

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 28 June 2018** at **10.00 am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mrs K A Vincent

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

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

1 MINUTES

The Minutes of the meeting held on 15 March 2018 were confirmed as a correct record and signed by the Chairman.

2 SERVICE RISKS

The Head of Finance and Revenue Services confirmed that the Council was subject to both internal and external financial risks.

Changes to external funding from central Government was a major risk which the Council sought to mitigate by remaining in close dialogue with the Ministry of Housing Communities and Local Government.

The Council mitigated risks to internal funding by maintaining a Medium Term Financial Plan. Broadland was also working closely with officers at South Norfolk to ensure that the proposal to collaborate would not have a detrimental effect on either Councils' finances.

Ensuring that there was sufficient resource in place for Council Tax and Business Rates collection was another financial risk. Although currently 99% of Council Tax was collected, the Council was trying to improve this still further.

Universal Credit was set to be rolled out for new claimants in Norwich Job Centres shortly. This was likely to put an additional pressure on resources in the Benefits Department. The Council was working with the Department of Work and Pensions.

The Chairman noted that South Norfolk Council had a Risk Register, but that Broadland managed risk within each service. He suggested that a Risk Register was a better means of monitoring risk, as they were clearly identifiable in one document.

The Head of Economic Development informed the meeting that many of the services provided by his department such as leisure, tourism and business support were discretionary and therefore vulnerable to cuts if Council finances were reduced. The department reported on its activity on a quarterly basis to the Economic Success Panel and on a six monthly basis to the Overview and Scrutiny Committee, as well as annually in the Business Plan.

The economy was reasonably stable at the moment. In the past the Council had established a Recession Mitigation Fund to assist businesses in the district and could do so again if necessary. The recently agreed Business Rate Discount Policy was another useful tool that could be used for supporting existing businesses, as well as attracting new businesses into the district.

Economic Development was providing support to ensure that businesses in the district were compliant with the General Data Protection Regulation, as well as providing training on other aspects of Government legislation.

In response to a query about Broadland Growth Ltd, the Joint Venture Company that was 50 percent owned by the Council and 50 percent owned by NPS, the Head of Finance and Revenue Services confirmed that the only exposure to risk was the money that the Council loaned to the company to fund its development programme. The funding for the company's first project had been paid back, along with a profit that had resulted in a total of £1.2m being returned to the public purse.

There was a proposal in the Feasibility Study for the establishment of a joint Growth Delivery Team for development sites that would involve Economic Development working to increase the level of inward investment in both districts.

Broadland had developed a good relationship with the New Anglia Local Enterprise Partnership and was leading on an initiative to assist two foreign owned companies establish facilities in Broadland.

In answer to a query, the Head of Finance and Revenue Services advised Members that the Council had mitigated the risk from Business Rate appeals by making provision for it in the Medium Term Financial Plan. A test case for Business Rate relief by a number of NHS Trusts was currently going through the courts and could require the Council to use grants to fund the shortfall, if successful. A new Check, Challenge and Appeal Process that had been recently introduced should prevent speculative appeals in the future.

A question mark remained over whether appeals would be funded nationally or locally.

The Head of Economic Development confirmed that the Council was supporting the development of the former Anglian Windows Sports and Social Club into a multi-purpose sports and residential facility.

The Head of Finance and Revenue Services also confirmed that both Broadland and South Norfolk had similar accounting methods and were both part of the Internal Audit Consortium.

3 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members were introduced to the new Internal Audit Manager, Faye Haywood, who would be reporting on most of the Council's internal audit activity in the future.

The report reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2017/18 during the period 21 December 2017 to 12 April 2018.

Progress made in delivering the agreed audit work to date was in line with expectations; with 144 days of programmed work completed, equating to 100 percent of the internal audit plan for 2017/18.

During the period the following final four assurance reports had been issued: Accounts Receivable; GP Referral Scheme; Key Controls and Assurance and Accountancy Services. As a result of these audits, 13 recommendations had been raised, and agreed by management. In addition, three Operational Effectiveness Matters have been proposed to management for consideration.

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.

In response to a query, it was confirmed that recommendation for the GP Referral scheme in relation to Council costs was to ensure Council staff salaries were allocated to the Why Weight programme to avoid any misconception in relation to the overall budget.

The Committee was advised that a General Data Protection Regulation Audit would commence shortly.

RESOLVED

to note the progress in completing the internal audit plan of work and the outcomes of the completed audits to date for the 2017/18 financial year.

4 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The report informed Members of the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2018.

All recommendations prior to the 2017/18 financial year had now been actioned by management and verified as complete by internal audit.

In 2017/18 internal audit raised 36 recommendations, with 26 now being closed. One important recommendation remained outstanding (the approval of the Business Plan of Broadland Growth Ltd by the Council). This recommendation should be completed by July 2018. Nine recommendations were not yet due.

Members were advised that excellent progress continued to be made in addressing audit recommendations that actions relating to historic audits had now been closed.

RESOLVED

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

5 ANNUAL REPORT AND OPINION FOR 2017/18

The report concluded on the Internal Audit Activity undertaken during 2017/18 and provided an overall opinion, in line with the Public Sector Internal Audit Standards, on the framework of governance, risk management and control at the Council for the year ended 31 March 2018.

The Annual Report also commented on the Effectiveness of Internal Audit as well as providing key information for the Annual Governance Statement.

The overall opinion in relation to the framework of governance, risk management and controls at Broadland District Council was 'reasonable'. It was emphasised that this was a positive assurance.

Ten of the 11 assurance audits completed within year had concluded in positive assurances; with no priority one recommendations raised.

One assurance review received a limited assurance in relation to the planning application. Control weaknesses were raised in relation to password access, however the Council's own access controls were considered sufficient to mitigate this risk and the IT department continued to monitor this issue. There were, therefore, no Internal Audit considerations for the Annual Governance Statement.

Substantial assurance was concluded in the areas of Environmental Health, Accounts Receivable, Income, Accountancy Services and Social Media.

The outcomes of the Effectiveness Review confirmed that Internal Audit was compliant with the Public Sector Internal Audit Standards; was continually monitoring performance and looking for ways to improve and was substantially compliant with CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

These findings indicated that reliance could be placed on the opinions expressed by the Head of Internal Audit for Broadland, which could then be used to inform the Council's Annual Governance Statement. The Head of Internal Audit drew Members' attention to the assurance chart which showed the Council had had a very positive control environment over the last few financial years.

Members were advised that an ICT audit had recently been completed and would be brought to the Committee in due course. The audit covered areas such as cyber security and back-up controls. A new ICT Strategy was also being drafted and would be brought before Members in the near future.

Members noted the high level of compliance with audit standards.

RESOLVED

to

- (1) receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit;
- (2) note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2018;
- (3) note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2017/18;
- (4) note the conclusions of the Review of the Effectiveness of Internal Audit.

6 ANNUAL GOVERNANCE STATEMENT

The report presented the Annual Governance Statement 2017/18, which set out how the Council had complied with its responsibilities to ensure that its business was conducted in accordance with the law and that public money was safeguarded and used economically, efficiently and effectively. The report also noted that a review was being undertaken of the Local Code of Corporate Governance, which would be brought to the July 2018 Audit Committee.

The draft AGS was normally presented to the Committee prior to it being formally signed off by the Leader and Chief Executive by the end of June. However, this year because the timetable for the submission of the draft Statement of Accounts had moved forward to the end of May, the AGS had already been submitted with the draft Statement of Accounts.

Members were advised that the AGS gave a good view of the measures that the Council had in place to monitor the achievement of its strategic objectives and whether those objectives had led to the delivery of appropriate, cost-effective services.

In response to a query about the poor rate of completion by Members of the General Data Protection Regulation (GDPR) training, the meeting was advised that the GDPR audit would include an assessment of Member responsibilities and make recommendations accordingly. Similarly the Committee's the self-assessment could identify any shortcomings regarding the take up of mandatory training by Members later in the year.

The Committee was informed that the Feasibility Study into collaboration between Broadland and South Norfolk Councils included a proposal to introduce joint Member training sessions.

RESOLVED

to

- (1) approve the Annual Governance Statement; and
- (2) note that a revised version of the Council's Code of Corporate Governance was being prepared.

7 WORK PROGRAMME

The following items were added to the Work Programme:

26 July 2018 – Service Risks

20 September 2018 – Audit Committee Self-Assessment

The Self-Assessment form would be circulated ahead of the meeting and any comments would be collated for consideration at the 20 September meeting.

The meeting closed at 11.09 am