

Audit Committee

Agenda

Members of the Audit Committee

Mr N C Shaw
(Chairman)

Mr P H Carrick
(Vice Chairman)

Mrs B H Rix
Mr V B Tapp
Mrs K A Vincent

Substitutes

Conservatives

Mr G Everett
Mr R J Knowles
Mr I J Mackie

Liberal Democrat
Mr D G Harrison

Date

Thursday 10 January 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.

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

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Trevor Holden
Managing Director

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 20 September 2018** at **10.00am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mr Knowles was also in attendance for the duration of the meeting.

Also in attendance were the Head of Finance and Revenue Services, Head of Governance and Monitoring Officer (South Norfolk Council), Internal Audit Manager, ICT and Facilities Manager and the Committee Officer (JO).

Sappho Powell (Ernst and Young) attended the meeting for item 18 – Ey – 2017/18 Annual Audit Letter.

16 APOLOGY FOR ABSENCE

An apology for absence was received from Mrs Vincent.

17 MINUTES

The Minutes of the meeting held on 26 July 2018 were confirmed and signed by the Chairman as a correct record.

Minute no: 10 – Risk Register

The Head of Finance and Revenue Services drew Members' attention to the Council's Risk Strategy; which was tabled along with the most recent Performance Report, which set out the Objectives of the Council and the risks associated with them. She suggested that Members read the papers in advance of the 10 January 2019 meeting, where they could be discussed in conjunction with the most recent Performance Report.

The Chairman advised the meeting that he would still like the Council to have a Risk Register, as this information did not meet the needs of the Committee especially at a strategic level. However, in the interim the Committee would require the risks in the Performance Report updated every three months, in order for Members to effectively fulfil their monitoring role.

The Chairman confirmed he would speak to the Leader regarding this issue.

RECOMMENDED TO COUNCIL

that in the absence of a Risk Register, the Audit Committee receive an updated Performance Report, on a quarterly basis, in order for Members to effectively monitor risks to the Council.

18 EY – 2017/18 ANNUAL AUDIT LETTER

The Committee receives the Annual Audit Letter from External Audit. The Letter gave an unqualified opinion that the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.

The letter also confirmed that the Governance Statement was consistent with External Audit's understanding of the Council and there were no other matters to report in any other areas of External Audit work.

The Committee's attention was drawn to the Data Analytics section of the Letter, which described how analysers were used to capture financial data. Journals had been reviewed by risk based criteria to focus on higher risk transactions, such as journals posted manually and at year-end. The purpose of this approach was to provide a more effective, risk focused approach to auditing the 6,277 journal entries.

The Head of Finance and Revenue Services confirmed that the Council was seeking to increase automated journal entries further to reduce the risk of human error.

The response to a query from the Chairman, Members were advised that IFRS 16 Leases could have a considerable impact on local authority accounting, when introduced in 2019/20. Broadland would need to make an assessment about any measures that might be put in place to mitigate this.

The Committee noted that an additional fee would be levied due to a significant number of disclosure errors and control weaknesses identified by External Audit. The fee had been agreed with management, but was subject to approval by the Public Sector Audit Appointments.

RESOLVED

to note the 2017/18 Annual Audit Letter.

19 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The report reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2018/19 during the period 1 April 2018 to 11 September 2018.

Progress to date was in line with expectations with 62 days of programmed work being completed, which equated to 43 percent of the Audit Plan for 2018/19.

During the period covered by the report Internal Audit Services had issued four final reports: Cyber Security; Procurement; Housing Benefits and Local Council Tax Support and Environmental Health.

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

In response to a query the ICT and Facilities Manager confirmed that the Council had not suffered any incidents of hacking or cybercrime. The Council's ICT systems had an annual health check and had received positive feedback from an ICT penetration testing company. The Council also held user training sessions to promote good ICT security practice and all PCs had scrolling screensavers that reminded staff about the importance of secure passwords.

Similarly, no security problems had arisen through Members' use of ICT. Work was currently being undertaken with the Service Improvement and Efficiency Committee on Members' ICT post the May 2019 District Elections. The indicative figure for Members' ICT, was £49,000, which included data and software, as well as hardware.

Four issues to be addressed had been identified by the Cyber Security Audit. In respect of Monitoring a project had been included in the IT Strategy to implement a system tool for log monitoring,

Quarterly scans had been put in place to monitor vulnerabilities by identifying any PCs that had not been patched, so they could be updated.

A budget had been set aside in the IT Strategy for user training. The Council would also be utilising the Local Government Association to make best use of central Government advice and training.

IT Administrator passwords were currently required to be more complex, but this was a written requirement, rather than a forced condition of access.

Controls were to be put in place to make longer than usual passwords mandatory for IT Administrators. Many systems, such as those in Finance, already had two step access requirements in place as well.

Members were advised that the Internal Audit Follow-Up Report in January would show how the Audit recommendations were being progressed.

In response to a query, the Head of Finance and Revenue Services confirmed that the Council was well prepared for the roll out of Universal Credit on 17 October 2018.

RESOLVED

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

20 AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE

The Audit Committee carried out a self-assessment exercise to ensure full compliance with best practice.

The results of the assessment finalised in 2017 were considered and in particular those areas whereby a partial or no assessment was concluded or whereby action points were recorded. The Committee were requested to assess if progress had been made in the areas noted and make re-assessments as necessary to assure themselves that the outcomes recorded were accurate.

The Committee made the following observations:

Partial assessment: was the role and purpose of the Audit Committee understood and accepted across the authority?

Partially. Although a presentation on the work and remit of the Audit Committee had been made to a recent meeting of Council, it was difficult to engage the wider membership of the Council in the work of the Audit Committee. Member training, post the May 2019 District Elections, would seek to address this issue.

Partial assessment: were the arrangements to hold the Committee to account for its performance operating satisfactorily?

Partially. The Minutes of the Audit Committee were regularly received by Council. Members noted that the Audit Committee had a unique and independent role within the governance structure of the Council.

No assessment: had the Membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?

No. Members were advised that this was not a negative outcome for a local government committee, which was not necessarily expected to have this depth of knowledge. Nevertheless, this was something that could be incorporated in the post May 2019 District Elections audit training.

Partial assessment: had the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?

Partially. Minutes of the Committee received by Council.

Action Point: Risk implications in reports to be further explored and the Council to look to providing further explanations.

Increased to level 4. Committee satisfied with the risk implications in reports.

Action Point: To consider receiving service reports from Heads of Service at Committee, to bring an insight into the service level risks.

Increased to level 4. Heads of Service had attended meetings of the Committee to update Members on service risks.

Action Point: Financial implications in reports to be further explored and the Council to look to providing fuller explanations.

Remain at level 4. No further action; but Members would maintain a watching brief.

Action Point: To consider a glossary of terms is attached as a standing Agenda item.

Glossary to be incorporated into Audit Committee Agenda.

RESOLVED

to approve the checklist and the associated action points.

21 WORK PROGRAMME

The Risk Register item scheduled for 10 January 2019 was amended to Performance Management and Risk.

The meeting closed at 11.23 am.

RISK REGISTER AND PERFORMANCE MANAGEMENT

Report Author: Jill Penn, Head of Finance and Revenue Services
tel: 01603 430486
email: jill.penn@broadland.gov.uk

Portfolio Holder: Finance

Wards Affected: All

Purpose of the Report: To further discussions around risk and agree a process for addressing the Committee's concerns around Risk Registers

Recommendations:

1. Recommend to Cabinet the Committee's preferred approach to risk.
2. Recommend to Cabinet the process for implementing any preferred change.
3. Recommend to Cabinet a timetable for the completion of this work.

1 SUMMARY

- 1.1 The Council adopted the current risk management approach in 2013. The Audit Committee has asked officers to consider changing the approach to include a Corporate Risk Register.
- 1.2 Council agreed on 1 December 2018 that the Audit Committee receive the Council's performance reports, which include service risks, quarterly in lieu of a Corporate Risk Register for an interim period.

2 BACKGROUND

- 2.1 Since 2013 the Council has adopted a risk approach based on Systems Thinking principles. This has included the cessation of a formal Corporate Risk Register. In its place there is responsibility on services to manage risk and report through the half yearly performance reports and other committee reports.
- 2.2 The Council's external and internal auditors had not raised any serious issues regarding this change in approach and there was no negative impact on the Council or any negative audit results since this change.
- 2.3 External Audit commented recently that they consider that the Council manages service risks but it would assist their audit process if there was a visible simplified Corporate Risk Register.

3 CURRENT POSITION

- 3.1 The Council's approach to risk and risk management is closely linked with its performance management policy and Systems Thinking methodology. Any change to the risk strategy will need to be considered in conjunction with these.
- 3.2 The Council is in the process of moving forward with its collaboration with South Norfolk District Council. This has meant that officers have been focused on identifying similarities and differences to date. The next phase will be to align policies and procedures where appropriate and necessary.
- 3.3 However it should be noted that the collaboration is based on the premise of two autonomous councils therefore there may still be instances where each council will adopt different policies.

4 PROPOSED ACTION

- 4.1 Based on the current position above, the Audit Committee needs to consider what approach it wishes to recommend to Council and the reasons why it has reached this conclusion. As any change to the Risk Strategy will impact on

the Council's Performance Management Policy and Systems Thinking work this will need to be considered by Cabinet. The Committee needs to review the performance reports in the first instance.

- 4.2 The timing for any change should take into account the work required to deliver such change alongside the necessary work to align if appropriate with South Norfolk Council. Therefore the timetable should give officers sufficient time to effect this work.

5 ISSUES AND RISKS

- 5.1 **Resource implications** – There currently will be no financial impacts but increased staff time will be necessary to effect any changes.
- 5.2 **Legal implications** – As part of the Council's governance the Council must adopt an appropriate risk and performance management approach.
- 5.3 **Equality implications** – There are no equality implications from this report.
- 5.4 **Environmental impact** – There are no environmental impacts.
- 5.5 **Crime and disorder** – There is no impact upon crime and disorder.
- 5.6 **Risks** – The Council has an established approach on risk and performance management and must ensure that any change does not jeopardise the stability the Council currently has, as regards audit opinions and performance results. To mitigate this risk, a planned approach to any change should ensure the stability continues.

6 CONCLUSION

- 6.1 The Audit Committee has asked to review the Council's risk approach. The recommendations are to enable the Committee to give planned and clear guidance to Cabinet.

7 RECOMMENDATIONS

- 7.1 Audit Committee recommends to Cabinet the Committee's preferred approach to risk.
- 7.2 Audit Committee recommends to Cabinet the process for implementing any preferred change.
- 7.3 Audit Committee recommends to Cabinet a timetable for the completion of this work.

Background Papers

Risk Strategy

Performance Management Policy

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 12 September 2018 to 21 December 2018

Recommendations:

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 12 September 2018 to 21 December 2018 and includes executive summaries in respect of audit reviews which have been finalised over this period.

2 BACKGROUND

- 2.1 The Audit Committee receives 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 / FINDINGS

- 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 ISSUES AND RISKS

- 5.1 **Resource implications** – There are no resource implications arising from this report.
- 5.2 **Legal implications** – There are no legal implications arising from this report.
- 5.3 **Equality implications** – There are no equality implications arising from this report.

- 5.4 **Environmental impact** – There are no environmental implications arising from this report.
- 5.5 **Crime and disorder** – There are no crime and disorder implications arising from this report.
- 5.6 **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 CONCLUSION

- 6.1 The 2018/19 Annual Internal Audit Plan is progressing as expected.

7 RECOMMENDATIONS

- 7.1 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: 12 September 2018 to 21 December 2018

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 then, there has been one significant change to that plan.

Audit description	Nature of the change
Exchange and Ancillary Services	This review has been postponed to 2019/20 as the upgrade is currently underway and an audit review would be more beneficial once this work has been completed. The IT audit plan of work will however take account of the IT projects for collaboration.

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 113 days of programmed work has been completed, equating to 78% 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 two final reports:

Audit	Assurance	P1	P2	P3
Corporate Governance GDPR	Reasonable	0	2	2
Council Tax and NNDR	Substantial	0	0	2

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. All six recommendations have been agreed by management.
- 4.6 It is 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.
- 4.7 In addition to the above, two recommendations (one important and one needs attention) relating to the Corporate Governance and GDPR audit have been confirmed as complete.

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 Manager to ensure that appropriate action is taken.

5.3 The second quarters work has been completed and a report on the performance measures provided to the Internal Audit Manager, performance is currently at green status with targets having been satisfactorily met for this quarter.

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	Sept 2018
TOTAL		10	10	10							
Quarter 2											
Corporate Governance GDPR	BRD1903	5	5	5	Final report issued 5 October 2018	Reasonable	0	2	2	0	Jan 2019
Housing Benefits & Local Council Tax Support	BRD1904	20	20	20	Final report issued 21 August 2018	Reasonable	0	1	0	0	Sept 2018
Environmental Health	BRD1905	10	10	10	Final report issued 15 August 2018	Reasonable	0	3	5	1	Sept 2018
TOTAL		35	35	35							
Quarter 3											
Accounts Payable	BRD1906	12	12	11	Draft report issued 13 December 2018						
Payroll and Human Resources	BRD1907	17	17	16	Draft report issued 7 December 2018						
Council Tax and NNDR	BRD1908	20	20	20	Final report issued 4 December 2018	Substantial	0	0	2	0	Jan 2019
TOTAL		49	49	47							
Quarter 4											
Key Controls & Assurance	BRD1909	10	10	1	APM issued 21 November 2018 Draft report expected 8 February 2018						
TOTAL		10	10	1							
IT Audits											
Cyber Crime	BRD1902	15	15	15	Final report issued 27 June 2018	Reasonable	0	3	1	6	Sept 2018
Exchange and Ancillary Services	BRD1910	15	15	0	Cancelled						
TOTAL		30	30	15							
Follow Up											
Follow Up	NA	10	10	5							
TOTAL		10	10	5							
TOTAL		144	144	113			0	13	11	8	
Percentage of plan completed				78%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of GDPR

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Communication of GDPR (ICO 12-steps guide point 1)	0	2	1	0
Legal Basis for Processing Personal Data (ICO 12-steps guide point 6)	0	0	1	0
Total	0	2	2	0

No action points arose in the other ten Information Commissioner's Office (ICO) '12 steps' areas.

SCOPE

The review assessed compliance with the key GDPR elements of: Privacy Impact Assessments, Data Subject rights (e.g. Right to be forgotten); Data Classification and Asset management; Data Security & Breach Management; Governance & Consent; and Data Controllers & Processors.

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 two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- Broadland District Council and South Norfolk Council have worked closely together, making use of the expertise of the Information Governance Manager as a shared resource to help drive the implementation project and to avoid duplication.
- A GDPR information plan is being worked to, with a compliance chart being maintained to show work undertaken and tasks ongoing. This helps to demonstrate compliance with GDPR, including significant communication and liaison with staff, and to make clear the work still ongoing.
- The Senior Governance Officer & Deputy Monitoring Officer at South Norfolk Council has been appointed as Data Protection Officer for both Councils, a requirement of GDPR, and there are deputies in place.
- There is evidence of significant communication of GDPR, including the appointment of Data Champions to help embed good practice across the Councils. This is important to ensure staff are aware of the implications of GDPR on their job roles.
- The Subject Access Request (SAR) procedure has been updated at both Councils to reflect GDPR, and testing found that SARs are being responded to in line with the new regulations.
- The Incident Response Plan and the Internal Breaches Notification Procedure has been updated to incorporate GDPR. This will help to ensure incidents are handled appropriately.
- The Data Protection Impact Assessment (DPIA) Framework and Template has been updated and testing confirmed the new templates are being fully completed with reference to GDPR. This will help to ensure that data protection is fully considered as part of projects and developments.
- Substantial additional evidence was provided showing the work being undertaken, including policies, the Incident Response Plan and the Internal Breaches Notification Procedure, GDPR broadcasts, website updates, Record of Processing Activity updates, a record of contract variations, and evidence of updates to senior management.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Communication of GDPR (ICO 12-steps guide point 1)

- GDPR training to be undertaken by all Council members at Broadland District Council to help them understand the implications of GDPR on the Council and their roles.
- GDPR training be undertaken by all Broadland District Council staff, with inclusion of the training as a requirement of staff appraisals to reduce the risk of possible non-compliance with GDPR due to lack of understanding.

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

Communication of GDPR (ICO 12-steps guide point 1)

- The July 2015 version of the Broadland District Council Data Retention Policy to be finalised and replaced with the June 2018 version on the public website. While not a legal requirement to publish, publishing a current Data Retention Policy informs the public and Council staff of how long information may be held, and reduces the risk of incorrect retention periods being followed.

Legal Basis for Processing Personal Data (ICO 12-steps guide 6)

- The Records of Processing Activities document is currently work in progress at Broadland District Council and should be fully populated to ensure that legal basis for processing, retention periods and data protection impact assessments are included, ensuring that information is processed with a clear legal basis and is not retained longer than necessary. This is considered an administrative issue as privacy statements have been updated and published.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area had not been audited previously.

Assurance Review of the Council Tax and National Non-Domestic Rates (NNDR) Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Collection of income	0	0	1	0
Refunds and transfers	0	0	1	0
Total	0	0	2	0

No recommendations have been raised in respect of system parameters, reconciliations, arrears recovery or discounts, exemptions and reliefs.

SCOPE

The key areas within this service were risk assessed and appropriate attention given to those areas, along with a review of the key controls. These areas included: valuation and billing records, billing, collection of income, suspense accounts, reconciliations, refunds and transfers, discounts, exemptions and reliefs, arrears recovery and write offs.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit in this area (BRD/17/06) concluded in a 'Reasonable' assurance opinion, with five 'needs attention' recommendations being raised. This indicates that there is a positive direction of travel.

POSITIVE FINDINGS

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

- System parameters are tested and independently reviewed prior to the beginning of the year, to ensure accurate bills are produced.
- The Council encourages customers to sign up to Direct Debit and e-billing, to reduce the cost of sending bills and collecting payments.
- All refunds over £100, and a sample of other refunds, are checked prior to processing, to ensure that they are legitimate.
- Discounts, exemptions and reliefs are reviewed on a regular basis to ensure that they are still applicable.
- Arrears are monitored on a regular basis, to ensure that the most appropriate recovery route is being followed.

ISSUES TO BE ADDRESSED

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

Refunds and transfers

- Evidence of weekly checks undertaken on manual transfers be retained to provide management with assurance that this is being done, and reduce the risk of inappropriate transfers being made.

Collection of income

- Changes of address are processed in a timely manner, to reduce the risk of inaccurate or outdated information being used in bills.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit report for Council Tax and NNDR was issued in January 2017, with five 'needs attention' recommendations being raised. All of these recommendations have been confirmed as implemented, although one of the issues identified has reoccurred due to lack of evidence and Recommendation 1 has been raised in response to this.

Other points noted

During June and July 2018, there was a six week period in which test checks of Council Tax work were not conducted, as a result of staff absence and other tasks taking priority. As these checks have now been completed and are up to date, a recommendation has not been raised.

The Council does not undertake routine work checking for NNDR processing, as the risk is considered to be lower than for Council Tax due to the lower volume of work and the experienced staff members processing the cases. As the Council accepts this risk, a recommendation has not been raised.

Agenda Item: 8

**Audit Committee
10 January 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 is a progress report in relation to the implementation of agreed internal audit recommendations falling due by 31 December 2018.

Recommendation:

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 December 2018.

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 current position (and issues) in relation to the implementation of Internal Audit recommendations is shown in the report attached.

4 PROPOSED ACTION

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

5 ISSUES AND RISKS

- 5.1 **Resource implications** – There are no resource implications arising from this report.
- 5.2 **Legal implications** – There are no legal implications arising from this report.
- 5.3 **Equality implications** – There are no equality implications arising from this report.
- 5.4 **Environmental impact** – There are no environmental implications arising from this report.
- 5.5 **Crime and disorder** – There are no crime and disorder implications arising from this report.
- 5.6 **Risks** – Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.

6 CONCLUSION

- 6.1 Excellent progress has been made in addressing prior financial year recommendations with only five now outstanding, and one not yet due.
- 6.2 There are currently nine recommendations outstanding which were raised in this financial year, these are work in progress and should be implemented by the end of the financial year.

7 RECOMMENDATIONS

- 7.1 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 April to 31 December 2018

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 30 now being closed. Three important and two needs attention recommendations remain outstanding. One recommendation is not yet due. The management responses in relation to the outstanding important recommendations can be seen at **Appendix 2** of the report.

Number raised	36	
Complete	30	83%
Outstanding	5	14%
Not yet due	1	3%

- 2.4 In 2018/19 internal audit has raised 24 recommendations so far. Of these ten are closed. Five important and four needs attention recommendations are currently outstanding. A total of five 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	24	
Complete	10	42%
Outstanding	9	37%
Not yet due	5	21%

- 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. A further update will be provided to the Audit Committee covering the year end period in June 2019.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31st March 2018 and 31 December 2018			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															
BRD1802	Broadland Growth	Reasonable		1								0			
BRD1806	Accounts Receivable	Substantial									1	1			
BRD1808	Planning IT Application	Limited			1							0			
BRD1809	Key Controls and Assurance	Reasonable								1		1			
BRD1810	Accountancy	Substantial			2							0			1
BRD1811	GP Referrals	Reasonable								2	1	3			
2018/19 Internal Audit Reviews															
BRD1901	Procurement	Reasonable								4	1	5			
BRD1902	Cyber Crime	Reasonable		2	1					1		1			
BRD1903	GDPR	Reasonable		1	1							0		1	1
BRD1904	Housing Benefit & Local Council Tax Support	Reasonable		1								0			
BRD1905	Environmental Health	Reasonable		3	1						3	3			1
BRD1908	Council Tax and NNDR	Substantial										0			2
TOTALS			0	8	6	0	0	0	0	8	6	14	0	1	5

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1811 GP Referrals	Recommendation 2 - A regular documented reconciliation be undertaken for both programmes between class registers, income recorded on monthly stat spreadsheets and amounts banked for session fees taken.	2	Agreed.	Economic Development Officer	01/05/2018	31/01/2019	Outstanding	A new system has been introduced to complete this, which is currently being tested, for full implementation by 31st January 2019.
BRD1811 GP Referrals	Recommendation 3 - Performance measures be introduced for all aspects of the Broadly Active and Why Weight programmes, which are monitored and reported on to stakeholders on a regular basis. This is to include data received from satisfaction surveys.	2	Agreed	Head of Economic Development	01/05/2018	31/01/2019	Outstanding	A new system has been introduced to complete this, which is currently being tested, for full implementation by 31st January 2019.
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	31/12/2018	Outstanding	Since 1st September 2018 a process of no Purchase Order no pay was introduced, along with an exceptions list. This enforcement is still in progress.

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	31/03/2019	Outstanding	The Council has submitted a bid for funding for the training to the LGA, as a joint bid with Norfolk County Council and the other local district Councils. This is expected to go through in January, for the funding and training to be provided by 31st March 2019, or around this time.

WORK PROGRAMME

14 March 2019	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2019/20• Annual Fraud Update• Treasury Management Risk Update
11 and 20 of June 2019	<ul style="list-style-type: none">• Joint Audit Committee training at the Broads Authority, Yare House

AUDIT COMMITTEE

Thursday 10 January 2019

Final Papers

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10	<u>EY 2018/19 Audit Plan</u> To receive a report from External Audit.	48 – 83

DEMOCRATIC SERVICES

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

Certification of claims annual report 2017-18

3 January 2019



Audit Committee
Broadland District Council

3 January 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Broadland District Council's 2017/18 claim.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them. From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 10 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

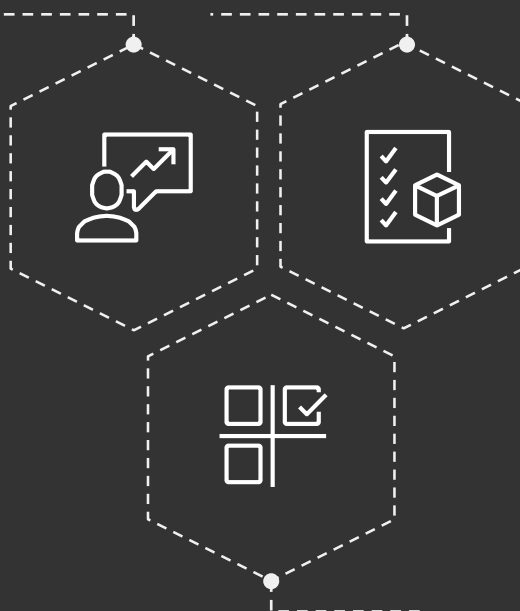
Mark Hodgson

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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2017-18 certification fees

- 01** Housing benefits subsidy claim
- 02** 2017-18 certification fees



- 03** Looking forward

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The 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 February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Standards Committee and management of Harlow District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of Harlow District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee, and management of Harlow District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,335,848
Amended/Not amended	Amended - subsidy reduced by £78
Qualification letter	Yes
Scale Fee - 2017-18	£11,022
Scale Fee - 2016-17	£15,495

Recommendations from 2016-17	Findings in 2017-18
None	There were no significant findings from our audit of the Housing benefits subsidy audit.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

An error was identified in relation to income used in the benefit entitlement calculation for a Rent rebate Non HRA case and extended testing was carried out. This identified no further errors. The claim was amended for this case which had a small net impact on the claim of £78.

Other 40+ testing was carried out in areas where errors have been identified in the certification of previous years claims, specifically Tax credits, Capital, Earnings disregard and classification of overpayments.

We have reported differences and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the issues we reported:

- ▶ Difference on an in year reconciliation cell of £207. A satisfactory explanation for this difference was obtained.
- ▶ Misclassification of overpayment type as Eligible error rather than Local Authority (LA) Error on one claim. The net impact on the claim was £52.



02

2017-18 certification fees



2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017-18 Actual fee £'s	2017-18 Indicative fee £'s	2016-17 Actual fee £'s
Housing benefits subsidy claim	See Note 1	11,022	15,495

Note 1 - We are seeking a scale fee variation for additional work undertaken due to overruns incurred due to workbooks not being completed properly, and additional training and update reporting to the Revenues Manager. Once agreed with management, this additional fee will be subject to approval by PSAA Ltd. We will report the final fee to you under a separate letter.



03

Looking forward



2018/19 and beyond

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 from 2019 the Council has appointed us to act as reporting accountants in relation to the following schemes:

- Housing benefits subsidy claim

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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ED None

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A background image showing a meeting in progress. Several people are seated around a white table, looking at and pointing to documents. One person in the foreground is wearing a yellow shirt and a watch. Another person's hand is visible pointing at a document. A smartphone is lying on the table. The overall scene is brightly lit, suggesting an indoor office or meeting room environment.

Broadland District Council

Audit Plan

Year ended 31 March 2019

26 November 2018



Audit Committee Members

Thorpe Lodge,
1 Yarmouth Road
Norwich
NR7 0DU

03 January 2019

Dear Audit Committee Members

2018/19 Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. This is an initial audit plan as we have not yet completed all our planning procedures. We will provide an updated plan if there are any changes following the completion of these procedures.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 10 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



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The "Terms of Appointment (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit Committee and management of Broadland District Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit Committee, and management of Broadland District Council** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee and management of Broadland District Council** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Omission or understatement of provisions	Fraud risk	No change in risk or focus	Linking to our fraud risk above we have considered the omission or incorrect valuation of provisions as a separate risk which could result in the material understatement of expenditure in year.
Valuation of land and buildings including Investment Properties	Inherent risk	No change in risk or focus	The valuation of land and buildings represent significant balances in the Council's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.
Pension liability valuation	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, 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.

Overview of our 2018/19 audit strategy

Materiality

Planning
materiality

£0.938m

Materiality has been set at £0.938 million, which represents 2% of the prior years gross expenditure on provision of services.

Tolerable error

£0.703m

Performance materiality has been set at £0.703 million, which represents 75% of materiality.

Audit
differences

£0.046m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £46,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2018/19 audit strategy

Audit scope

This Initial Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Broadland District Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team

Mark Hodgson



Mark Hodgson - Associate Partner

Mark has over 20 years experience of Local Authorities, Pension Funds and their respective audits.



Sappho Powell - Manager

Sappho has over 12 years experience of Local Authority audits.



02

Audit risks





Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is 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.

For the Council, we have identified the potential for the omission or understatement of provisions as the particular area where there is a risk of fraud or error.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Our response to significant risks (continued)

Omission or understatement of provisions *

What is 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 will we do?

We will undertake additional procedures to address the specific risk we have identified, which will include:

- Testing the calculation of the NDR Provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing is performed we will apply a lower testing threshold to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued; and
- Undertaking 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.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?

Valuation of land and buildings - inherent 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.

Pension liability valuation- inherent 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. For 2018/19 it is possible these entries will be subject to further volatility as a consequence of Brexit.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider 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;
- ▶ 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);
- ▶ Consider 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 consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

In order to address this risk we will carry out a range of procedures including:

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

Other areas of audit focus (cont.)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the area of focus?

What will we do?

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.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

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.

We will:

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

We will:

- ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.
- ▶ Consider 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
- ▶ Check additional disclosure requirements.



03

Value for Money Risks





Value for Money

Background

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.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

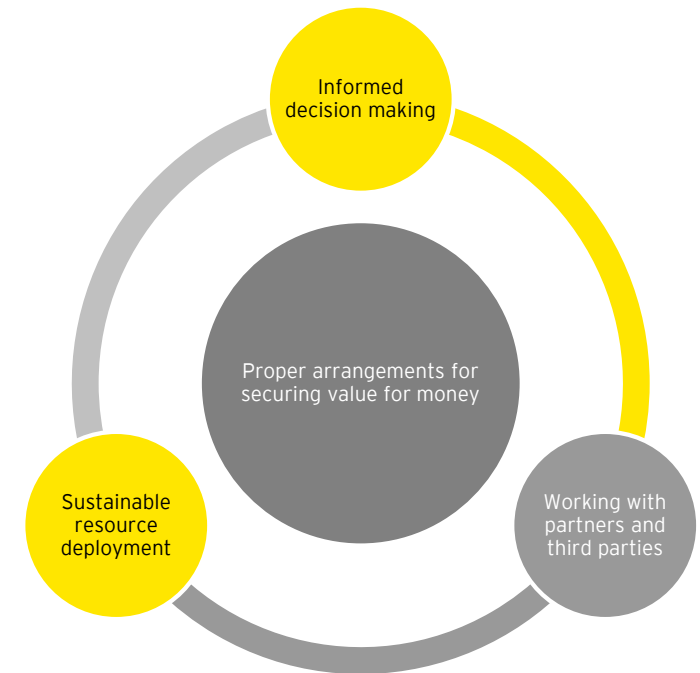
We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

We have not yet completed our value for money planning risk assessment for 2018/19. However, our initial planning procedures have resulted in the identification of no significant risks which we view as relevant to our value for money conclusion at this stage.

As part of our value for money planning risk assessment for 2018/19 we will consider the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we would expect that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers. Our risk assessment will consider both the potential financial impact of the issues we identify and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.





04

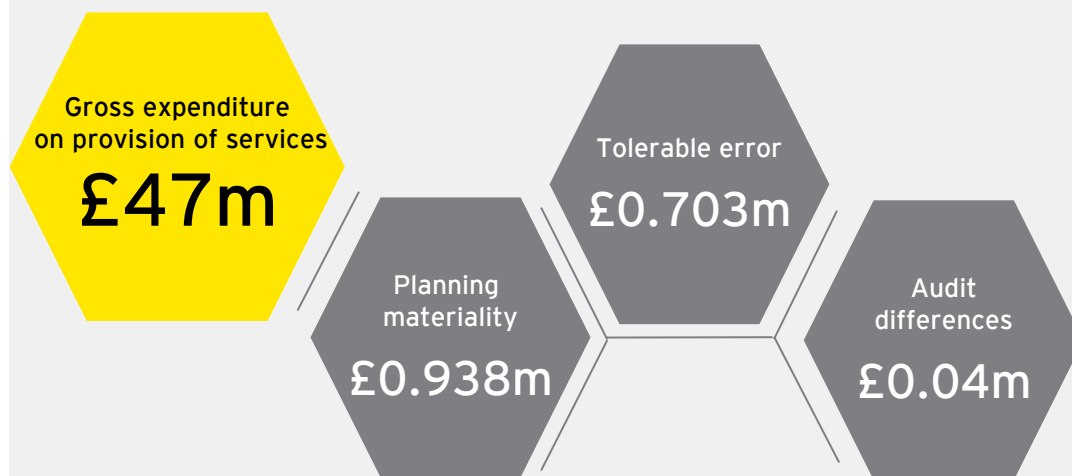
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £0.938 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this percentage on the basis of there being no shareholders; no traded debt or covenants; limited changes in the business environment; good viability of the business and limited external financing. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Tolerable error - the amount we use to determine the extent of our audit procedures. We have set tolerable error at £0.703 million which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

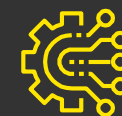
Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5,000 for remuneration disclosures and exit packages, and £46,000 for related party transactions, and members' allowances which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance and Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will review the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



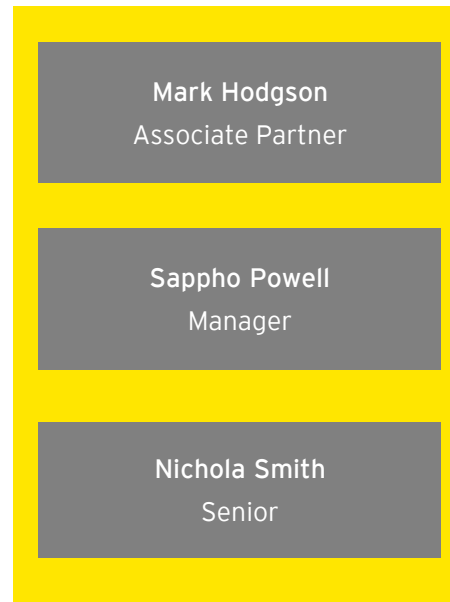
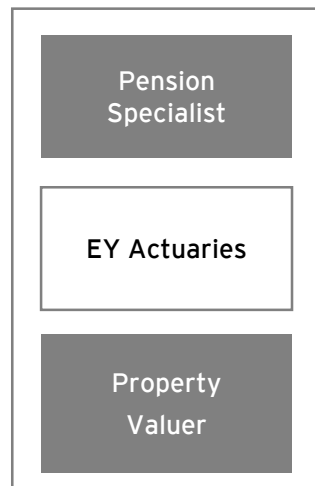
06

Audit team



Audit team

Audit team structure:



Working together with the Council

We will continue to work together with officers to establish strong communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	We will consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used by the Council's valuers, the Valuation Office.
Pensions disclosure	EY Pensions Advisory, PwC (Consulting Actuary to the National Audit Office) who will review the work of Hymans Robertson, the actuaries to the Norfolk County Council Pension Fund.
National Domestic Rates Provision valuation	Management expert - valuation of the NDR provision (Inform CPI limited)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





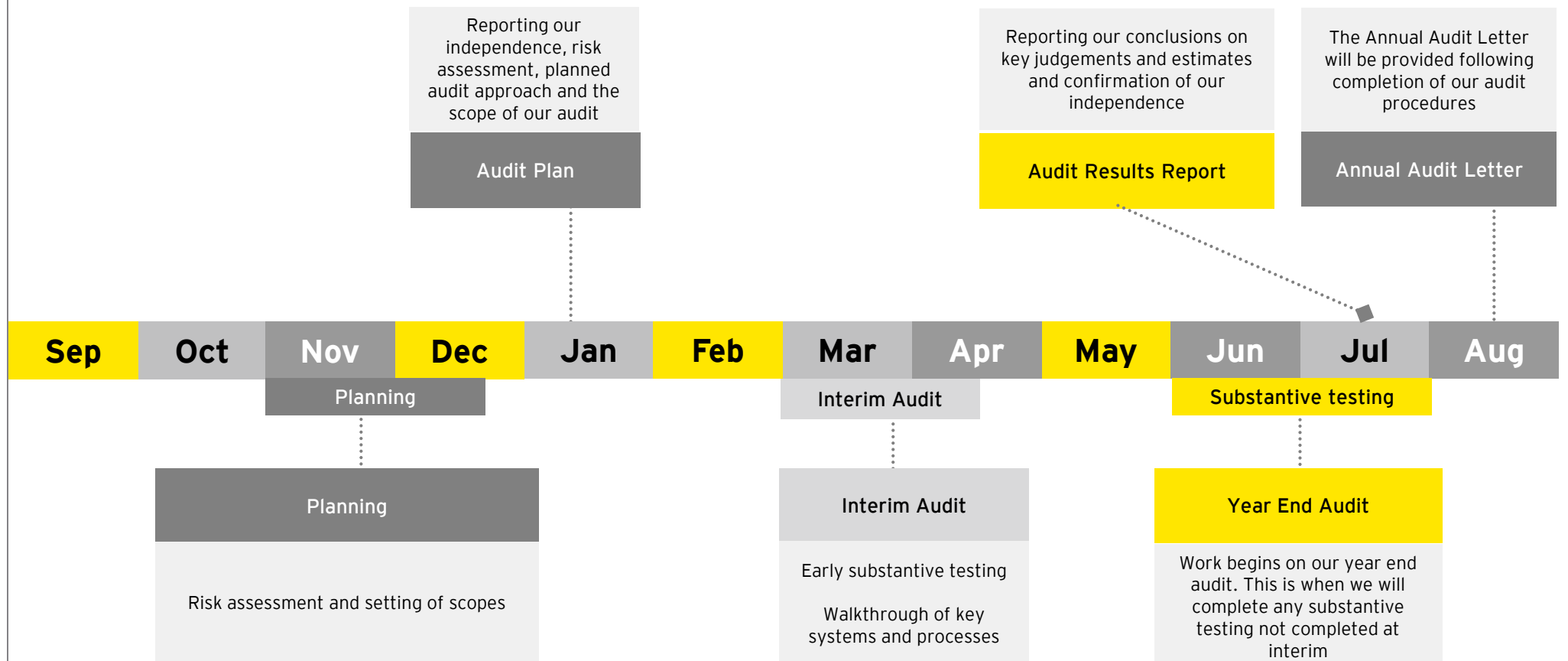
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 45%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2018/19. The agreed upon procedures on the certification arrangements are due to start in April. Our current fee level is £14,500 however we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2018/19 financial statements.	Relates to 2018/19 return for the period to 31 March 2019.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2018/19. The agreed upon procedures focus on the specific requirements of the certification arrangements. No other threats to independence have been identified.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work	32,022	32,022	41,587 (Note 1)
Total audit	32,022	32,022	41,587
Other non-audit services not covered above (Housing Benefits)	14,500 (Note 2)	N/A	14,262
Total other non-audit services	14,500	N/A	14,262
Total fees	46,522	32,022	55,849

All fees exclude VAT

Note 1 - An additional fee has been discussed and agreed with management but is still subject to approval by the Public Sector Audit Appointments. We will formally report the final fee once the approval process is complete.

Note 2 - 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.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.




If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - January 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process. 	Audit Results Report - July 2019




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - January 2019</p> <p>Audit Results Report - July 2019</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of 	Audit Results Report - July 2019
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - January 2019 Audit Results Report - July 2019 Annual Audit Letter - August 2019
Certification work	Summary of certification work undertaken	Annual Certification report - January 2019

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Governance and Audit Committee reporting appropriately addresses matters communicated by us to the Governance and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.