

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 10 October 2019

Time

10.00 am

Place

Trafford Room
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich

Contact

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@BDCDemServices

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

Under the above Regulations, any person may take photographs, film and audio-record the proceedings and report on all public meetings. If you do not wish to be filmed / recorded, please notify an officer prior to the start of the meeting. The Council has a protocol, a copy of which will be displayed outside of each meeting room and is available on request.

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

A G E N D A

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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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DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.

Does the interest directly:

1. Affect yours, or your spouse / partner's financial position?
2. Relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?
3. Relate to a contract you, or your spouse / partner have with the Council
4. Affect land you or your spouse / partner own
5. Affect a company that you or your partner own, or have a shareholding in

If the answer is "yes" to any of the above, it is likely to be pecuniary.

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?

If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

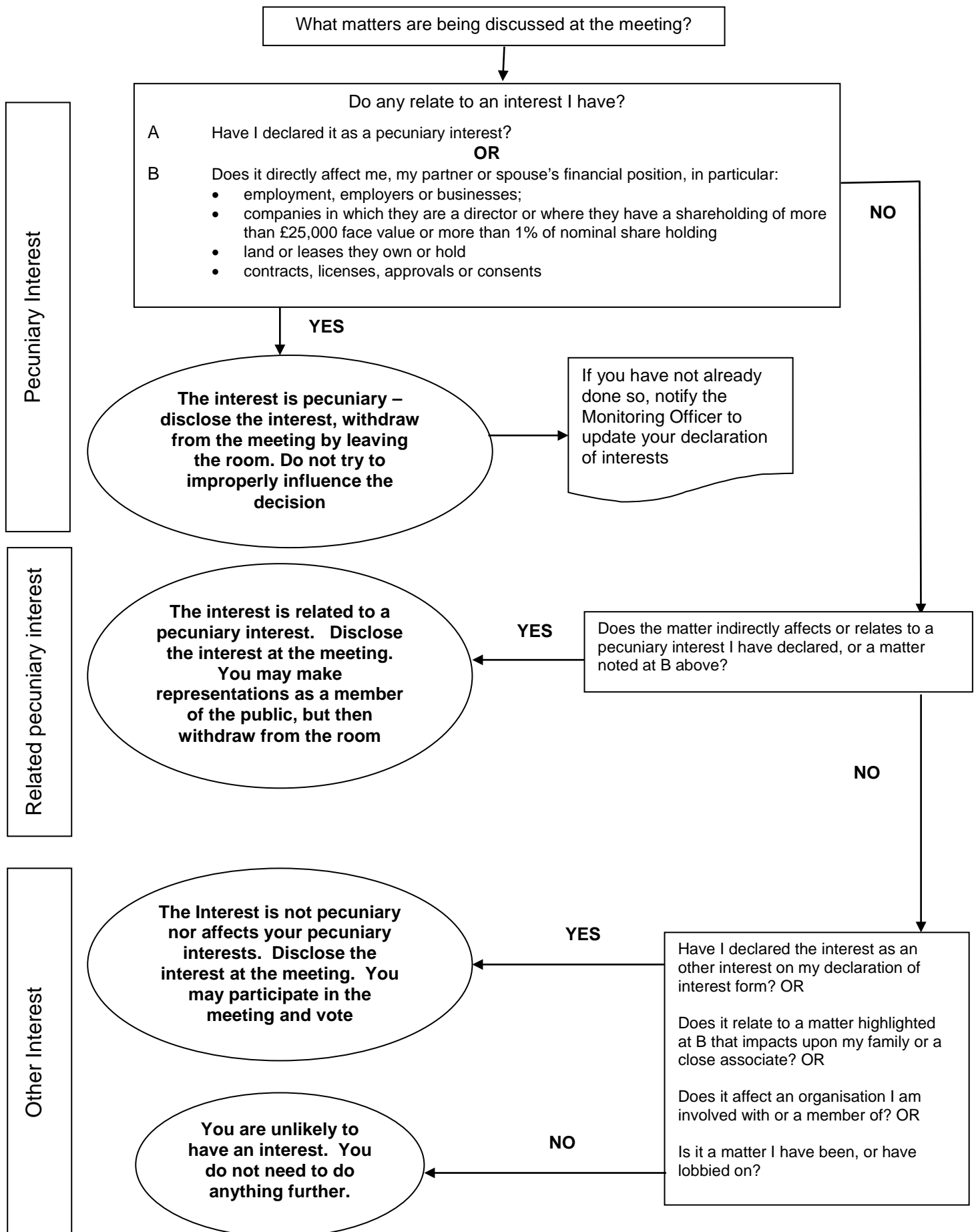
Is the interest not related to any of the above? If so, it is likely to be another interest. You will need to declare the interest, but may participate in discussion and voting on the item.

Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF

PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST INSTANCE

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **25 July 2019** at **10.00 am** when there were present:

Mr G K Nurden – Chairman

Mr P E Bulman

Mr A D Crotch

Ms S I Holland

Mrs K A Vincent

Mr N J Brennan and Mr M L Murrell also attended the meeting for its duration.

Also in attendance were the Director Resources, Interim Corporate Finance Manager, Capital Accountant, Financial Accountant, Systems Accountant and the Committee Officer (JO).

Sappho Powell (Ernst and Young) was also in attendance.

8 DECLARATIONS OF INTEREST UNDER PROCEDURAL RULE NO 8

Member	Minute No & Heading	Nature of Interest
Mrs Vincent	10 – Statement of Accounts	Non-pecuniary interest. Any matter relating to NORSE, as Norfolk County Council representative on NORSE Board.

9 MINUTES

The Minutes of the meeting held on 4 July 2019 were confirmed as a correct record and signed by the Chairman.

Minute No: 1 – Minutes

The Director of Resources confirmed that she had consulted the Fraud Officer regarding Members' concerns about the value for money of participating in the Norfolk Fraud Hub. She had confirmed that the Fraud Hub was mostly focusing on fraudulent claims of single person Council Tax discount and that the Council would only receive a small percentage of any of the 25 percent Council Tax that was successfully recovered from claimants.

The Director of Resources confirmed that participation in the Fraud Hub would continue to be monitored to assess if worthwhile benefits were being obtained for Broadland.

It was also confirmed that the changes requested by Members at the last meeting in respect of the Annual Governance Statement would be made before the Statement of Accounts was signed off by the Chairman.

10 STATEMENT OF ACCOUNTS

The Director of Resources congratulated the Finance Team for the tremendous amount of work they had put into drafting the Statement of Accounts.

The Interim Corporate Finance Manager circulated a new draft of the Statement of Accounts, which included a very recent revaluation of the long-term liability of the Pension Fund, which was now being recorded as a central cost in the Finance line, rather than being spread across all Portfolios. The change had no effect on the bottom line of the accounts. Members were advised that pensions were also treated as a non-cash item for accounting purposes, so as to not impact on Council Tax. The Committee confirmed that they would like to receive a presentation on the Pension Fund, which currently had a deficit of £31m, at a future meeting.

The Statement of Accounts was prefaced by a Narrative Report that set out the context of the Council, its finances and future plans. It then continued with a Statement of Responsibilities in respect of the preparation of its accounts and the Annual Governance Statement which explained its system of governance.

The Core Financial Statements set out the expenditure of the Council in the delivery of services. This included a Comprehensive Income and Expenditure Statement; a Movement in Reserves Statement, a Balance Sheet and a Cash Flow Statement.

Members were asked to note a surplus in the General Fund of £1.7m. The surplus included an underspend across a range of services of £0.5m.

There had been a revision for the treatment of contracts with customers. This meant that licenses were recorded over the life of the period over which it would operate, rather than when they were issued. Planning was the most significant area in respect of this, as it was impossible to predict with certainty how long the process would last. The Community Infrastructure Levy was also a significant area in respect of these changes.

The Council had put aside £2.7m to address successful appeals lodged against Business Rates assessments. It was hoped that the revaluation of Business Rates would become more frequent, so that the Council could have greater certainty about its income streams.

In response to a number of queries the following issues were noted:

- The Council regularly achieved growth in its National Non-Domestic Rate retention. Last year it was £77.6m, in 2018/19 it was 78.5m.

- The Recession Mitigation Fund had now been closed down.
- It was considered prudent to maintain a budget of £14,000 to cover unexpected losses at CNC Building Control.
- Car loans were treated as a benefit in kind and taxed.
- Approximately £900,000 of the £1.1m spent as capital grants was for Disabled Facilities Grants and the Warm Home Fund.

RESOLVED

- (1) to approve Broadland's Statement of Accounts (attached at Appendix 1 to the signed copy of these Minutes); and
- (2) to sign off the Letter of Representation (attached at Appendix 2 to the signed copy of these Minutes).

11 AUDIT RESULTS 2018-19

The report summarised the preliminary conclusion of External Audit in respect of the 2018/19 audit of the Council.

The Audit of the financial statements for the year ended 31 March 2018 was substantially complete and in line with the Audit Plan. Subject to the satisfactory completion of a number of outstanding items, it was anticipated that an unqualified opinion on the Council's financial statements would be issued.

Members were advised that there was an ongoing national issue in respect of the public sector pension scheme transition, which may require a late change to the pension fund accounts and the financial statements had recognised this matter as a contingent liability.

Areas of audit focus were: management override, Business Rates appeals provision, the valuation of land and buildings and the pension liability valuation. Although the pension liability had increased by £433,000, as a result of an adjustment relating to the McCloud case, this had no effect on the General Fund.

The audit had identified that five Members had failed to return their Related Party Transactions forms for 2018/19. It was noted that following the district council elections in May some of these Members were no longer District Councillors. Members were advised that Committee Services would liaise with group leaders to get a better response from Members in respect of their

Related Party Transactions forms in future.

The report concluded that the Audit give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended; and the financial statements had been prepared in accordance with local authority accounting standards.

The meeting closed at 11.52 am

DRAFT

Agenda Item: 7

**Audit Committee
10 October 2019**

AUDIT COMMITTEE - INDEPENDENT PERSON PROPOSAL

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

Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: This report outlines the proposal for appointing an Independent Person to the Audit Committee.

Recommendations:

1. That the Committee discuss the person specification and suggested next steps for appointing an Independent Person to the Audit Committee.

1 SUMMARY

- 1.1 This report outlines the proposal for appointing an Independent Person to the Audit Committee.

2 BACKGROUND

- 2.1 The Audit Committee have previously discussed the merits of appointing an independent person to the committee. At the Audit Committee meeting held 4 July 2019, members confirmed that they felt there were benefits to be gained from having an independent person on the Committee in terms of skills and objectivity and were keen to progress consideration of engaging an independent member.
- 2.2 It was agreed that the Internal Audit Manager would bring a proposal back to the October 2019 meeting for the Committee's consideration.

3 CURRENT POSITION / FINDINGS

- 3.1 Attached to this report at Appendix 1 is the proposed advert and person specification for the Independent Person.
- 3.2 The person specification covers the Committee's requirements of ensuring that the individual appointed has the necessary skills and objectivity to carry out the role. The following summarises the key requirements that have been included under; objectivity, experience, skills and knowledge.
- 3.3 The role requires interested individuals to have not been connected with the Council either as a previous employee or Councillor within the last five years, or have any significant family ties with the Council that would cause a conflict in terms of remaining objective.
- 3.4 The specification requests that individuals have experience of working in a medium/large organisation at a senior level with financial management experience.
- 3.5 The specification asks that candidates exhibit an understanding of complex issues and accountability in public life, can reconcile the ideal with reality and practicality and must possess effective interpersonal skills.
- 3.6 Some knowledge in areas of local government has been requested as useful, along with knowledge of corporate governance arrangements and risk management.
- 3.7 The person specification confirms that this role does not command a salary; however, reimbursement for travelling and subsistence expenses will be paid.

4 PROPOSED ACTION

- 4.1 The decision to appoint an Independent Person must be approved by Council as this represents a structural change to the Committee. If members decide to go ahead with the appointment, the Monitoring Officer will put this to Council for approval at the next available opportunity.
- 4.2 If approval by Council is given the person specification attached to this report, can be advertised locally.
- 4.3 Once candidates have had an opportunity to express an interest, it is advised that an interview panel is set up comprising of members, with support from officers. Our proposal would be:
- Interview Panel – Chair and Audit Committee with Portfolio Holder.
 - Advisors – Emma Hodds – Monitoring Officer Broadland District Council. Faye Haywood – Internal Audit Manager Broadland District Council.
- 4.4 It is suggested that the Independent Person is appointed for a term of four years. Following this term, the Audit Committee can put a recommendation to Council regarding re-appointment.

5 OTHER OPTIONS

- 5.1 The Committee could decide to upon reflection, not to go ahead with the appointment of an Independent Person.

6 ISSUES AND RISKS

- 6.1 **Risks** – The Council, may potentially be unable to attract a suitable individual to this post due to the commitment required and timings of Audit Committee meetings. This will result in the Audit Committee not being able to benefit from the enhanced skills and independence that a post holder of this nature could offer.
- 6.2 **Resource implications** – The individual will be reimbursed for travel and subsistence expenses. These costs are expected to be minimal.
- 6.3 **Legal implications** – none
- 6.4 **Equality implications** – The Committee should consider whether candidates put forward for appointment could enhance the diversity of the Audit Committee, thus strengthening governance arrangements.
- 6.5 **Environmental impact** – none
- 6.6 **Crime and disorder** – none

7 CONCLUSION

- 7.1 When appointed, it is expected that the independent audit committee member will enhance the effectiveness of the Audit Committee and governance arrangements overall, through objective challenge and by bringing different opinions and experiences then expressed by existing members.

8 RECOMMENDATIONS

- 8.1 That the Committee discuss the person specification and suggested next steps for appointing an Independent Person to the Audit Committee.

Background Papers

None

AUDIT COMMITTEE – INDEPENDENT PERSON PERSON SPECIFICATION

Experience

You will be a person who has experience working in a medium/large organisation at a senior level or other experience which would give similar benefits. Financial management experience (accountancy, audit or management of a large budget) would be advantageous.

Skills

- Ability to understand complex issues and the importance of accountability and probity in public life.
- Ability to analyse and assess evidence and come to a rational conclusion.
- Ability to reconcile the ideal with reality and practicality
- Ability to demonstrate objectivity.
- Ability to demonstrate integrity and discretion.
- Ability to make decisions.
- Must possess effective interpersonal skills.

Knowledge

Some knowledge of local government would be useful.

Knowledge of corporate governance arrangements in either public or private sectors would be beneficial.

Knowledge of risk management.

Commitment

This post will take up about four half days per annum for meetings plus preparation time.

Other

- You must not be a councillor or officer of the council or have been so in the preceding five years prior to appointment.
- You should not have close family ties with any councillor's, or senior officers.
- You should not or previously within the last 3 years, had a material business relationship with the Council, either directly, or as a partner, director or senior employee of a body that has such a relationship with the Council;
- You must have no criminal convictions.
- You must not be an undischarged bankrupt.
- You should have no connection with any political group.

Payment

This public office does not command a salary; however, reimbursement for travelling and subsistence expenses will be paid.

WORK PROGRAMME

9 January 2020	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Audit Committee Self-Assessment• Pension Fund Presentation
12 March 2020	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2020• Fraud Update

AUDIT COMMITTEE

10 October 2019

Final Papers and Supplementary Agenda

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6	<u>Draft Commercialisation Strategy</u>	26 – 34

SUPPLEMENTARY AGENDA

9	<u>Annual Audit Letter – Year End 31 March 2019</u>	35 – 59
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DEMOCRATIC SERVICES

Broadland District Council
Thorpe Lodge, 1 Yarmouth Road, Norwich, NR7 0DU
Tel: 01603 430428
Email: cst@broadland.gov.uk

RISK MANAGEMENT ASSESSMENT

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 outlines the results from the Broadland District Council Risk Maturity Assessment undertaken by Internal Audit.

Recommendations:

1. That the Committee discuss and note the results and suggested improvements from the Broadland District Council Risk Maturity Assessment undertaken by Internal Audit.

1 SUMMARY

- 1.1 This report details the results from the Risk Maturity Assessment undertaken by Internal Audit for Broadland District Council. The most significant findings are highlighted within the report. This report also includes suggested improvement actions for increasing the risk maturity level of the Council.

2 BACKGROUND

- 2.1 The Internal Audit Team is required to demonstrate annually through self-assessment that it is following the Public Sector Internal Audit Standards (PSIAS). These standards are mirrored on international internal audit standards developed by the Chartered Institute of Internal Auditors (CIIA).
- 2.2 Performance Standard 2010/6 of the PSIAS requires internal auditors to take into account the risk management framework and relative risk maturity of the organisation when developing the risk-based internal audit plans. This allows the Internal Audit Team to establish how much reliance can be placed on management assessment of risk when selecting which areas require independent assurance.
- 2.3 This report therefore details the independent assessment of risk management processes at Broadland District Council carried out by Internal Audit in August 2019. This assessment has been completed in response to requests from both senior officers and Members of the Audit Committee.
- 2.4 During the Audit Committee meeting held 4 July 2019, it was agreed that Internal Audit would provide the Committee with the results of the Broadland Risk Maturity Assessment undertaken by Internal Audit at an additional meeting arranged for 10 October 2019.

3 CURRENT POSITION

- 3.1 Broadland District Council currently favours a 'Systems Thinking' approach to managing risk which advocates that managers and staff effectively manage delivery of their services/projects without a heavily prescribed risk process. Corporate risks are articulated in a performance report which is presented to Overview and Scrutiny and Cabinet on a six-monthly basis. Risks to delivery are listed against each objective. Within its Terms of Reference the Audit Committee at Broadland is responsible for monitoring the effective development and operation of the Risk Management in the Council. Whilst they have received verbal updates on risk from senior management, the Performance Report containing risks is not currently shared with the Audit Committee.
- 3.2 The risk maturity assessment from the CIIA has been used to compare the risk management framework at Broadland District Council against five stages of risk maturity. The maturity stages are as follows: Risk Naive, Risk Aware,

Risk Defined, Risk Managed and Risk Enabled.

- 3.3 A set of characteristics is defined for each of the maturity levels. Discussions have been held and evidence collected to ascertain which level of maturity applies in each of the 16 areas for the Council.
- 3.4 The outcomes of this assessment can be used to highlight any areas where Internal Audit can facilitate and support the improvement of the risk management framework and also guide Internal Audit's approach to providing adequate assurance coverage when carrying out internal audit planning.
- 3.5 In carrying out this assessment the results have suggested that Broadland's risk maturity is characterised at 'Risk Aware'. At this level 'a scattered, silo-based approach to risk management' can be observed.

Risk Naïve	Risk Aware	Risk Defined	Risk Managed	Risk enabled
No formal approach developed for risk management	scattered silo based approach to risk management	Strategy and policies in place and communicated. Risk appetite defined.	Enterprise approach to risk management developed and communicated	Risk management and internal controls fully embedded into the operations.

- 3.6 A summary of significant findings are included below:

Risk Management Training

At Broadland, the Risk Strategy states "We will offer short familiarisation sessions to all Staff and Members as requested". Survey feedback indicates that no training has been requested or delivered for staff. The Strategy document does provide high level advice about where and how risks will be identified, but guidance on the practical implementation of risk management is not provided to support risk management expectations.

A scoring system for assessing risk has not been defined for either Council. Risks have not been assessed in accordance with a defined scoring system.

Risks at Broadland have been identified, and mitigation actions are recorded against them in some cases. However, in the absence of a scoring system, there is no way of ascertaining the severity that each risk may represent in relation to delivering objectives.

The risk appetite of the organisation has not been defined in terms of a scoring system

A risk appetite has not been clearly defined at the Council and is not being considered in risk responses. Additionally, is it not defined in terms of a scoring system. The Broadland Risk Strategy document describes the appetite of the Council as 'risk aware rather than averse'. This statement alone does not assist staff in making decisions about what risks could be tolerated. Furthermore, in practical terms it difficult for the Council to demonstrate that decisions are made in line with this appetite statement or that risks are being suitably mitigated.

Management do not report risks to Directors where responses have not managed the risks to a level acceptable to the board

An 'acceptable level' of risk has not been clearly defined by the Council, therefore risks considered to be outside of tolerance are not highlighted to Senior Management or Cabinet. In addition, no evidence is available to show that significant risks have been escalated upwards to senior management and Cabinet from operational areas at the Council.

In relation to the escalation of risks, survey feedback does indicate that officers feel comfortable raising risks with their line managers, however without a mechanism for significant operational risks to be formally brought to the attention of senior management, the Council cannot confidently rely on the risks identified as an all-encompassing view of the risk profile.

Managers do not provide assurance on the effectiveness of their risk management

It is not possible to determine if risk management activity has been effective from reviewing available assurance reports provided to Cabinet on risk.

The Performance Report presented to Overview and Scrutiny and Cabinet on a six-monthly basis, lists risks against achieving each objective. In some cases, mitigating actions are not included and if they are provided, no deadlines for achieving these are given. It is not clear from this report whether the Council is choosing to treat or accept the identified risk. Where actions to treat the risk are identified there is also no method for ascertaining, if the proposed action has or will have the desired effect on managing or mitigating the risk.

A comparison of risks has been carried out between the December 2018 and June 2019 Performance Report. A total of seven of the 24 risks identified in December 2018 are no longer mentioned in the June 2019 report, however, no commentary or assurance is provided to show whether those risks have been mitigated.

4 PROPOSED ACTION

- 4.1 The risk maturity assessment has also been undertaken at South Norfolk Council. The result of both of the risk maturity assessments have been presented to the Corporate Management Leadership Team along with a series of suggested recommendations to improve the risk management framework to support the delivery of an ambitious collaboration programme.
- 4.2 As a result of the Risk Maturity Assessment, the Internal Audit team advocates the adoption of an Enterprise Risk Management (ERM) framework across both Councils. ERM is now successfully used around the world, across industries and in organisations of all types and sizes to enhance resilience, adapt to change and ultimately increase the likelihood of aims and objectives being achieved. ERM is a holistic way to effectively manage risk across an

entire organisation. The Feasibility Report for the Collaboration between South Norfolk and Broadland from June 2018 highlights an aspiration to develop a 'Commercial Culture' where staff are encouraged to develop commercial ideas. A well-managed ERM framework can facilitate this through more effective risk discussions and risk taking within the boundaries of a pre-agreed appetite.

4.3 Traditional risk management often identifies and manages opportunities and risks in isolation. An ERM approach advocates the use of training, develops a common risk procedure and language, sets clear boundaries and facilitates good communication to allow the organisation to be better prepared, adapt and spot the interdependencies of risks that threaten growth, performance and success. Some of the benefits that can be realised from the ERM approach include:

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

4.4 Internal Audit recommends that the following actions are undertaken to improve the risk management framework at both Councils thus enhancing the likelihood that ambitious collaboration objectives will be achieved and to increase the level of risk maturity.

- To create a Risk Management Strategy/Policy document ensuring that the latest guidance on risk management is reflected. Internal Audit can support this and can ensure a benchmarking approach against other Councils in the Internal Audit Consortium, some of which are able to demonstrate a more mature approach to risk management.
- Risk to success/opportunities to be considered alongside the setting of Values, Strategic Intent and Delivery Plan for Collaboration. Analysing if each strategy proposal can be achieved within the risk capacity and evaluated as to whether potential risks to delivery can be managed before deciding on a specific direction.
- The risk appetite should be defined and aligned with a 5X5 scoring system. This will allow all risks to be analysed consistently and for actions to be prioritised based on the perceived severity of the risk. This approach will also highlight where risks are not being managed in line with appetite and give an indication for risk taking capacity.

- A register and accompanying report to be produced which provides assurance to Senior Management, Cabinet and Audit Committee that the most significant risks are being effectively managed regardless of where they have originated from. As a minimum, reporting should show risks that are outside of tolerance, show risks that have been mitigated, risks that can be de-escalated to lower level registers as a result of mitigating actions; and risks that are accepted in pursuit of achieving objectives.
- As a result of this assessment and risk maturity level concluded, guidance from the CIIA stipulates that the following approach is the most appropriate for Internal Audit Planning; *“Promote enterprise-wide approach to risk management and rely on alternative audit planning method”*.
- It is further recommended that the Audit Committee continues to be responsible for approving the risk based Internal Audit Plan each year but that they are also responsible for receiving assurance on the effectiveness of the Risk Management Framework. The Audit Committee is responsible for satisfying itself that the risk management framework is operating effectively and should approve the risk management strategy on a periodic basis.

5 OTHER OPTIONS

5.1 Not applicable to this report.

6 ISSUES AND RISKS

6.1 **Risks** – As mentioned above without an effective risk management process in place the Council is at risk of being unable to identify and manage significant risks that threaten achievement of its aims and objectives and could miss out on opportunities to innovate and adapt to change enhancing the likelihood of long-term success and sustainability.

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 risk maturity assessment carried out by Internal Audit has concluded that the framework at Broadland District Council is at the lower end of the risk maturity scale – ‘Risk Aware’. A number of suggested improvements have been made as a result including the adoption of an Enterprise Risk Management framework. These suggestions have been made in line with the latest best practice and internationally recognised Standards.

8 RECOMMENDATIONS

- 8.1 That the Committee discuss and note the results and suggested improvements from the Broadland District Council Risk Maturity Assessment undertaken by Internal Audit.

Background Papers

None

DRAFT COMMERCIALISATION STRATEGY

Report Author:

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Director Resources
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Portfolio:

Finance

Wards Affected:

None

Purpose of the Report:

The Feasibility Study adopted by both Broadland and South Norfolk Councils, in July 2018, expressed a number of drivers for the collaboration which included a wish to achieve greater long-term financial stability. The study included proposals around Commercial Opportunities which the collaboration would assist in facilitating. This joint Commercialisation Strategy outlines an approach which can be adapted according to each Councils' ambitions and risk appetite to deliver these opportunities.

Recommendations:

1. It is recommended that the Audit Committee endorse the Joint Commercialisation Strategy to Cabinet for approval.

1 SUMMARY

- 1.1 Since 2010, Local Government funding has reduced dramatically and there continues to be ongoing uncertainty around future funding streams. The Feasibility Study on the Collaboration between Broadland and South Norfolk Councils recognised that both Councils have funding gaps within their medium-term financial plans, which could be assisted by delivering savings but also provide commercial opportunities to produce further efficiencies or generate income while maintaining or improving services. The Joint Commercialisation Strategy seeks to develop an approach to deliver these commercial opportunities, which can be adapted according to each Councils' ambitions and risk appetite.

2 BACKGROUND

- 2.1 Both Councils have been successful in driving cost savings whilst maintaining high levels of service and customer satisfaction. In addition, both Councils have taken the commercial approach of setting up a development company to deliver housing. As described above the Feasibility Study outlined a number of commercial opportunities to take forward through the collaboration.

3 CURRENT POSITION

- 3.1 The proposal for a Joint Commercialisation Strategy will ensure that opportunities are taken forward for the benefit of both Councils, depending upon the individual council's ambitions and appetite for risk.
- 3.2 For the purposes of the proposed strategy, Commercialisation is defined as: "Commercialisation means the delivery of services by the Councils' or their Companies, in a manner which results in at least one of the following: income generation, greater efficiency or cost reduction, although this may not be the primary or only aim of the provision of the services."
- 3.3 The proposed Strategy outlines three main objectives as follows:
- Take a commercial approach to service design and management while having regard to our public service ethos promoting equity and fairness
 - Encouraging innovation while optimising assets and services
 - Exploit opportunities to generate income surplus for reinvestment by increasing income, reducing cost and maximising efficiency
- 3.4 There is a need to develop Officers so that they have the skills to take forward commercial opportunities and this will be addressed within the Organisational Development Programme which is currently being developed.

4 PROPOSED ACTION

- 4.1 Officers have developed a Joint Commercialisation Strategy, as attached at Appendix 1, to provide a framework from which the Councils' commercial activities can be directed and driven. This Strategy, while identifying a common approach to commercialisation recognises that the Councils' will have differing risk appetites and ambitions.

5 OTHER OPTIONS

- 5.1 The Councils could choose not to adopt a Commercialisation Strategy or to have individual strategies however this would not maximise the opportunities identified in the Feasibility Study.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** – Implementation of the commercial strategy will help to support the Councils in addressing the financial challenges they face. Staffing resources will be required but the commercial activity will need to cover the cost of these.
- 6.2 **Legal Implications** – There are no legal implications in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.3 **Equality Implications** – There are no equality implications in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.4 **Environmental Impact** – There are no environmental impacts in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.5 **Crime and Disorder** – There are no crime and disorder impacts in adopting the Joint Commercialisation Strategy.

7 CONCLUSION

- 7.1 The proposed Joint Commercialisation Strategy provides a framework in which to take forward and maximise the commercial opportunities identified in the Feasibility Study.

8 RECOMMENDATIONS

- 8.1 It is recommended that the Audit Committee endorse the Joint Commercialisation Strategy to Cabinet for approval.

Joint Commercialisation Strategy

1. Introduction

- 1.1. The Feasibility Study adopted by both Broadland and South Norfolk Councils in July 2018 expressed a number of drivers for the collaboration including the wish to address the funding gaps in both Councils' medium-term financial plans offering greater financial stability.
- 1.2. While there are a number of ways the funding gaps can be addressed including increased Business Rates from enhanced economic growth, increased Council Tax base due to faster delivery of planned housing, increased grant income from more successful bids and access to new funding opportunities currently unavailable to each Council separately, the Feasibility Study included proposals around Commercial Opportunities which the collaboration would assist in facilitating. This Commercialisation Strategy outlines how these will be taken forward.

2. Background

- 2.1. Broadland and South Norfolk Council, like many local authorities, continue to operate in a climate of financial uncertainty with increasing demands on services alongside unpredictable future changes to Government funding, from the rollout of the 75% Business Rates Retention Scheme and the Fair Funding Review, as well as a lack of clarity around the New Homes Bonus funding.
- 2.2. It is against this background that both Councils have made efficiencies and savings over the years, as the Revenue Support Grants have disappeared, in order to deliver balanced budgets but the Medium Term Financial Plans for both Councils' have funding gaps. Developing the Councils' commercial approaches, alongside reimagining how we provide services, will assist in closing these gaps while ensuring the Councils continue to deliver services to at the same level to those that need them.

3. Definition of Commercialisation

- 3.1. For the purposes of this Strategy, Commercialisation is defined as:
 "Commercialisation means the delivery of services by the Councils' or their Companies, in a manner which results in at least one of the following: income generation, greater efficiency or cost reduction, although this may not be the primary or only aim of the provision of the services."

4. Scope

4.1. The following outlines what is included and excluded from the scope of this Strategy.

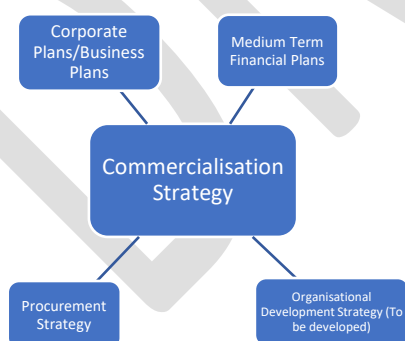
Inclusions:

- Income generated from fees and charges to the public, businesses and other organisations for statutory and discretionary services where charging is permissible
- Council delivered services, internally and externally traded services and services provide on behalf of the Council by a third party
- Commercial companies owned by the Councils
- Council Assets
- Utilising cash reserves and balances to generate income or efficiencies through non-treasury managements investments e.g. loans to subsidiaries, investment properties

Exclusions:

- Council Tax and Business Rates
- Investment Income from Treasury Management Investments - this is managed through the Councils' Treasury Management Strategies
- Income from statutory and discretionary services where charging is not permissible, or fees are set nationally
- Any grant income

5. Links to other Council Strategies and Policies



6. Aim

- 6.1. To maximise returns, (financial and social) from both Councils, taking a commercial approach consistent with their individual risk approach, to protect and enhance front line services by becoming financially self-sustainable.

7. Strategic Objectives

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

8. How we will deliver the Strategic Objectives:

The delivery of the Strategic Objectives applies to those areas defined in section 4 above as within scope.

8.1. Income Generation

- Provide a consistent approach within each Council in setting and reviewing fees and charges with an aim to achieving full cost recovery where appropriate to do so and a standard approach to concession pricing.
- Ensure that fees and charges reflect market rates and are benchmarked against other service providers and reviewed annually to ensure they are competitive and viable.
- Be cognisant that in certain circumstance reducing fees and charges can increase the customer base and overall income levels.
- Use Customer Insight to up-sell and cross-sell where feasible and appropriate to ensure the services delivered are the services the customer wants.
- Use Marketing Strategies and approaches to deploy our brand most effectively within the marketplace, building our reputation and making use of our unique selling points and our local authority ethos to generate maximum returns.

8.2. Service Costs and Delivery

- Use Customer Insight to understand behaviours and how they drive demand. Re-engineer processes to manage demands.
- Re-engineer processes to ensure they are efficient, effective and responsive.
- Compare the cost of service and income recovery against peers having adjusted for activity levels.

- Evaluate delivery models, reviewing alternatives and potential funding streams to deliver the most effective approach.
- Attract alternative investment models such as social investment.
- Use technology to increase access for customers, allowing them to self-serve where appropriate so that staff can concentrate on those customers who need transformative services.
- Develop and shape supplier markets.
- Maximise the use of Council land and buildings or consider realising their value through disposal.

8.3. Commercial Opportunities

- Ensure resources are focused in taking forward genuine opportunities rather than every commercial opportunity that may exist through developing robust business cases to support new initiatives and ideas to demonstrate their viability before deployment.
- Understand existing markets and customer base to explore whether this can be expanded upon.
- Use business intelligence to analyse current service demands and trends and gain competitive advantages.
- Use the Councils' reserves to invest in developing commercial opportunities balancing risk and reward.
- Investigate innovative financing to fund income generation proposals.

8.4. Creating the Right Environment

- Engage with staff at all levels to ensure they have the skills necessary to work commercially and confidence to develop new ideas and be innovative.
- Embed a commercial approach throughout the one team.

8.5. Approach to Risk

- In applying a commercial approach or identifying opportunities, the associated risks will need to be identified and analysed prior to decisions being taken.
- The level of acceptable risk will differ for each Council and will be dependent on the individual activity and overall risk exposure.
- Risks to be considered will include:
 - Financial
 - Reputation
 - Environmental
 - Legal
 - Social
 - Economic

8.6. Governance

- Ensure robust scrutiny of business case models.

8.7. Measuring our success

- Set clear financial and non-financial performance targets for service delivery to clearly understand how we are achieving which will be reported quarterly to each Council's Cabinet.

DRAFT

High Level Action Plan:

Opportunities to explore which were outlined in the Feasibility Study included:

Existing Commercial ventures – investigate where there could be potential for further commercial opportunities and income streams. These included:

- Assets Management Company
- Property rental and investments income
- Affordable Housing one-stop shop
- Temporary Accommodation
- HR Services to Parishes

Existing income from services – operating in a business-like and commercial way there are a number of differences in income-generation and/or service delivery approaches that each Council could benefit by sharing experiences, as listed below. The redesign of services under the new one team approach; aligning policies, procedures and processes will assist in driving further efficiencies.

- Bin Charging – now approved at Council
- Pre-application planning advice fees
- Street naming and numbering charges
- Commercial Trade Waste

Commercial activities in other councils – investigate potential initiatives which other councils have delivered which the Councils could adopt, areas identified within the Feasibility Study included:

- Commercial Web Advertising
- Energy Provider Partnership
- Service Provision to other local authorities
- Lotteries
- Burial Services

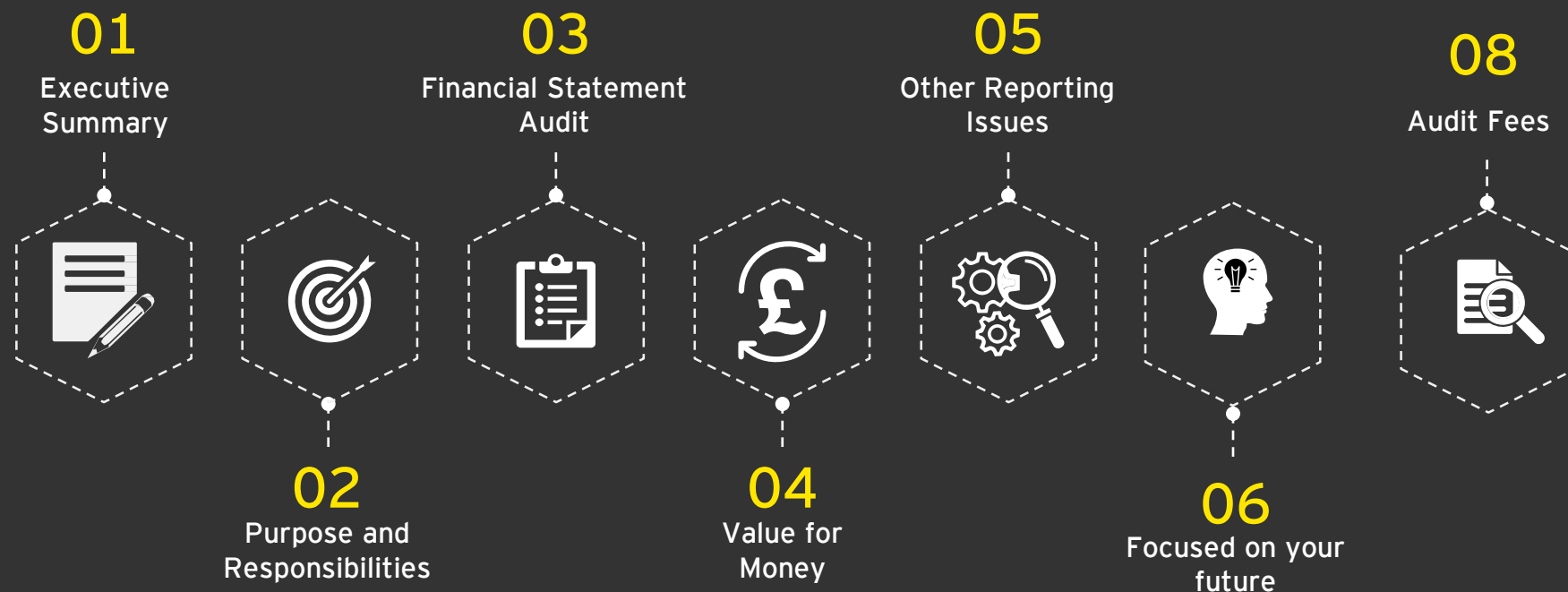
Developing staff - to ensure they have the necessary skills to deliver a commercial approach.

Broadland District Council

Annual Audit Letter for the year
ended 31 March 2019

8 August 2019

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Broadland District Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 17 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25 July 2019.

In January 2020 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 25 July 2019 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 8 February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit



Financial Statement Audit

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 25 July 2019.

Our detailed findings were reported to the 25 July 2019 Audit Committee.

Risk of management override of control

What was the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and What judgements are we focused on?

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

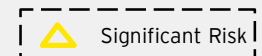
ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.





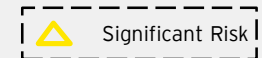
Financial Statement Audit (continued)

Significant risk

Omission or understatement of provisions

What was the risk?

Linking to our risk of misstatements due to fraud and error above, we have identified the omission and incorrect valuation of provisions as a separate risk which could result in the material understatement of expenditure in year. This relates specifically to the NDR Appeals Provision. The calculation of Provisions involves significant judgements and there is a risk of management override manifesting itself in the understatement of Provisions to manipulate the general fund position.



What did we do and What judgements are we focused on?

We have performed the following procedures:

- Tested the calculation of the NDR Provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible;
- We will applied a lower testing threshold to all substantive testing undertaken to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued;
- Reviewed managements specialist, Analyse Local, who provide information to support the NDR appeals provision, testing the assumptions applied in the provision for reasonableness and ensuring it has been prepared in accordance with IAS37; and
- Undertook procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of the provision.

What are our conclusions?

Our testing of the calculation, the assumptions applied and the judgements made did not identify any indications of management override.

The accounting entries were appropriately supported and our review of the specialist did not raise any concerns.

Overall we did not have any matters to report in respect of this provision.



Financial Statement Audit (continued)

Other Areas of Audit Focus

Valuation of land and buildings – inherent risk

What was the risk?

The fair value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- ▶ We have considered the work performed by the Council's valuers (Valuation office), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ We have undertaken sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We have considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We did not identified any material misstatements from our work.

Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.



Financial Statement Audit (continued)

Other Areas of Audit Focus

Pension Liability Valuation - inherent risk

What was the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £23.903 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- ▶ Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Broadland District Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Broadland District Council's financial statements in relation to IAS19; and
- ▶ Reviewed the impact of Brexit on the value of Pension Fund assets and considered whether there are any risks of material misstatement arising from this.

What are our conclusions?

We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.

A national issue resulted in a relatively late change to the pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. Revised actuarial reports provided by the actuaries show an increase in the liability of £0.745 million to the Council's Pension Liabilities as a result of the adjustments, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.



Financial Statement Audit (continued)

Other Areas of Audit Focus

New Accounting Standards - IFRS 9

What was the risk?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change how financial assets are classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

What did we do and What judgements are we focused on?

We performed the following procedures:

- ▶ Assessed the Council's implementation arrangements that included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets; and
- ▶ Checked additional disclosure requirements.

What are our conclusions?

From the work undertaken we have did identify any issues with the implementation of the new standard.



Areas of Audit Focus

Other Areas of Audit Focus

New Accounting Standards - IFRS 15

What is the risk?

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do and What judgements are we focused on?

We have performed the following procedures:

- ▶ Assessed the Council's implementation arrangements that included an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered the application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Checked additional disclosure requirements.

What are our conclusions?

From the work undertaken we have not identified any issues with the implementation of the new standard.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £0.9 million (2018: £0.9 million), which is 2% of gross expenditure on provision of services reported in the accounts of £46.9 million adjusted for parish precepts, precepts paid to internal drainage boards, gains/losses on the disposal of fixed assets, and interest charges.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £68,000 (2018: £46,800)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

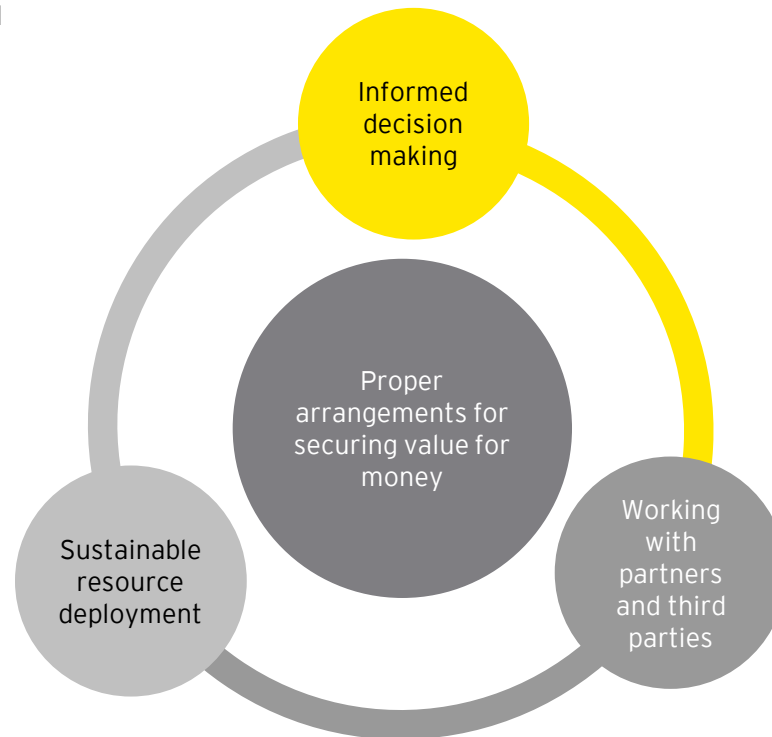


04 Value for Money

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

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

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



We did not identify any significant risks in relation to these criteria.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 25 July 2019.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to Audit Committee on 25 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We did not identify any significant deficiencies in internal control during our audit.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p> <p>We have reported the Council's progress and the need to consider group reporting implications on page 14.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



08 Audit Fees

Audit Fees

Our final fee for 2018/19 as expected, at the scale fee set by the PSAA and reported in our 17 July 2019 Annual Results Report.

Description	Final Fee 2018/19 £'s	Planned Fee 2018/19 £'s	Scale Fee 2018/19 £'s	Final Fee 2017/18 £'s
Total Audit Fee - Code work	32,022	32,022	32,022	46,487
Total Audit Fee - Certification of claims and returns	TBC (Note 2)	14,500	N/A	15,227

- Note 1 - From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.
- As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.
- The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

We will confirm our final fees following the completion of our work and report this within our Annual Grant Certification Report.

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