source of Business Rates income.

The National Fraud Initiative (NFI) was an exercise that matched electronic data between public and private sector bodies to prevent and detect fraud. The latest data matches for 2019 had just been released and would be reviewed by the Corporate Fraud Officer, however due to her additional responsibilities this might be restricted to the high risk matches only.

The Corporate Fraud Officer had engaged with the new Fraud Hub that Norfolk County Council had set up and funded for 13 months from January 2019. After the trial period had expired they would require an ongoing annual payment of £4,080, in addition to the £2,200 that the Council were already charged to take part in the mandatory exercise.

The Hub would allow data to be shared across the county on a more frequent basis to minimise areas of risk and detect fraud at an early stage. The Council would be required to submit data as it did currently for NFI. This was a very labour intensive exercise and consideration would have to be given about how this would be resourced.

The Head of Finance and Revenue Services advised the meeting that discussions were being held this afternoon in respect of the Norfolk Fraud Hub to clarify what benefits the Council would derive from participating in the Hub. As the Hub would also have implications for the Department for Work and Pensions Fraud Teams, the Corporate Fraud Officer had requested that they be invited to participate in the discussions as well.

In response to a query, the Corporate Fraud Officer confirmed that a significant element of her workload was keeping apprised of changing legislation that could have a bearing on fraud and its prevention.

RESOLVED

- (1) To note the report and the Fraud Plan for 2019/20.

RECOMMENDED TO COUNCIL

- (2) To continue to participate in the Norfolk Fraud Hub at a cost of £4,080 for 2019/20, subject to the comments of the Head of Finance and Revenue Services regarding the scheme's value for money.

35 INDEPENDENT AUDIT COMMITTEE MEMBER

It was **AGREED** that this item would be deferred until after the District elections in May 2019.

36 WORK PROGRAMME

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

27 June 2019	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Performance Report• Independent Audit Committee Member
9 January 2020	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report
12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020/21

The Chairman noted that this would be the last meeting of the Head of Finance and Revenue Services before she left the Council to take up a post elsewhere. Members thanked her for her hard work at the Council.

The meeting closed at 12.01 pm

ANNUAL GOVERNANCE STATEMENT 2018/19

Report Author:	Debbie Lorimer, Director Resources tel: 01508 533981 email: dlorimer@s-norfolk.gov.uk
Portfolio Holder:	Transformation and Organisational Development
Wards Affected:	All
Purpose of the Report:	The Committee is requested to review the Annual Governance Statement for 2018/19 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance Arrangements.

Recommendations:

1. To approve the Annual Governance Statement for 2018/19.

1 SUMMARY

- 1.1 The Council is required to gather evidence that the governance arrangements are adequate and to support the production of an Annual Governance Statement.

2 BACKGROUND

- 2.1 The CIPFA/SOLACE framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation. CIPFA has assigned proper practice to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.
- 2.2 The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. Furthermore, it is not simply about evidencing compliance, but to highlight what arrangements are in place and the improvements which are necessary to inform stakeholders.
- 2.3 The key sources of assurance which have been used to prepare the Annual Governance Statement are:
- Performance management information
 - Risk management
 - Legal and regulatory assurances
 - Members’ assurances
 - Financial control assurance
 - Internal audit
 - External audit
- 2.4 The regulations state that the Annual Governance Statement needs to be approved in advance of the relevant authority approving the Statement of Accounts.

3 CURRENT POSITION / FINDINGS

- 3.1 The Annual Governance Statement is attached to this report for Members to review, and highlights governance issues which need addressing.

4 PROPOSED ACTION

- 4.1 The Committee is requested to review the Annual Governance Statement for 2018/19 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance arrangements.

5 OTHER OPTIONS

- 5.1 None.

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.
- 6.6 **Risks** – none.

7 RECOMMENDATIONS

- 7.1 To approve the Annual Governance Statement for 2018/19.

Background Papers

None.

Broadland District Council

Annual Governance Statement (AGS) 2018/19

Why we have prepared this AGS

To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control. This is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process by which Heads of Service:

- understand the risks to the achievement of the Council's policies, aims and objectives,
- understand the likelihood of those risks being realised and the impact should they be realised, and
- manage them efficiently, effectively and economically.

To demonstrate whether, and to what extent, the council complied with its Code of Corporate Governance ('the Local Code')

To demonstrate our achievements and help us to be more effective and take action to improve

What we mean by governance

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

How the Council makes sure it

- does the right things
- in the right way
- for the right people.

Our responsibility

Broadland District Council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and complying with its local code of governance.

The preparation of an **Annual Governance Statement** is required in order to meet the statutory requirement to produce such a statement in paragraph 4(3) of the Accounts and Audit (England) Regulations 2015 and which requires authorities to

conduct a review at least once a year of the effectiveness of its system of internal control. The purpose of the Annual Governance Statement is to explain how the Council has complied with the Code of Corporate Governance; to review the effectiveness of the governance framework; to identify any significant governance issues and to describe the actions taken or proposed to address those issues. The Statement is signed by the Leader and Managing Director.

The Governance framework

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The key elements include:

- The Council's current **Code of Corporate Governance** which has been updated to reflect the changes made in the new framework published by CIPFA/SOLACE in 2016.
- As a council our vision for the future is to grow a strong and vibrant Broadland, with more jobs, more homes and more opportunities for all. Our **Broadland Business Plan 2015-19** sets out our ambitions and how we aim to realise this vision. It includes our key ambitions and objectives and every six months a Performance Report is prepared and presented to Cabinet to reflect our performance against those objectives. Corporate and service objectives are also cascaded to members of staff to inform their own individual objectives agreed through annual appraisals.
- The **Constitution** sets out how the Council operates; how decisions are made by defining and documenting the roles and responsibilities of the Cabinet, Portfolio Holders, the non-executive and scrutiny functions; and the procedures and codes of conduct which are followed – such as the financial regulations and contracts procedure rules. It also covers the roles of the statutory officers of the Council – the Head of Paid Service, the Monitoring Officer and the Section 151 Officer – and their responsibilities relating to compliance with the law and ensuring sound financial control. It includes the delegations to officers and various protocols and codes on standards of behaviour for members and staff. The aim of the Constitution is to improve the accountability and responsiveness of the Council to the residents it serves. The Constitution is reviewed regularly which enables the range of financial regulations, the scheme of delegation and decision making arrangements to be updated as required.
- **Managing Performance and Risk.** The Overview & Scrutiny Committee reviews the Business Plan Performance reports it can make recommendations to Officers or Portfolio Holders and Cabinet. Risks to delivery of the corporate objectives also form part of the Business Plan Performance report and risk implication paragraphs continue to appear in all Cabinet reports. Progress and

updates are monitored by the Council's Corporate Management Leadership Team.

- The Council's **Communications and Engagement Strategy** focusses on bringing a more collaborative, whole council approach to communications, with Officers and Members united in a coordinated way to deliver key messages, calls to action and better engagement with the people who live and work in Broadland. The Community at Heart Awards reflect all that is good about working and living in Broadland.
- The **Standards Committee** is made up of five District Councillors with four co-opted representatives from parish and town councils and is advised by the Monitoring Officer. It is responsible for promoting and maintaining high standards of conduct by Broadland District, parish and town councillors. The Council has adopted a procedure for dealing with complaints made against Broadland Members. In cases where an investigation has been authorised by the Monitoring Officer against a Broadland District Council Member following consultation with the Independent Person and a potential breach of the code has been identified then the case will be referred to the Standards Committee for decision
- The Council has an **Audit Committee**, whose functions ensure we deliver the core activities as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities
- The Council has a contract with Norfolk Public Law (NP Law) for the provision of **legal advice**. This is managed by the Head of Democratic Services & Monitoring, with quarterly review meetings with the Practice Director of NP Law. All service managers are consulted in advance of the meetings to ascertain whether there are any issues that need to be raised to ensure the contract and delivery of the service remain appropriate to the Council's needs. The arrangement with NP Law is supplemented by additional specialist legal advice from other providers as required. All reports to Members contain a legal implications section.
- The Council operates a **complaints procedure** and monitoring reports on formal complaints (including Local Government Ombudsman decisions) are considered by Cabinet every six months within the performance report. In addition procedures and policies exist for handling Freedom of Information requests, General Data Protection Regulation queries and Environmental Information Regulations issues. All of these provide an important framework for members of the public to seek information and raise complaints.
- The Council provides a range of training and development opportunities for its **Members** to help them fulfil their roles as elected representatives and community leaders. The arrangements are overseen by the Member Development Panel which has cross party representation. Following the 2015 elections mandatory training was identified that Members are required to undertake before they can serve on certain Committees, namely Audit Committee; Appeals Panel; Licensing Committee; Planning Committee and

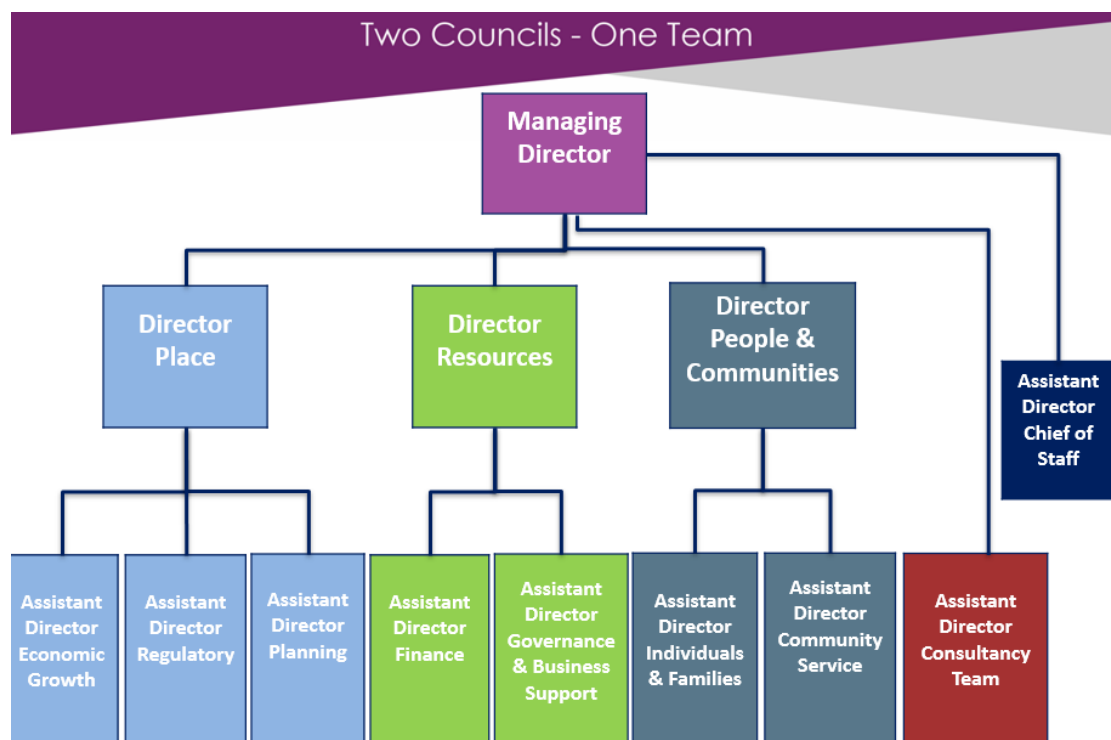
Regulatory Committee. In addition, all Members received a briefing on the Member Code of Conduct. Arrangements are in place to provide all Members with Code of Conduct training following the 2019 elections, with a number of other corporate wide training sessions for Members. An audit of Member training and development was undertaken with the outcome reported to the Member Development Panel and Audit Committee.

- The Council's **Overview and Scrutiny Committee** consists of 15 Members. It meets in public 18 times a year to discuss and make recommendations on the development of policies and to hold the Cabinet to account for their actions. It has a key role in considering other matters of local concern and may be proactive in ensuring the well-being of the Council's residents. Its key roles are to:
 - Develop the Overview and Scrutiny Work Plan
 - Allocate work between Time and Task Limited Panels
 - Receive reports from Time and Task Limited Panels as appropriate
 - Monitor the performance of the Council and Cabinet through scrutiny of decisions taken
 - "Call in" for scrutiny Cabinet decisions and key decisions made by officers.

The Constitution requires the Committee to report to the Council on its activity at the end of the municipal year.

- The **Internal Audit** service arrangements, managed by the Assistant Director Governance and Business Support, ensure that through the contractor's annual work plan, reviews of controls based on risk are undertaken to provide assurance and recommendations for improvement.
- The **Medium Term Financial Plan** is agreed by the Council each year, and future funding issues are raised so that current budget / tax setting plans are placed into a longer term context.
- The Council is involved in a variety of **partnerships**, many of which take the form of collaborative working arrangements with local authorities and other partners. The Council's Overview and Scrutiny Committee has a role in reviewing these arrangements, which now takes the form of an annual refresh of the partnerships' register allowing the opportunity to highlight any future reviews of particular partnerships this was presented on 26 March. As part of the register the Committee has developed an agreed definition of partnership working and the steps taken to monitor the performance of partnerships.
- **Staff** are bound by various policies including the Employee Code of Conduct, the Officer Employment Procedure Rules and the Personal Relationships at Work Policy. In addition there is a comprehensive Induction process and a Policies and Procedures file within My Job on the intranet which contains an up to date list of policies and practices such as the Electronic Access Policy.

- The Counter Fraud Strategy, the Raising Concerns at Work Policy (ie the Council's Whistle Blowing Policy), and the Personal Relationships at Work Policy all support the Council's governance processes and **anti-fraud and corruption culture**. The Council has a Corporate Fraud Officer who works closely with Internal Audit in monitoring and combatting Corporate Fraud as well as educating staff and members about its importance and increasing awareness of potential risks. A report on the Council's activity in combatting fraud is considered by Audit Committee annually.
- **Risks** to delivery of the corporate objectives form part of the Cabinet performance report and in addition a Risk Implications paragraph is required in all appropriate Cabinet reports.
- The Council is open to **external reviews and assessments**, such as the LGA peer challenge, 'Best Companies to Work For' surveys, Food Standards Agency inspections and Office of Surveillance Commissioners (OSC) inspections.
- In 2018/19 the Authority's **financial management arrangements** largely conformed to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The only area of non-conformity was in the reporting arrangements for the Head of Finance and Revenue Services who did not report directly to the Chief Executive, but to the Deputy Chief Executive. However, this is mitigated by direct access to the Chief Executive being available and being part of regular management team meetings.
- Progression of the Council's collaboration with South Norfolk Council has resulted in the establishment of a joint management structure. This comprises a joint Managing Director, three Directors, and nine Assistant Directors, as shown below:



The recruitment of joint posts has been subject to a new shared process that has been developed and agreed at meetings of both authorities' Full Councils. The Managing Director was appointed at the end of 2018 following an external recruitment drive and took up post on 2 January 2019. The recruitment process for the remaining posts in the new structure began in early 2019, with Director positions being appointed to initially on 18 March. Five out of the nine Assistant Director roles have also been appointed. The remaining vacant Assistant Director roles will be advertised internally initially, with a view to publicise externally if internal recruitment is not successful. In addition, the Director and statutory posts appointments were formally endorsed by South Norfolk and Broadland Full Council meetings on 23 and 25 April respectively.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- (i) the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment,
- (ii) the Head of Internal Audit's annual reports on the Effectiveness of Systems of Internal Audit, Internal Audit Activity and the Status of Agreed Actions arising from Final Audit Reports,
- (iii) comments made by the external auditors and other review agencies and inspectorates.

The detailed functions of the **Council** are set out in Part Two of paragraph 4.2 of the Council's Constitution and those matters reserved to itself are set out in Part 3 paragraph 14.1 of the Council's Constitution. The Full Council determines the overall policy framework and approves the Council's Revenue and Capital budget. Some key governance related reports considered by Council over the last year include:

- July 2018 – adopted a Policy to implement a Non-Domestic Rate Business Growth Discount Scheme.
- July 2018 – resolved that Broadland and South Norfolk Councils would form One Joint Officer Team across the two autonomous Councils.
- February 2019 – resolved to increase the Long-Term Empty Property Premium.
- March 2019 – resolved to adopt a revised Discretionary Housing Payments Policy and Period of Award Matrix.

Cabinet monitors the effectiveness of the governance framework through budget monitoring reports twice a year and performance which are presented half yearly. Cabinet and individual Portfolio Holders monitor performance and effect changes to improve where necessary. Portfolio Holders also receive budget variance reports

from their respective senior managers through the Assistant Director Finance. Issues of strategic and corporate importance are considered by Cabinet regularly and updates are provided and decisions made regarding commercially sensitive activity. Regular financial monitoring reports are presented to the relevant committees and then to Cabinet. This includes the presentation by the Council's External Auditor of its Annual Audit Letter. Some key governance related reports considered by Cabinet over the last year include:

- June 2018 Cabinet agreed that engagement activities for the Broadland Business Plan 2019/23 should comprise of:
 - holding face to face meetings between the Chief Executive/Leader and major stakeholders across the District;
 - conducting externally facilitated stakeholder workshops; and
 - commissioning a market research company to carry out a residents' survey.

The above helped shape the vision, ambitions and objectives of the Council for inclusion in the Broadland Business Plan 2019-23.

The **Overview and Scrutiny Committee** undertakes its work programme throughout the year, including planned projects as well as more reactive items. The two roles of the Committee are; the development and review of policies for a wide range of subjects and services and the critical examination of the Council's performance and effectiveness of its decisions. The Committee's Recommendation Report, which monitors progress and outcomes from O&S recommendations was presented on 26 March 2019. The Committee Chairman presented his annual report on the activity of the Committee to the **Council** meeting on 28 March 2019. During 2018/19 the Committee undertook a review of the Neighbourhood Development Plans and established a panel to investigate the Eco Cube. They also continually monitor certain activities which have included monitoring the corporate policy register, receiving updates on the Broadland Economy, Resilience and Community Safety. Receiving outcomes on the Police and Crime Panel, Public Health, Health and Well Being Board, Corporate Equalities Group and receiving a Norfolk Health Overview. Over the last year there was one call-in for a decision made by Cabinet regarding the extension of the Enforcement Agent Contract.

During 2018/19 the **Service Improvement and Efficiency Committee's** received regular updates on the collaborative working project with South Norfolk Council.

The terms of reference of **Audit Committee** require that a formal annual report on the committees work and performance during the year is taken to Full Council and this was presented on 21 May 2019. This report gives an overview of the key items considered and reviewed in 2018/19 which were: Annual Governance Statement, Statement of Accounts, Finance Updates, Risk Management, Internal Audit, External Audit, Fraud update and Training. The Audit Committee began a review of the approach to risk management towards the end of the financial year, and this will progress over 2019/20.

The **Head of Internal Audit's Annual Report and Opinion** on Internal Audit Activity 2018/19 will be considered by the Council's Audit Committee on 27 June 2019. The

Statements in the report relevant to this Annual Governance Statement are as follows:

The overall opinion in relation to the framework of governance, risk management and controls at Broadland District Council is reasonable.

It is encouraging to note all nine assurance audits completed within the year concluded in a positive assurance grading. A substantial assurance grading was given for Council Tax and NNDR.

There are therefore no issues that we feel are significant enough to be referenced in the Annual Governance Statement in relation to Governance, Risk Management and Control for 2018-19.

The External Auditor's (Ernst and Young) **Annual Audit Letter 2017/18** summarises the findings from the audit of the 2017/18 statement of accounts. The letter was presented to Audit Committee on 20 September 2018. The audit concluded an opinion on:

- The audit of the Council's financial statements and consistency of other information published within the financial statements
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The letter highlights that the main messages for the Council are:

Audit opinion and financial statements

- An unqualified opinion was issued in 26 July 2018.

Value for Money

- An unqualified Value for Money Conclusion was issued on 26 July 2018. No significant risks were identified in relation to these criteria nor were any significant weaknesses identified in our arrangements to ensure we take properly informed decisions and deploy resources to achieve planned and sustainable outcomes for taxpayers and local people.

The **Localism Act 2011** made fundamental changes to the Standards regime which came into effect on 1 July 2012. The Council was required to adopt its new arrangements, including the adoption of a new **Member's Code of Conduct** and these were approved by Council on 28 June 2012. During 2018/19 there were three complaints made against Broadland Members. In one case the complaint involved two breaches where the member gave apologies to the complainant. In the other case the matter was dealt with as a matter of concern which resulted in an apology being given to the member of staff raising the concern. There had been three formal complaints involving parish/town council members (one of whom was also a Broadland Member). Under his delegated powers the Monitoring Officer determined that having undertaken preliminary enquiries, no breach was identified in any of these cases. One of the parish councils involved would be receiving support to

avoid a repetition. In addition there have been interventions with three parish councils in relation to governance and staffing issues.

All **relevant senior managers** have completed assurance statements confirming that the governance framework has been operating within their areas of responsibility and that they are fully compliant.

The Head of Democratic Services and Monitoring Officer's ongoing **review of the Constitution** was carried out to ensure it was up to date and takes account of legislative and operational changes which have a bearing on its contents. There have been a number of minor changes made throughout the year which have been undertaken using delegated powers – reflecting Council decisions, changes in legislation, job titles and changes in portfolio responsibilities.

Governance Issues

It is recognised that governance regarding closer working relationships with South Norfolk Council is a key area that needs to remain under review. Although not resulting in non-compliance, it is right to reflect that key policies and procedures will require review in light of the collaboration.

It would be beneficial for the Council to adopt a broader approach to reviewing governance arrangements through the introduction of management assurance statements to support this AGS. This will be developed over the following financial year.

Finally, a review of the approach to risk management at the Council was commenced by the Audit Committee with the Internal Audit Manager progressing this collaboratively across Broadland and South Norfolk Councils over the 2019/20 year.

Review and Approval of the Annual Governance Statement

This Draft Annual Governance Statement is submitted with the Draft Statement of Accounts and will then be considered by the Audit Committee in June 2019 and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement is then finalised and included in the final Statement of Accounts.

Certification

We are satisfied that appropriate arrangements are in place to address improvements in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored through the year and considered at our next annual review.

Signed:

Councillor Shaun Vincent
Leader of Broadland District Council

Signed:

Trevor Holden
MD Broadland District Council

Date:

Agenda Item: 6

**Audit Committee
4 July 2019**

ANNUAL REPORT AND OPINION 2018/19

Report Author: Faye Haywood, Internal Audit Manager
tel: 01508 533873
email: fhaywood@s-norfolk.gov.uk

Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: This report concludes on the Internal Audit Activity undertaken during 2017/18, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

Recommendations:

1. Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
2. Note 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. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2018/19.
4. Note the conclusions of the Review of the Effectiveness of Internal Audit.

1 SUMMARY

- 1.1 This report concludes on the Internal Audit Activity undertaken during 2017/18, it provides an Annual Opinion concerning the organisation's framework of governance, risk management and control and concludes on the Effectiveness of Internal Audit and provides key information for the Annual Governance Statement.

2 BACKGROUND

- 2.1 In line with the Public Sector Internal Audit Standards (PSIAS), which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the work that supports the opinion should be submitted;
 - Reliance placed on other assurance providers should be recognised;
 - Any qualifications to that opinion, together with the reason for qualification must be provided;
 - There should be disclosure of any impairments or restriction to the scope of the opinion;
 - There should be a comparison of actual audit work undertaken with planned work;
 - The performance of internal audit against its performance measures and targets should be summarised; and,
 - Any other issues considered relevant to the Annual Governance Statement should be recorded.
- 2.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes:
- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
 - The outcomes of the performance measures for the Contractor; and,
 - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3 CURRENT POSITION

- 3.1 The Annual Report and Opinion 2018/19 and the Review of the Effectiveness of Internal Audit are shown in Appendix 1.

4 PROPOSED ACTION

- 4.1 For the Audit Committee to review the Annual Report and Opinion for 2017/18, and the Review of the Effectiveness of Internal Audit.

5 OTHER OPTIONS

- 5.1 N/A

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
- 6.6 **Risks** – These findings indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit on the Governance, Risk Management and Control framework at Broadland, which can then be used to inform the Council's Annual Governance Statement.

7 CONCLUSION

- 7.1 The overall opinion is that the framework of governance, risk management and control at Broadland District Council for the year ended 31 March 2019 is deemed to be reasonable, representing a stable control environment.
- 7.2 It is also encouraging to note that of the nine assurance audits completed within all of them resulted in a positive assurance with no priority one recommendations raised.
- 7.3 It is also important to note that substantial assurance was concluded in the areas of; Council Tax and NNDR.
- 7.4 The outcomes of the Effectiveness Review confirm that Internal Audit:
- Is compliant with the Public Sector Internal Audit Standards;
 - Is continually monitoring performance and looking for ways to improve; and;
 - Is substantially compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

- 7.5 These findings therefore indicate that reliance can be placed on the opinions expressed by the Head of Internal Audit for Broadland, which can then be used to inform the Council's Annual Governance Statement.

8 RECOMMENDATIONS

1. Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
2. Note 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. Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2018/19.
4. Note the conclusions of the Review of the Effectiveness of Internal Audit.

Background Papers

None

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Annual Report and Opinion 2018/19

Head of Internal Audit for Broadland DC

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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 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Audit Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2018/19, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and 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; the level of compliance with the PSIAS 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.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Corporate Leadership Team and key stakeholders and then approved by the Audit Committee at its meeting on 15 March 2018. Any justifiable amendments that are requested during the year are discussed and agreed with senior management, and reported through to Committee. This opinion does not imply that internal audit has reviewed all risks

and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at Broadland District Council is **reasonable**.

It is encouraging to note all nine assurance audits completed within the year concluded in a positive assurance grading. A substantial assurance grading was given for Council Tax and NNDR.

There are therefore no issues that we feel are significant enough to be referenced in the Annual Governance Statement in relation to Governance, Risk Management and Control for 2018-19.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified thereon have been taken into account.

The opinion has been discussed with the Section 151 Officer prior to publication.

3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.

3.3 **Summary of the internal audit work**

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2018/19 has covered a wide range of services. Nine of the 10 originally agreed audits from the 2018/19 plan took place and were given a positive assurance grading. The following audit was cancelled from the agreed internal audit plan following discussions held with management.

Audit description	Nature of the change
Exchange and Ancillary Services	The upgrade work in this area has not yet concluded. Following discussion with management this area is no longer perceived to be of a high risk in comparison with other areas added to the Strategic Internal Audit Plan.

Overall, the 2018/19 plan has been reduced by 15 days to take account of the needs of the business and to ensure the Internal Audit Service was able to add value where required.

The Executive Summary of all reports has been presented to the Audit Committee, ensuring open and transparent reporting and enabling the Committee to review key service area controls and the conclusions reached.

3.4 **Follow up of management action**

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 30 recommendations raised by TIAA Ltd in 2018/19, 19 have been implemented. Three are within deadline. Eight recommendations remain outstanding, (six important and two needs attention). Of the six important recommendations four relate to Procurement, these include utilising a e-procurement system, including all ICT contracts on the contract register, presenting the contract register to the Corporate Leadership Team and reviewing high value invoices to ensure suppliers have been captured on the contracts register. Management have confirmed that recommendations will be implemented by June 2019.

The fifth overdue recommendation relates to Cyber Crime and the introduction of cyber security training. This will be completed by June 2019. The sixth relates to members completing GDPR training. A deadline of 31 July 2019 has been given.

One important recommendation remains outstanding from 2017/18. This relates to ensuring purchase orders are used for all suppliers. A deadline of 30 June 2019 has been given.

3.5 **Issues for inclusion in the Annual Governance Statement**

As stated in the opinion itself; It is encouraging to note all nine assurance audits completed within the year concluded in a positive assurance grading. A substantial assurance grading was given for Council Tax and NNDR.

There are therefore no issues that we feel are significant enough to be referenced in the Annual Governance Statement in relation to Governance, Risk Management and Control for 2018/19.

4. **THIRD PARTY ASSURANCES**

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2018/19. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

Two improvement points were raised in relation to the assessment. The first relates to updating and documenting current risks relating to the delivery of the TIAA contract. The second relates to the Internal Audit Manager carrying out yearly deep dive assurance exercises on a sample of TIAA audit files to give assurance that audit procedures are being followed in line with the PSIAS. We can confirm these actions are now complete.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance indicators as agreed by the Audit Committee. Actual performance against these targets is outlined within the table below and overleaf:

5.2.2 It is encouraging to note that all performance measures have been achieved, with three of these exceeding targets. Client feedback has been provided, which has been positive,

recognising the professional service provided and also the value that internal audit has brought to the Council. The contractor has also provided the Council with a higher percentage of qualified/experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is also encouraging to note that all nine internal audit reviews were at final report stage by 13 March 2019, thus ensuring audits are completed within financial year and ensuring that this annual opinion can be completed in line with earlier reporting requirements associated with the audit of the accounts.

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	TBC	TBC
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved – 9 assurance reports.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	100%	Achieved - All quarterly reports received with 15 working days of year end.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards				Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		Generally conforms 100%	Generally conforms n/a	No issues to address.
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeded, 5 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2018/19

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Procurement	Reasonable	5	1	0	4	0	0
Corporate Governance GDPR	Reasonable	4	2	0	1	1	0
Housing Benefits & Local Council Tax Support	Reasonable	1	1	0	0	0	0
Environmental Health	Reasonable	8	8	0	0	0	0
Accounts Payable	Reasonable	1	0	0	0	1	0
Payroll and Human Resources	Reasonable	4	2	0	0	0	2
Council Tax and NNDR	Substantial	2	2	0	0	0	0
Key Controls & Assurance	Reasonable	1	0	0			1
IT audits							
Cyber Crime	Reasonable	4	3	0	1	0	0
Total		30	19	0	6	2	3

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	1
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	8
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.	0
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 ASSURANCE CHART

	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
Annual Opinion Audits					
Corporate Governance		n/a		Reasonable	X
Risk Management					X
Key Controls & Assurance	Substantial	Reasonable	Reasonable	Reasonable	X
Fundamental Financial Systems					
Accounts Receivable	Reasonable		Substantial		
Income / Remittances	Substantial		Substantial		
Accountancy Services	Reasonable		Substantial		
Accountancy Services, Asset Register, Budgetary Control and Journals					X
Housing & Council Tax Benefits		Substantial		Reasonable	
Council Tax / NNDR		Reasonable		Substantial	
Accounts Payable		Reasonable		Reasonable	
Payroll / HR		Reasonable		Reasonable	
Service Area reviews					
Procurement		n/a		Reasonable	
Broadland Growth	Limited		Reasonable		X
Localism and Communities					
Council Offices, Facilities & Reception					
Performance Management, Business Planning & Risk Management		Substantial			
Environmental Health - Pest Control & Stray Dogs					
Environmental Health - Private Water Supplies, Assisted Burials and Environmental Protection				Reasonable	
Waste Management		Reasonable			

	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
Housing Strategy, Homelessness, Home Options and Affordable Housing		Reasonable			X
Private Sector Housing, includes Disabled Facilities Grants and loans		Substantial			X
Private Sector Leasing	Reasonable				
Eco Town Capital Project					
Elections and Electoral Registration	Substantial				
Data Protection, Legal, FoI					
Environmental Health - Licensing, Food Safety and Health & Safety			Substantial		
Planning			Reasonable		
Member Services, Training, Allowances and Expenses					
Broadland Council Training Services	Reasonable				
Economic Development		Reasonable			
Property Development incs industrial units					
GP Referral Scheme			Reasonable		
IT Audits					
Revenues and Benefits Application - Academy					
Cyber Crime				Reasonable	
Network Infrastructure					
Firewalls					
Data Back Up					
Network Security					X
Virtualisation	Reasonable				
Epayments	Reasonable				
Efinancials	Reasonable				
Mobile Devices		Substantial			
Exchange & Ancillary Services		Reasonable			

	Current Contract				
	2015/16	2016/17	2017/18	2018/19	2019/20
Environmental Health Application		Reasonable			
Disaster Recovery			Reasonable		X
Social Media			Substantial		
Planning Application			Limited		

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2018/19 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2019. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Agenda Item: 7

**Audit Committee
4 July 2019**

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Report Author: Faye Haywood, Internal Audit Manager
tel: 01508 533873
email: fhaywood@s-norfolk.gov.uk

Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2018/19 during the period 21 December 2018 to 13 March 2019 and includes executive summaries in respect of audit reviews which have been finalised over this period.

Recommendation:

1. 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.

1 SUMMARY

- 1.1 This report reviews 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 and includes executive summaries in respect of audit reviews which have been finalised over this period.

2 BACKGROUND

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

3 CURRENT POSITION

- 3.1 The current position in relation to the delivery of the Annual Internal Audit Plan 2018/19 is shown in the report attached.

4 PROPOSED ACTION

- 4.1 For the Audit Committee to review the progress made in the delivery of the Annual Internal Audit Plan for 2018/19.

5 OTHER OPTIONS

- 5.1 N/A

6 ISSUES AND RISKS

- 6.1 **Risks** - Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion. Reductions in Internal Audit coverage could permit on-going weaknesses in

the internal control environment at the Council not being detected and reported upon.

6.2 **Resource implications** – none

6.3 **Legal implications** – none

6.4 **Equality implications** – none

6.5 **Environmental impact** – none

6.6 **Crime and disorder** – none

7 CONCLUSION

7.1 The 2018/19 Annual Internal Audit Plan has been completed as expected.

8 RECOMMENDATION

8.1 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.

Background Papers

None

Eastern Internal Audit Services



Broadland District Council

Progress Report on Internal Audit Activity

Period Covered: 21 December 2018 to 13 March 2019

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

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1. INTRODUCTION

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

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 15 March 2018 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the last progress report presented to the Committee in January 2015 there have been no further changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 129 days of programmed work has been completed, equating to 100% of the (revised) Audit Plan for 2018/19.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

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

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

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

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

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

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

Audit	Assurance	P1	P2	P3
Accounts Payable	Reasonable	0	0	1
Payroll and HR	Reasonable	0	1	3
Key Controls and Assurance	Reasonable	0	1	0

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

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

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

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

5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas, the performance measures can be seen at **Appendix 3**.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

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

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

- 5.3 The fourth and final quarters work has been completed and a report on the performance measures provided to the Head of Internal Audit, performance is currently at green status with the 2018-19 Internal Audit Plan being delivered in line with expectations.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Procurement	BRD1901	10	10	10	Final report issued 29 June 2018	Reasonable	0	4	1	1	Sep-18
TOTAL		10	10	10							
Quarter 2											
Corporate Governance GDPR	BRD1903	5	5	5	Final report issued 5 October 2018	Reasonable	0	2	2	0	Dec-18
Housing Benefits & Local Council Tax Support	BRD1904	20	20	20	Final report issued 21 August 2018	Reasonable	0	1	0	0	Sep-18
Environmental Health	BRD1905	10	10	10	Final report issued 15 August 2018	Reasonable	0	3	5	1	Sep-18
TOTAL		35	35	35							
Quarter 3											
Accounts Payable	BRD1906	12	12	12	Final Report issued 1 February 2019	Reasonable	0	0	1	0	Jun-19
Payroll and Human Resources	BRD1907	17	17	17	Final report issued 12 February 2019	Reasonable	0	1	3	1	Jun-19
Council Tax and NNDR	BRD1908	20	20	20	Final report issued 4 December 2018	Substantial	0	0	2	0	Dec-18
TOTAL		49	49	49							
Quarter 4											
Key Controls & Assurance	BRD1909	10	10	10	Final report 13 March 2019	Reasonable	0	1	0	0	Jun-19
TOTAL		10	10	10							
IT Audits											
Cyber Crime	BRD1902	15	15	15	Final report issued 27 June 2018	Reasonable	0	3	1	6	Sep-18
Exchange and Ancillary Services	BRD1910	15	0	0	Cancelled						
TOTAL		30	15	15							
Follow Up											
Follow Up	NA	10	10	10							
TOTAL		10	10	10							
TOTAL		144	129	129			0	15	15	9	
Percentage of plan completed				100%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the Accounts Payable Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy and Procedures	0	0	1	0
Total	0	0*	1	0

No recommendations were raised around the receipt of goods, segregation of duties, authorisation of invoices, payment of invoices, new suppliers and changes to suppliers and reconciliation to the financial ledger.

*A previous recommendation around raising and authorisation of purchase orders remains outstanding.

SCOPE

The scope of this review covers; raising and authorisation of purchase orders, receipt of goods, segregation of duties, authorisation of invoices, payment of invoices, new suppliers and changes to suppliers and reconciliation with the financial ledger.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work; along with one 'important' recommendation that remains outstanding from the key controls audit (BRD1809) in relation to accounts payable. This recommendation was in relation to the use of purchase orders for all purchases, with the exception of those specifically included on the exceptions list, which is not being fully complied with across the Council.

POSITIVE FINDINGS

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

Ordering

- Segregation of duties exist between the raising of purchase orders and approval of invoices for payment, with access levels aligned to officer's delegated levels of responsibility.
- Supplier Set Up forms are completed and authorised before new suppliers are set up on the system.

Receipt of Goods

- Goods are receipted on the Civica financial system prior to invoices being released for payment.

Authorisation and Payment of Invoices

- Access to create and amend new suppliers within the system is restricted to staff within Finance.
- Invoices are registered, independently authorised, processed and confirmed for payment within Civica with all system records updated to indicate payment.
- System controls are in place to prevent duplicate invoices being registered and paid.

Reconciliation with the financial ledger

- The creditor control account is reconciled to the general ledger system and is subject to independent verification.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'needs attention' recommendation has been made.

Policy and Procedures

- Accounts payable work instructions to be reviewed and updated, where applicable, in order to ensure they are reflective of current practice, thereby reducing the risk of inconsistent and or incorrect practices being applied.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit reviewed the previous internal audit of accounts payable (BRD1704), of which no recommendations remain outstanding. It is noted that one of the recommendations, relating to the review and update of procedures / work instructions has reoccurred in this audit and a new recommendation is being raised.

The previous key controls audit (BRD1809) raised two important recommendations in relation to accounts payable, of which one recommendation remains outstanding. The outstanding recommendation is in relation to the use of purchase orders consistently by all departments. Internal audit testing found that purchase orders are not always being used as required. This was discussed with management and revised deadline date of 31st December 2018 agreed.

Assurance Review of the Payroll and Human Resources Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Legislative requirements	0	1	0	1
Payroll processing	0	0	1	0
Sickness absence	0	0	1	0
Total	0	1	3	1

No recommendations have been raised in respect of starters and leavers, changes to payroll records, pension contributions, reconciliations or officers' expenses.

SCOPE

This review included particular focus on the arrangements in place with Norfolk County Council, with particular regard to the reconciliations. The scope also covered: legislative requirements, starters and leavers, changes to payroll records, pension contributions, payroll processing and sickness absence.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous audit report of Payroll and Human Resources was issued in December 2016. The report concluded in a 'Reasonable' assurance opinion, having raised two 'important' and seven 'needs attention' recommendations. This means the number of recommendations has reduced in this audit, indicating a positive direction of travel.

POSITIVE FINDINGS

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

- The Council has an up to date absence policy, to ensure that absences are managed consistently and effectively.
- Starters and leavers are added to or removed from the payroll in a timely manner, to ensure that their first or final pay is correct.
- The current establishment is reviewed by Heads of Service on a six-monthly basis, to ensure that it is accurate and up to date.
- The monthly pay run is comprehensively checked to ensure that all amendments requested have been actioned and no erroneous changes have been made.
- Return to work interviews are conducted after periods of absence, to ensure that any underlying issues can be identified, and appropriate mitigations put in place.
- Mileage claims are checked and authorised, to ensure that journeys are legitimate, and the driver meets requirements to drive on Council business.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'important' recommendation has been made.

Legislative requirements

- An annual statement confirming compliance with contractual requirements be received from Norfolk County Council, to reduce the risk of non-compliance leading to financial or reputational damage to the Council.

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

Policies and procedures

- A checklist of tasks for the monthly pay run to be produced, reducing the risk of them not being completed in a timely manner.

Payroll processing

- Evidence of authorisation for BACS payments to be retained, reducing the risk of incorrect payments being made.

Sickness absence

- The return to work form be reviewed and updated to clarify whether absence trigger points and actions taken have been discussed, to increase the likelihood that appropriate actions are taken in respect of short term absences.

Operational Effectiveness Matters

The operational effectiveness matters for management to consider relate to reviewing the data published as part of the gender pay gap reporting requirements, to ensure that it is the most useful.

Previous audit recommendations

The previous audit of Payroll and Human Resources (BRD/17/05) was completed in December 2016 and concluded in a 'Reasonable' assurance opinion, with two 'important' and seven 'needs attention' recommendations being raised. We obtained evidence of completion through our follow up process, however as a result of this review it has become apparent that one control weakness has reoccurred. As the controls are still not operating as intended, the recommendation has been reaffirmed and its priority level raised to reflect deterioration since the previous review.

Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Accounts Receivable	0	1	0	0
Total	0	1	0	0

No new recommendations have been made in this report in respect of accountancy services, cash income and receipt or assurance framework.

SCOPE

The objective of the audit was to review the systems and controls in place within Key Controls to support the Annual Governance Statement, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' recommendation being raised upon the conclusion of our work.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2018/19 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Payable;
- Payroll and Human Resources;
- Housing Benefit and Local Council Tax Support; and
- Council Tax and National Non-Domestic Rates (NNDR).

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2018/19 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Receivable;
- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control);
- Cash Income and Receipt; and
- Assurance Framework.

The audit has highlighted the following areas where one 'needs attention' recommendation has been made.

Accounts receivable

- Aged debts are reviewed on a regular basis, to reduce the risk of them not being recovered by the Council.

Assurance Framework

A review of the assurance framework within the Council was also undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the Annual Governance Statement (AGS), senior officer and member review of the AGS and subsequent review and monitoring of action plans.

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

- The AGS included in the 2017/18 Statement of Accounts refers to the fact that Heads of Service completed assurance statements which feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS for 2017/18 was reviewed by the Audit Committee in July 2018.

Outstanding Previous Recommendations

There is one outstanding recommendation from the previous Key Controls audit. This relates to Accounts Payable, in particular the use of purchase orders for all purchases. Since 1st September 2018, the Council has introduced a 'no PO, no pay' policy, along with an exceptions list, and enforcement of this new policy is ongoing. During 2018/19 key controls were also tested as part of the full reviews of Housing Benefit and Council Tax Support, Council Tax and NNDR, Accounts Payable and Payroll and HR. A recommendation was made in relation to the key controls within the Housing Benefit and Council Tax Support audit, specifically relating to the follow up of quality assurance checks. One recommendation was also raised in relation to key controls within the Payroll and HR audit, relating to retaining evidence of authorisation to process payments. Both of these recommendations have been confirmed as implemented. No recommendations relating to key controls were raised in the Council Tax and NNDR or Accounts Payable audits.

Other points to note

All staff in the Finance department can post journals to the ledger without independent authorisation. The Council is happy to continue to accept the risk associated with this policy.

Agenda Item: 8

**Audit Committee
4 July 2019**

FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Report Author: Faye Haywood, Internal Audit Manager
tel: 01508 533873
email: fhaywood@s-norfolk.gov.uk

Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: This report seeks to inform Members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2019.

Recommendation:

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

1 SUMMARY

- 1.1 This report seeks to inform Members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2019.

2 BACKGROUND

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

3 CURRENT POSITION

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

4 PROPOSED ACTION

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

5 OTHER OPTIONS

- 5.1 The Audit Committee has the following option:

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

6 ISSUES AND RISKS

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

6.4 **Equality implications** – none

6.5 **Environmental impact** – none

6.6 **Crime and disorder** – none

7 CONCLUSION

7.1 Good progress has been made in addressing prior financial year recommendations with only two now outstanding.

7.2 There are currently eight recommendations outstanding which were raised in this financial year.

8 RECOMMENDATION

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

Background Papers

None

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 January 2019 to 31 March 2019

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

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1. INTRODUCTION

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

2. STATUS OF AGREED ACTIONS

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

Number raised	36	
Complete	34	94%
Outstanding	2	6%

- 2.4 In 2018/19 internal audit raised 30 recommendations. Of these 19 are closed. A total of eight recommendations are now outstanding, six important and two needs attention. Three recommendations are not yet due. The management responses in relation to the outstanding important recommendations can be seen at **Appendix 3** of the report.

Number raised	30	
Complete	19	63%
Outstanding	8	27%
Not yet due	3	10%

- 2.5 We are pleased to note that good progress has been made to address recommendations raised from the previous financial year and against those raised so far in 2018/19.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31 December 2018 and 31 March 2019			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2017/18 Internal Audit Reviews															
BRD1806	Accounts Receivable	Substantial						1				1			
BRD1809	Key Controls and Assurance	Reasonable					1					1			
BRD1810	Accountancy	Substantial			1							0			
BRD1811	GP Referrals	Reasonable		2	1							0			
2018/19 Internal Audit Reviews															
BRD1901	Procurement	Reasonable			1		4					4			
BRD1902	Cyber Crime	Reasonable					1					1			
BRD1903	GDPR	Reasonable								1	1	2			
BRD1905	Environmental Health	Reasonable			4							0			
BRD1906	Accounts Payable	Reasonable									1				
BRD1907	Payroll and HR	Reasonable			2								1	1	
BRD1908	Council Tax and NNDR	Substantial			2							0			
BRD1909	Key Controls and Assurance	Reasonable												1	
TOTALS			0	2	11	0	6	1	0	1	2	9	0	2	1

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1809 Key Controls assurance work	Recommendation 1: Purchase orders are to be used for all purchases within the Council apart from suppliers on an approved exceptions list. In addition, all purchase orders to be raised prior to the purchase and independently authorised by a manager.	2	Agreed	Senior Finance Officer	31/07/2018	30/06/2019	Outstanding	A letter was issued to all creditors paid in the previous 12 months in July 2018, advising them of the no PO number, no pay policy. However, there are still a few staff who do not use the system. Ongoing pressure is being applied, but currently do not refuse payment. As part of the induction for new senior management team this issue is addressed directly.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1901 Procurement	Recommendation 1: An e-procurement system to be introduced in order to meet the requirement of the Public Contract Regulations 2015 and to update Contract Procedure Rules to reflect this arrangement. Training then to be provided to all key officers involved in procurement.	2	Agreed.	Head of Democratic Services	31/12/2018	30/06/2019	Outstanding	As part of the collaboration with South Norfolk Council, the project includes bringing together the two procurement teams to deliver a combined service. This is work in progress and requires an extension of time in order to implement the recommendation as part of the project.
BRD1901 Procurement	Recommendation 2: The contract register and process for updating the register to be reviewed to ensure completeness, including all ICT contracts.	2	Agreed	Head of Democratic Services	30/09/2018	30/06/2019	Outstanding	As part of the collaboration with South Norfolk Council, the project includes bringing together the two procurement teams to deliver a combined service. This is work in progress and requires an extension of time in order to implement the recommendation as part of the project.
BRD1901 Procurement	Recommendation 3: The contract register to be presented to the Corporate Leadership Team on a quarterly basis.	2	Agreed	Head of Democratic Services	30/09/2018	30/06/2019	Outstanding	As part of the collaboration with South Norfolk Council, the project includes bringing together the two procurement teams to deliver a combined service. This is work in progress and requires an extension of time in order to implement the recommendation as part of the project.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1901 Procurement	Recommendation 4: As part of a quarterly update of the contracts register, a review of higher value and aggregate invoices to be completed in order to identify whether formal contracts should have been procured. The outcomes of the review to be reported to the CLT.	2	Agreed	Head of Democratic Services	31/03/2018	30/06/2019	Outstanding	As part of the collaboration with South Norfolk Council, the project includes bringing together the two procurement teams to deliver a combined service. This is work in progress and requires an extension of time in order to implement the recommendation as part of the project.
BRD1902 Cyber Crime	Recommendation 3. The Council to investigate options for deploying appropriate Cyber security training to all relevant staff. Options available from SOCITM or existing Council e-learning facilities are potential avenues for investigation.	2	Agreed	Head of ICT and Facilities	01/12/2018	30/06/2019	Outstanding	Broadland were successful in a county wide bid for LGA funding for cyber training. Norfolk County Council are leading on this and Broadland are awaiting the training to be delivered.
BRD1903 Corporate Governance	Recommendation 1: GDPR training to be undertaken by all Broadland District Council Members.	2	Agreed	Head of Democratic Services and Monitoring Officer	31/01/2019	31/07/2019	Outstanding	GDPR has been provided to members where they have taken up the training. Invitations have gone out to members who have not received the training and they have been encouraged to take this up. GDPR training will be provided to all new members after the May 2019 elections.

Jill Penn
Head of Finance and Revenue Services Chief Executive
Broadland District Council
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich
NR7 0DU

13 March 2019

Ref: 18/BDC/Final Fee Letter

Email: mhodgson@uk.ey.com

Dear Jill

Broadland District Council - 2017/18 Audit

Following the completion of our audit work, we have now considered the fee and discussed this you and PSAA Ltd and we are therefore in a position to communicate the final fee for 2017/18 which is set out in the table below.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s	£'s
Total Audit Fee - Code work	46,487	41,587	41,587	41,587

The additional fee of £4,900 relates to the additional time required from the audit team to complete procedures related to:

- Multiple amendments within the draft financial statements presented for audit.

This fee is subject to final approval by PSAA Ltd now we have issued this notification letter. I would be grateful if this letter could be taken to the next available Audit Committee, to complete the formal reporting process.

I would like to take this opportunity to thank you and your team for all the help and assistance that has been provided during our audit.

Yours sincerely

Mark Hodgson
Associate Partner

For and on behalf of Ernst & Young LLP
cc. Chair of the Audit Committee

WORK PROGRAMME

25 July 2019	<ul style="list-style-type: none">• Final Accounts 2018/19• Audit of Accounts• Performance Report• Risk Management Assessment• Independent Audit Committee Member
9 January 2020	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Audit Committee Self-Assessment
12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020• Fraud Update