

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.