

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 28 June 2018

Time

10.00 am

Place

Trafford Room
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich

Contact

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

The Openness of Local Government Bodies Regulations 2014

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

A G E N D A

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	To consider the Committee's Work Programme.	

P C Kirby
Chief Executive

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 15 March 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

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

Mark Hodgson and Sappho Powell (Ernst and Young) attended the meeting for its duration.

26 MINUTES

The Minutes of the meeting held on 11 January 2018 were confirmed as a correct record and signed by the Chairman.

27 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19

The report presented the Internal Audit Strategy, the Strategic Internal Audit Plan and the Annual Internal Audit Plan 2018/19 for approval.

The Internal Audit Strategy was a strategic high level statement on how the internal audit service would be delivered and developed in accordance with the Audit Charter and how it was linked to the organisational objectives and priorities.

The Audit Charter had been reviewed and minor amendments had been made. The only key changes were the addition of the following paragraphs:

3.2.4 – Where the Head of Internal Audit has responsibilities that fall outside of internal auditing, safeguards are in place to limit impairments to independence and objectivity.

8.2 – The Head of Internal Audit consults with senior management and the Audit Committee and obtains an understanding of the Council's strategies, key business objectives, associated risks and risk management processes.

The Strategic Internal Audit Plan 2018/19 would cover Governance, Financial Systems, Service Area Audits, ICT (including Cybercrime) and the follow up of Audit Recommendations. The Head of Internal Audit also highlighted the links between the Internal Audit Plan and the Fraud Plan of work.

The meeting was advised that there were currently no ICT Audits planned beyond 2018/19, however the ICT Strategy and associated roadmap was being reviewed, alongside the potential impact of the collaboration Feasibility Study with South Norfolk Council. The IT audits for future years would be decided at a later date and reported to committee as appropriate.

An audit of the systems in place for the General Data Protection Regulation that would come into force on 25 May 2018, would take place jointly with South Norfolk Council. Members were advised that Broadland had already provided training to parish councils on this subject.

In response to a query regarding Performance Measures, the meeting was informed that 90 percent was a target for the percentage of recommendation accepted by management. This was usually because some recommendations could be disproportionately costly to implement, even if they did conform to best practice.

Members were also informed that a new Internal Audit Manager had recently been appointed and would be attending the next meeting.

RESOLVED

to note and approve:

- (1) the Internal Audit Strategy for 2018/19;
- (2) the Strategic Internal Audit Plans 2018/19 to 2020/21; and
- (3) the Annual Internal Audit Plan 2018/19.

28 ANNUAL COUNTER FRAUD REPORT

The report provided details of the counter fraud work undertaken by the Council during 2017/18, as well as the Fraud Plan for 2018/19.

During 2017/18 the Corporate Fraud Officer had continued to focus on the prevention of fraud and raising the profile of the service both internally and externally.

Projects and initiatives undertaken over the period included:

- A project to identify previously unknown holiday accommodation and public use swimming pools in the district to ensure that the appropriate Council Tax/Business Rates were being paid. The project had also generated income in areas such as retrospective planning application

fees and trade waste charges.

- A review of the recipients of the 25 percent single person's Council Tax discount to identify where the discount might have been claimed fraudulently.
- Working with the Investigative Auditor at Norfolk County Council to explore ways that intelligence could be shared to minimise areas of risk for both authorities.
- Exploring the establishment of a Fraud Hub to share information between all Norfolk local authorities.

The Fraud Plan for 2018/19 included a review of procurement, to be carried out in conjunction with Internal Audit, to ensure that the relevant legislation was complied with.

RESOLVED

to note the report.

29 EXTERNAL AUDIT PLAN 2017/18

The Audit Plan set out how External Audit would be carrying out their responsibilities as an auditor.

The main risks identified remain unchanged from the previous year and were: the Risk of Management Override, Property, Plant and Equipment Valuation and Pensions Liability. Each of these risk areas would be subject to a planned audit strategy.

The Audit Plan would provide an audit opinion on whether the financial statements of the Council gave a true and fair view of the financial position as at 31 March 2018, as well as a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

In response to a query, it was confirmed that Broadland's current pension fund liability was included on the Council's balance sheet.

RESOLVED

to note the External Audit Plan 2017/18.

30 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Audit Committee briefing covered issues relevant to the local government

sector including the General Data Protection Regulation, which would come into force on 25 May 2018.

The Committee noted the briefing.

31 AUDIT COMMITTEE PRESENTATION TO COUNCIL

Members were reminded that when conducting their Self-Assessment last year they had noted that the role and purpose of the Audit Committee was only partially understood across the Council and it had been suggested that a presentation on the work of the Committee should be made to Council.

The Head of Internal Audit confirmed that she and the Head of Finance and Revenue Services would put together a presentation highlighting the work of the Committee for the 15 May 2018 meeting of Council. The presentation would be circulated to Members for comment.

The Chairman suggested that fraud would be a good subject to include in the presentation.

32 WORK PROGRAMME

It was agreed that the Service Risks item for the 28 June 2018 meeting would be a verbal update.

Members noted the Work Programme.

The meeting closed at 11.03am

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Portfolio Holder: Finance
Wards Affected: All

1 SUMMARY

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

2 KEY DECISION

2.1 This is not a key decision.

3 BACKGROUND

3.1 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.

3.2 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 Measure outcomes to date.

4 THE ISSUES

4.1 The current position in relation to the delivery of the Annual Internal Audit Plan 2017/18 is shown in Appendix 1.

5 ALTERNATIVE COURSE OF ACTION

5.1 Not applicable to this report.

6 PROPOSED ACTION

- 6.1 For the Audit Committee to review the progress made in the delivery of the Annual Internal Audit Plan for 2017/18.

7 RESOURCE IMPLICATIONS

- 7.1 There are no resource implications arising from this report.

8 LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising from this report.

9 RISK IMPLICATIONS

- 9.1 Failure to undertake the Annual Internal Audit Plan could result in additional risks to the Council, through the Head of Internal Audit not being able to provide an annual opinion. There is also the risk that reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon, and subsequently subject to remedial work being taken.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equality implications arising from this report.

11 CONCLUSION

- 11.1 The 2017/18 Annual Internal Audit Plan is progressing as expected.

12 OPTIONS

- 12.1 The Audit Committee has the following options:

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.

Emma Hodds
Head of Internal Audit for Broadland District Council

Background Papers

None.

For further information on this report call Emma Hodds on (01508) 533791 or e-mail ehodds@s-norfolk.gov.uk.

Eastern Internal Audit Services



Broadland District Council

Progress Report on Internal Audit Activity

Period Covered: 21 December 2017 to 12 April 2018

Responsible Officer: Emma Hodds – Head of Internal Audit for Broadland DC

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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 Measure outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 16 March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. For this period, there have been no significant changes to the plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing the audit to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 144 days of programmed work has been completed, equating to 100% of the internal audit plan for 2017/18.

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 four final assurance reports:

Audit	Assurance	P1	P2	P3
Accounts Receivable	Substantial	0	0	1
GP Referral Scheme	Reasonable	0	3	3
Key Controls and Assurance	Reasonable	0	2	1
Accountancy Services	Substantial	0	0	3

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

4.5 As can be seen in the table above as a result of these audits 13 recommendations have been raised, all of which have been agreed by management. In addition 3 Operational Effectiveness Matters have been proposed to management for consideration.

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

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over four areas, the results of all performance measures for 2017/18 can be found in the Annual Report and Opinion.

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 Head of Internal Audit to ensure that appropriate action is taken.

- 5.3 All audit reviews have now been completed and a report on the performance measures provided, performance is currently at green status with targets having been satisfactorily met so far for 2017/18.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that delivery of the plan is complete as expected and is reflected in **Appendix 1** of this report.

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											
Apprenticeships	BRD1801	2	0	0							
Broadland Growth	BRD1802	8	8	8	Final Report issued 28 July 2017	Reasonable	0	5	1	0	21 September 2017
Planning	BRD1812	20	20	20	Final Report issued 16 August 2017	Reasonable	0	0	4	0	21 September 2017
TOTAL		30	28	28							
Quarter 2											
Environmental Health	BRD1804	15	15	15	Final Report issued 20 September 2017	Substantial	0	0	3	0	11 January 2018
TOTAL		15	15	15							
Quarter 3											
Accounts Receivable	BRD1806	10	10	10	Final Report issued 30 January 2018	Substantial	0	0	1	0	19 June 2018
Income	BRD1807	7	7	7	Final Report issued 18 December 2017	Substantial	0	0	1	0	11 January 2018
Apprenticeships GP Referral Scheme	BRD1811	10	12	12	Final Report issued 23 January 2018	Reasonable	0	3	3	3	19 June 2018
TOTAL		27	29	29							
Quarter 4											
Key Controls and Assurance	BRD1809	14	14	13	Final Report issued 12 April 2018	Reasonable	0	2	1	0	19 June 2018
Accountancy Services	BRD1810	16	16	16	Final Report issued 8 March 2018	Substantial	0	0	3	0	19 June 2018

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
TOTAL		30	30	30							
IT Audits											
Disaster Recovery	BRD1803	10	10	10	Final Report issued 15 August 2017	Reasonable	0	2	2	1	21 September 2017
Social Media	BRD1805	10	10	10	Final Report issued 6 September 2017	Substantial	0	0	2	1	21 September 2017
Planning Application	BRD1808	10	10	10	Final Report issued 13 December 2017	Limited	0	2	1	0	11 January 2018
TOTAL		30	30	30							
Follow Up											
Follow Up	NA	12	12	12							
TOTAL		12	12	12							
TOTAL		144	144	144			0	14	22	5	
Percentage of plan completed				100%							

Assurance Review of Accounts Receivable

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Total	0	0	1	0

No recommendations have been raised in respect of Raising of sundry debtors, refunds and transfers, Direct Debits, suspense account or recovery and write off of outstanding debts.

SCOPE

These key financial systems feed into the Statement of Accounts and requires regular review to confirm the adequacy and effectiveness of controls in these key areas.

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 one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit of Accounts Receivable undertaken in 2015/16 concluded in a 'Reasonable' assurance opinion with eight recommendations raised, indicating a positive direction of travel.

POSITIVE FINDINGS

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

- Payment terms and methods of payment are clearly stated on all invoices, to provide as many payment options as possible and hence maximise the Council's revenue.
- Credit notes and refunds are only issued following receipt of authorised requests, to ensure that debts are not reduced unnecessarily.
- The Council's debt recovery process is clearly stated in its Debt Management Policy and this process is adhered to. This helps to reduce the risk of debts not being recovered.
- Accounts on hold are reviewed as part of the aged debt report to ensure that recovery of debts is not suspended unnecessarily.

ISSUES TO BE ADDRESSED

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

Policies and procedures

- Work instructions are reviewed and updated, to reduce the risk of inconsistent practices.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous report on Accounts Receivable was issued in September 2015, with a 'Reasonable' assurance having raised three 'important' and five 'needs attention' recommendations, all of which have since been confirmed as implemented.

Other points to note

Testing during the audit identified five separate weeks in which the weekly aged debt report was not reviewed due to staff absence. As the aged debt report is still being reviewed at least monthly, a recommendation has not been raised. This matter was also identified in the 2016/17 Key Controls audit (BRD/17/10) and an OEM was raised

Assurance Review of Accountancy Services

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Budgetary control	0	0	3	0
Total	0	0	3	0

No recommendations have been raised in respect of treasury management, general ledger maintenance, control accounts or the asset register t.

SCOPE

The Accountancy Services audit reviews; Treasury Management, Budgetary Control, General Ledger Maintenance, Control Accounts; and the Asset Register.

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 three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Accountancy Services undertaken in 2015/16 concluded in a 'Reasonable' assurance opinion, indicating that the level of control has improved since the previous audit.

POSITIVE FINDINGS

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

- Investment decisions are made with approved counterparties and authorised by senior management. This ensures that the Council's exposure to risk when investing is minimised.
- Growth and savings within each annual budget are agreed between the budget holder and accountant, to ensure that the Council is making savings wherever possible and that these are monitored.
- Budgetary information is reported from individual Heads of Service to Portfolio Holders and summary information to Committee. This ensures that spending in each service is controlled and monitored.
- Asset acquisitions and disposals are approved by members, to ensure that such transactions align with the Council's corporate priorities.

ISSUES TO BE ADDRESSED

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

Budgetary Control

- The budget setting timetable is to be updated, using one version with tasks signed off when completed, this is also to ensure that current practices are accurately recorded. This will reduce the risk of the budget not being approved on time.
- A budget monitoring timetable is to be created, to reduce the risk of budget monitoring tasks not being completed in a timely manner and to ensure that there is full accountability and responsibility for budgets.
- A reconciliation of budgetary information to the general ledger is to be performed and independently reviewed on a monthly basis, to ensure that budgets are up to date and issues dealt with in a timely manner.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other issues to notes

Any member of staff in the finance department can post a journal without independent authorisation. This risk has been raised by internal audit in the past, most recently in the 2016/17 Key Controls audit (BRD/17/10), and management continue to accept the risks associated with this process.

Previous audit recommendations

The previous report on Accountancy Services (BRD/16/06) was issued in December 2015, with a 'Reasonable' assurance having raised one 'important' and three 'needs attention' recommendations. All of these recommendations have been confirmed as implemented through internal audit's cyclical follow up checks. The previous report on Key Controls and Assurance (BRD/17/10), issued in March 2017, did not raise any recommendations relating to the areas within the scope of this review.

Assurance Review of the GP Referrals Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Funding and Income	0	2	1	1*
Council Costs	0	0	2	0
Take up and Benefits	0	1	0	2
Total	0	3	3	3

No recommendations have been raised around use of resources and marketing. *One operational effectiveness matter applies to all scope areas.

SCOPE

The objective of the audit was to review the systems and controls in place within the GP Referrals for the Broadly Active and Why Weight programmes, delivered by the Council to help confirm that these are operating adequately, effectively and efficiently. The audit covered funding and income, Council costs, use of resources, take up and benefits and marketing.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised three 'operational effectiveness matters', which sets 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.
- This area has not been subject to previous internal audit review.

POSITIVE FINDINGS

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

- There are clear reporting lines for the delivery and outcomes of both programmes, with key documents and information reported to senior management and Members on a regular basis. This helps ensure that there is appropriate awareness of the performance of the programmes and their benefits to the Council.
- There is a process in place to ensure that charges for the service are subject to review and compared to Council costs for running the service. This helps ensure that the programmes remain financially viable.
- Reports have been produced to stakeholders on the outcomes of the programmes, which helps to demonstrate their cost effective benefits for health organisations.
- The programmes are advertised to healthcare providers within the district, helping to ensure adequate participation on the programmes.

ISSUES TO BE ADDRESSED

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

Funding and Income

- Activity Sessions are to be accompanied by registers which are signed by the attendees and provided to the Council, thereby reducing the risk of inaccurate attendance and income information being reported to the Council.
- A regular reconciliation is to be undertaken between class registers, income recorded on monthly stat spreadsheets and amounts banked for session fees taken, thereby reducing the risk of income being lost or unaccounted for.

Take up of the Service

- 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, thereby reducing the risk of staff being unable to demonstrate the value of the programmes to management and stakeholders, which may lead to a lack of funding.

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

Funding and Income

- Consideration be given to implementing policies and procedures for the Broadly Active and Why Weight programmes, to aid the flowcharts/pathways and referral criteria currently in place for Broadly Active, this will help to provide assurance that all staff are aware of the correct process to be followed across each scheme.

Council Costs

- The Council is to ensure that all residual income received from the Broadly Active and Why Weight programmes are reinvested within the service, within the financial year, where possible, thereby reducing the risk of funds limiting the provision of the services.
- Budgetary allocation of Council staff salaries be undertaken for the Why Weight programme, thereby reducing the risk of incorrect perceptions by management of financial performance of budgets set which may lead to an unexpected financial loss within the financial year.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Funding and Income

- Consideration be given to the Council undertaking an exercise to explore external funding for the Why Weight Programme, to support the service viability and expand its offering where possible.

Take up of the Service

- Consideration be given to the implementation of an online data system to enable staff working on the programmes to more efficiently manage data received.
- Consideration be given to monitoring regional performance through benchmarking with similar organisations in the region. This would help to identify any further action that could be taken to enhance take up of the service.

Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Accounts Payable	0	2	0	0
Housing Benefit and Council Tax Support	0	0	1	0
Total	0	2	1	0

No new recommendations were made as part of this Key Controls audit in respect of Accounts Receivable, Accountancy Services, Income, Payroll, Council Tax and National Non-Domestic Rates or Assurance Framework. See 'Outstanding Previous Recommendations' section below for details of recommendations raised in those systems reports.

SCOPE

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

RATIONALE

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

KEY FINDINGS

Key Controls Testing

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

Under the agreed internal audit plan for 2017/18 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

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

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2017/18 have been reviewed as part of this audit. The areas to which this applies are:

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

During the internal audit of the above areas within this review, the audit has highlighted the following area where two 'important' recommendations have been made.

Accounts Payable

- Purchase orders are to be used for all purchases apart from those suppliers on the agreed exceptions list. In addition, all purchase orders are to be subject to independent manager approval. This will reduce the risk of Council resources being used inappropriately and will ensure a consistent approach in how the Council deals with all suppliers.
- All changes to supplier bank details are to be independently confirmed with the supplier prior to changes being made, so as to reduce the risk of fraudulent payments being made.

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

Housing Benefit and Council Tax Support

- All corrections to errors identified through the benefits quality assurance process are to be promptly followed up and resolved in order to ensure that corrections are made in a timely manner, thereby reducing the risk of incorrect benefit payments being processed.

Assurance Framework

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

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

- The AGS included in the 2016/17 Statement of Accounts refers to the fact that Heads of Service completed assurance statements which feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS for 2016/17 was reviewed by the Audit Committee in July 2017.

Outstanding Previous Recommendations

There are no outstanding recommendations from the previous Key Controls audit.

During 2017/18 key controls were also tested as part of the full reviews of Accounts Receivable, Income and Accountancy Services. Recommendations were made in relation to the key controls within the Accountancy Services audit, relating to the use of timetables for budget setting and budget monitoring. As this audit was recently finalised these are not yet due for completion.

Other points to note

Unlike Council Tax, National Non-Domestic Rates processing is not sample checked due to a lack of resource. Management have accepted the risk associated with not undertaking sample checks in this area and therefore a recommendation has not been raised to address this.

Top up testing of credit notes and refunds was not conducted as none have been issued in the second half of the financial year. Therefore, testing in this area only covered the first half of the year.

FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Portfolio Holder: Finance
Wards Affected: All

1 SUMMARY

- 1.1 This report seeks to inform Members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2018.

2 KEY DECISION

- 2.1 This is not a key decision.

3 INTRODUCTION

- 3.1 This report forms part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.
- 3.2 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.
- 3.3 To comply with the above this report includes the status of agreed actions.

4 THE ISSUES

- 4.1 The current position (and issues) in relation to the implementation of Internal Audit recommendations is shown in Appendix 1.

5 ALTERNATIVE COURSE OF ACTION

- 5.1 Not applicable to this report.

6 PROPOSED ACTION

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

7 RESOURCE IMPLICATIONS

7.1 There are no resource implications arising from this report.

8 LEGAL IMPLICATIONS

8.1 There are no legal implications arising from this report.

9 RISK IMPLICATIONS

9.1 Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.

10 EQUALITIES IMPLICATIONS

10.1 There are no equality implications arising from this report.

11 CONCLUSION

11.1 Excellent progress has been made in addressing prior financial year recommendations with only three now outstanding.

11.2 There are currently seven 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.

12 OPTIONS

12.1 The Audit Committee has the following option:

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

Emma Hodds
Head of Internal Audit for Broadland DC

Background Papers

None.

For further information on this report call Emma Hodds on (01508) 533791 or e-mail ehodds@s-norfolk.gov.uk.

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 30 November 2017 to 31 March 2018

Responsible Officer: Emma Hodds – Head of Internal Audit 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 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

Status of Recommendations as at 30 November 2017					
	P1	P2	P3	Total	%
Complete	0	8	21	29	74%
Outstanding	0	5	5	10	26%

Status of Recommendations as at 31 March 2018					
	P1	P2	P3	Total	%
Complete	0	9	11	20	95%
Outstanding	0	1	0	1	5%

Key:

Priority 1 – Urgent: Fundamental control issue on which action to implement should be taken within 1 month.

Priority 2 – Important: Control issue on which action to implement should be taken within 3 months.

Priority 3 – Needs Attention: Control issue on which action to implement should be taken within 6 months.

2.4 In relation to historic recommendations (i.e. those prior to the 2017/18 financial year), these have now been actioned by management and verified as complete by internal audit.

2.5 In 2017/18 internal audit raised 36 recommendations, with 26 now being closed. One important recommendation remains outstanding. Nine recommendations are not yet due. The management responses in relation to the outstanding recommendation can be seen at **Appendix 2** of the report.

Number raised	36	
Complete	26	72%
Outstanding	1	3%
Not yet due	9	25%

2.8 Excellent progress continues to be made in addressing audit recommendations and it is encouraging to see that actions relating to historic audits have now been closed. One recommendation overall remains outstanding and should be completed by July 2018.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 1st December 2017 and 31st March 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													
2015/16 Internal Audit Reviews															
BRD1605	Elections	Substantial		1							0				
2016/17 Internal Audit Reviews															
BRD1707	Housing Benefit & Council Tax Support	Substantial			1						0				
BRD1714	Exchange & Ancillary Services	Reasonable			2						0				
2017/18 Internal Audit Reviews															
BRD1802	Broadland Growth	Reasonable		2			1				1				
BRD1803	DR & Carrowbreck Physical Security	Reasonable		2	2						0				
BRD1805	Social Media	Substantial			2						0				
BRD1806	Accounts Receivable	Substantial									0				1
BRD1807	Income	Substantial			1						0				
BRD1808	Planning IT Application	Limited		2							0				1
BRD1809	Key Controls and Assurance	Reasonable		1	1						0		1		
BRD1810	Accountancy	Substantial									0				3
BRD1811	GP Referrals	Reasonable		1	2						0		2		1
TOTALS			0	9	11	0	1	0	0	0	1	0	3	6	

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1802 Broadland Growth	Recommendation 5: Broadland Growth's business plan is presented to the Council for approval. Rationale and risk: It is stated in the company's shareholder agreement that all actions of the company must be either approved by shareholders or contained within a business plan which has been approved by the shareholders. In order for the company to operate efficiently, the business plan should be approved by the shareholders so that future decisions do not need to be. If the business plan is not approved, there is a risk that decisions are made that do not align with the objectives of the shareholders or outside of designated authority.	2	Agreed.	Head of Democratic Services	01/11/2017	30/06/2018	Outstanding	The next development has not progressed yet to demonstrate closing of the recommendation. The implementation date has been moved to 30th June 2018, to allow for the next stages to be reached.

ANNUAL REPORT AND OPINION FOR 2017/18

Portfolio Holder: Finance
Wards Affected: All

1 SUMMARY

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

2 KEY DECISION

2.1 This is not a key decision.

3 INTRODUCTION

3.1 In line with the Public Sector Internal Audit Standards (PSIAS), which came into force from 1 April 2013; an annual opinion should be generated which concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;

- A summary of the work that supports the opinion should be submitted;
- Reliance placed on other assurance providers should be recognised;
- Any qualifications to that opinion, together with the reason for qualification must be provided;
- There should be disclosure of any impairments or restriction to the scope of the opinion;
- There should be a comparison of actual audit work undertaken with planned work;
- The performance of internal audit against its performance measures and targets should be summarised; and,
- Any other issues considered relevant to the Annual Governance Statement should be recorded.

3.2 This report also contains conclusions on the Review of the Effectiveness of Internal Audit, which includes:

- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
- The outcomes of the performance measures for the Contractor; and,
- The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

4 THE ISSUES

- 4.1 The Annual Report and Opinion 2017/18 and the Review of the Effectiveness of Internal Audit are shown in Appendix 1.

5 ALTERNATIVE COURSE OF ACTION

- 5.1 Not applicable to this report.

6 PROPOSED ACTION

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

7 RESOURCE IMPLICATIONS

- 7.1 There are no resource implications arising from this report.

8 LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising from this report.

9 RISK IMPLICATIONS

- 9.1 There are no risk implications arising from this report.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equality implications arising from this report.

11 CONCLUSION

- 11.1 The overall opinion is that the framework of governance, risk management

and control at Broadland District Council for the year ended 31 March 2018 is deemed to be reasonable, representing a stable control environment.

It is also encouraging to note that of the 11 assurance audits completed within year ten resulted in a positive assurance with no priority one recommendations raised.

It is also important to note that substantial assurance was concluded in the areas of Environmental Health, Accounts Receivable, Income, Accountancy Services and Social Media.

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

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

12 OPTIONS

12.1 The Audit Committee has the following options:

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.

Emma Hodds
Head of Internal Audit for Broadland DC

Background Papers

None

For further information on this report call Emma Hodds on (01508) 533791 or e-mail ehodds@s-norfolk.gov.uk.

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Annual Report and Opinion 2017/18

Responsible Officer: Emma Hodds – Head of Internal Audit for Broadland DC

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as the Audit Committee) to support the Annual Governance Statement (AGS). This report must set out: -
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2017/18, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
 - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

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

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with Corporate Leadership Team and key stakeholders and then approved by the Audit Committee at its meeting on 16 March 2017. Any justifiable amendments that are requested during the year are discussed and agreed with senior management, and reported through to Committee. This opinion does not imply that internal audit has reviewed all risks

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

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

2.2 The opinion itself

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

It is encouraging to note that of the 11 assurance audits completed within year, 10 of these concluded in a positive assurance with no priority one recommendations raised.

One assurance review received a limited assurance grading in relation to the Planning system. Two priority two recommendations were raised in relation to access controls within the system and have since been implemented. We therefore have no Internal Audit considerations for the Annual Governance Statement.

It is also important to note that substantial assurance was concluded in the areas of:

- Environmental Health;
- Accounts Receivable;
- Income;
- Accountancy Services; and
- Social Media.

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

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

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

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

3.2 Internal audit work is divided into 4 broad categories;

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

3.3 **Summary of the internal audit work**

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2017/18 has covered a wide range of services and has resulted in 11 assurance opinion reports being concluded. All

11 originally agreed audits from the 2017/18 plan took place. Ten reports issued were given a positive assurance grading. One review was given a limited assurance grading.

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

3.4 Follow up of management action

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 36 recommendations raised by TIAA Ltd in 2017/18, 26 have been implemented. One important recommendation remains outstanding, relating to approval of the Broadland Growth Business Plan. Nine recommendations are not yet due.

3.5 Issues for inclusion in the Annual Governance Statement

As stated in the opinion itself; one limited assurance opinion was given in relation to the Planning system, however access controls within the application have now been strengthened. We therefore feel that Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

4. THIRD PARTY ASSURANCES

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

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2017/18. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

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

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

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

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

5.1.2 External Assessment

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

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

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

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

5.2 Performance Indicator outcomes

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

5.2.2 It is encouraging to note that all performance measures have been achieved, with four of these exceeding targets. Client feedback has been provided, which has been positive recognising the professional service provided and also the value that internal audit has brought to the Council. The contractor has also provided the Council with a higher percentage of qualified/experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is also extremely encouraging to note that all 11 internal audit reviews were at final report stage by 12 April 2018. Thus ensuring audits are completed within financial year and ensuring that this annual opinion can be completed in line with earlier reporting requirements associated with the audit of the accounts.

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

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

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

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

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

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

APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2017/18

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Annual Opinion Audits							
Broadland Growth	Reasonable	6	5	0	1	0	0
Planning	Reasonable	4	4	0	0	0	0
Environmental Health	Substantial	3	3	0	0	0	0
Accounts Receivable	Substantial	1	0	0	0	0	1
Income	Substantial	1	1	0	0	0	0
GP Referral Scheme	Reasonable	6	3	0	0	0	3
Key Controls and Assurance	Reasonable	3	2	0	0	0	1
Accountancy Services	Substantial	3	0	0	0	0	3
IT audits							
Disaster Recovery	Reasonable	4	4	0	0	0	0
Social Media	Substantial	2	2	0	0	0	0
Planning Application	Limited	3	2	0	0	0	1
Total		36	26	0	1	0	9

Assurance level definitions		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our audit review were being consistently applied.	5
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.	5
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.	1

No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.	0
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Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

APPENDIX 2 ASSURANCE CHART

	Current Contract			
	2015/16	2016/17	2017/18	2018/19
Annual Opinion Audits				
Corporate Governance		n/a		X
Risk Management				
Key Controls & Assurance	Substantial	Reasonable	Reasonable	X
Fundamental Financial Systems				
Accounts Receivable	Reasonable		Substantial	
Income / Remittances	Substantial		Substantial	
Accountancy Services	Reasonable		Substantial	
Accountancy Services 13-14, Asset Register, Budgetary Control and Journals				
Accountancy Services 13-14, Treasury Management, Control Accounts & Banking				
Housing & Council Tax Benefits		Substantial		X
Council Tax / NNDR		Reasonable		X
Accounts Payable		Reasonable		X
Payroll / HR		Reasonable		X
Service Area reviews				
Procurement		n/a		X
Broadland Growth	Limited		Reasonable	
Localism and Communities				
Council Offices, Facilities & Reception				
Performance Management, Business Planning & Risk Management		Substantial		
Environmental Health - Pest Control & Stray Dogs				
Environmental Health - Private Water Supplies, Assisted Burials and Environmental Protection				X

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

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

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

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

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2017/18 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

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

Future Periods

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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

Responsibilities of Management and Internal Auditors

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

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

ANNUAL GOVERNANCE STATEMENT

Portfolio Holder: Policy
Wards Affected: All

1 SUMMARY

- 1.1 The Annual Governance Statement (AGS) forms part of the Statement of Accounts and the draft statement for 2017/18 is attached at Appendix 1. We are also currently updating the Local Code of Corporate Governance and this will be brought to the July 2018 Audit Committee.

2 KEY DECISION

- 2.1 This is not a key decision but has been published in the Forward Plan.

3 INTRODUCTION

- 3.1 The draft AGS is normally presented to the Committee for consideration 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 has moved forward to the end of May, the AGS has already been submitted with the draft Statement of Accounts. Relevant comments from the Head of Internal Audit's Annual Report and opinion on Internal Audit activity for 2017/18 scheduled for this Committee have been incorporated in the AGS. The purpose of the AGS and its role within the corporate governance framework of the Council is covered in the introductory sections of the AGS itself.
- 3.2 In addition to preparing the AGS the opportunity has been taken to review the Local Code of Corporate Governance. This sets out how the Council's governance arrangements comply with the principles set out in the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The principles have changed considerably and the revised document will be brought to the July 2018 Audit Committee meeting for consideration.

4 THE ISSUES

- 4.1 A key part of the purpose of the AGS is to review the effectiveness of the Council's corporate governance framework and highlight where there are any 'Significant Governance Issues' which need addressing with some urgency. The conclusion arrived at following the reviews referenced in the AGS is that there are no significant governance issues to bring to the Committee's

attention and which would need referencing in the AGS.

5 RESOURCE IMPLICATIONS

5.1 There are no resource implications in approving or amending the Statement.

6 LEGAL IMPLICATIONS

6.1 The Council are required under the Accounts and Audit (England) Regulations 2015 to produce an Annual Governance Statement.

7 RISK IMPLICATIONS

7.1 Unless the Statement is approved there is a risk the Council's accounts could be qualified.

8 EQUALITIES IMPLICATIONS

8.1 There are no equalities implications in approving or amending the Statement.

9 CONCLUSION

9.1 The Committee are asked to consider the draft Statement.

10 OPTIONS

10.1 The Audit Committee has the following options

- (1) to approve the Annual Governance Statement (with or without amendments);
- (2) not to approve the Annual Governance Statement;
- (3) note that a revised version of the Council's Code of Corporate Governance is being prepared.

Matthew Cross
Deputy Chief Executive

Background Papers

None

For further information on this report call Helen Cowles on (01603) 430615 or e-mail helen.cowles@broadland.gov.uk

Broadland District Council

Annual Governance Statement (AGS) 2017/18

Why we have prepared this AGS

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

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

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

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

What we mean by governance

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

How the Council makes sure it:

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

Our responsibility

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

The preparation of an **Annual Governance Statement** is required in order to meet the statutory requirement to produce such a statement in paragraph 4(3) of the Accounts and Audit (England) Regulations 2015 and which requires authorities to conduct a review at least once a year of the effectiveness of its system of internal control. The purpose of the Annual Governance Statement is to explain how the Council has complied with the Code of Corporate Governance; to review the

effectiveness of the governance framework; to identify any significant governance issues and to describe the actions taken or proposed to address those issues. The Statement is signed by the Leader and Chief Executive.

The Governance framework

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

The key elements include:

- The Council's current **Code of Corporate Governance** which has been updated to reflect the changes made in the new framework published by CIPFA/SOLACE in 2016. This will be presented to Audit Committee on 28 June 2018.
- As a Council our vision for the future is to grow a strong and vibrant Broadland, with more jobs, more homes and more opportunities for all. Our **Broadland Business Plan 2015-19** sets out our ambitions and how we aim to realise this vision. It includes our key ambitions and objectives and every 6 months a Performance Report is prepared and presented to Cabinet to reflect our performance against those objectives. Corporate and service objectives are also cascaded to members of staff to inform their own individual objectives agreed through annual appraisals.
- The **Constitution** sets out how the Council operates; how decisions are made by defining and documenting the roles and responsibilities of the Cabinet, Portfolio Holders, the non-executive and scrutiny functions; and the procedures and codes of conduct which are followed – such as the financial regulations and contracts procedure rules. It also covers the roles of the statutory officers of the Council – the Head of Paid Service, the Monitoring Officer and the Section 151 Officer – and their responsibilities relating to compliance with the law and ensuring sound financial control. It includes the delegations to officers and various protocols and codes on standards of behaviour for members and staff. The aim of the Constitution is to improve the accountability and responsiveness of the Council to the residents it serves. The Constitution is reviewed regularly which enables the range of financial regulations, the scheme of delegation and decision making arrangements to be updated as required.
- **Managing Performance and Risk.** The Overview & Scrutiny Committee appoints a Performance Management Sub-Committee with its main purpose being to consider how well we are performing by their monitoring of the Business Plan Performance reports and make recommendations to improve both the Council's performance and its performance management arrangements. It can make recommendations to Officers or Portfolio Holders and Cabinet via the Overview and Scrutiny Committee. The Service Improvement and Efficiency Committee consider savings and efficiencies and provides a strategic overview of performance. Risks to delivery of the

corporate objectives also form part of the Business Plan Performance report and risk implication paragraphs continue to appear in all Cabinet reports. Progress and updates are monitored by the Council's Corporate Leadership Team.

- The Council's **Communications and Engagement Strategy** focusses on bringing a more collaborative, whole Council approach to communications, with Officers and Members united in a coordinated way to deliver key messages, calls to action and better engagement with the people who live and work in Broadland. This approach reinforces and supports the whole Council Systems Thinking Service Improvement Programme aimed at helping people to live and work better in Broadland.

The ethos behind this approach started with the Community at Heart Awards and how they reflected all that is good about working and living in Broadland. The latest plan also sees the Council developing a new logo and Community at Heart strapline.

- The **Standards Committee** is made up of 5 district councillors with four co-opted representatives from parish and town councils. It is advised by the Monitoring Officer. It is responsible for promoting and maintaining high standards of conduct by Broadland District, parish and town councillors. The Council has adopted a procedure for dealing with complaints made against Broadland Members. In cases where an investigation has been authorised by the Monitoring Officer against a Broadland District Council Member following consultation with the Independent Person and a potential breach of the code has been identified then the case will be referred to the Standards Committee for decision
- The Council has an **Audit Committee**, whose functions ensure we deliver the core activities as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities.
- The Council has a contract with Norfolk Public Law for the provision of **legal advice**. This is managed by the Head of Democratic Services & Monitoring Officer. Quarterly review meetings are held between the Head of Democratic Services & Monitoring Officer and the Practice Director of Norfolk Public Law. All service managers are consulted in advance of the meetings to ascertain whether there are any issues that need to be raised to ensure the contract and delivery of the service remain appropriate to the Council's needs. The arrangement with NP Law is supplemented by additional specialist legal advice from other providers as required. All reports to Members contain a legal implications section.
- The Council operates a **complaints procedure** and monitoring reports on formal complaints (including Local Government Ombudsman cases) are considered by Cabinet every six months within the performance report. In addition procedures and policies exist for handling Freedom of Information requests, Data Protection Act* queries and Environmental Information Regulations issues. All of these provide an important framework for members of the public to seek information and raise complaints.

*GDPR from 25 May 2018.

- The Council provides a range of **training and development** opportunities for its **Members** to help them fulfil their roles as elected representatives and community leaders. The arrangements are overseen by the Member Development Panel which has cross party representation. Following the 2015 elections mandatory training was identified that members are required to undertake before they can serve on certain Committees, namely Audit Committee; Appeals Panel; Licensing Committee; Planning Committee and Regulatory Committee. In addition all members received a briefing on the Member Code of Conduct. In accordance with the Constitution refresher training was provided during 2017/18. A number of other corporate wide training sessions were delivered to Members. An audit of member training and development was undertaken with the outcome reported to the Member Development Panel and Audit Committee.
- The Council's **Overview and Scrutiny Committee** consists of 15 Members. It meets in public eighteen times a year to discuss and make recommendations on the development of policies and to hold the Cabinet to account for their actions. It has a key role in considering other matters of local concern and may be proactive in ensuring the well-being of the Council's residents. Its key roles are to:
 - Develop the overview and scrutiny work plan
 - Allocate work between time and task limited panels
 - Receive reports from time and task limited panels as appropriate
 - Monitor the performance of the Council and Cabinet through scrutiny of decisions taken
 - "Call in" for scrutiny Cabinet decisions and key decisions made by officers

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

- The **Internal Audit** service arrangements, managed by the Head of Governance & Monitoring Officer at South Norfolk Council, ensure that through the contractor's annual work plan, reviews of controls based on risk are undertaken to provide assurance and recommendations for improvement.
- The **Medium Term Financial Plan** is agreed by the Council each year, and future funding issues are raised so that current budget/tax setting plans are placed into a longer term context.
- The **Portfolio Holder for Finance** has specific responsibility within the Constitution for risk management.
- The Council is involved in a variety of **partnerships**, many of which take the form of collaborative working arrangements with local authorities and other partners. The Council's Overview and Scrutiny Committee has a role in reviewing these arrangements, which now takes the form of an annual refresh of the partnerships' register allowing the opportunity to highlight any future reviews of particular partnerships. As part of the register the Committee has developed an agreed definition of partnership working and the steps taken to monitor the performance of partnerships.

- **Staff** are bound by various policies including the Employee Code of Conduct, the Officer Employment Procedure Rules and the Personal Relationships at Work Policy. In addition there is a comprehensive Induction process and a Policies and Procedures file within My Job on the intranet which contains an up to date list of policies and practices such as the Electronic Access Policy.
- The Counter Fraud Strategy, the Raising Concerns at Work Policy (i.e. the Council's Whistle Blowing Policy), and the Personal Relationships at Work Policy all support the Council's governance processes and **anti-fraud and corruption culture**. The Council has a Corporate Fraud Officer who works closely with Internal Audit in monitoring and combatting Corporate Fraud as well as educating staff and members about its importance and increasing awareness of potential risks. A report on the Council's activity in combatting fraud is considered by Audit Committee every 6 months.
- **Risks** to delivery of the corporate objectives form part of the Cabinet performance report and in addition a Risk Implications paragraph is required in all appropriate Cabinet reports. Progress and updates are monitored by the Council's Corporate Leadership Team. Where appropriate, major projects will be managed using the PRINCE 2 methodology which includes **risk identification** and management.
- The Council is open to **external reviews and assessments**, such as the LGA peer challenge, 'Best Companies to Work For' surveys, Food Standards Agency inspections and Office of Surveillance Commissioners (OSC) inspections.

The Authority's financial management arrangements largely conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The only area of non-conformity is in the reporting arrangements for the Head of Finance and Revenue Services who does not report directly to the Chief Executive, but to the Deputy Chief Executive. However, this arrangement is considered robust as the Head of Finance and Revenue Services is a member of the Corporate Leadership Team which meets regularly and because of the size of the Authority she has appropriate access to the Chief Executive and the Executive Team as well as the Finance Portfolio holder and other Cabinet Members. In addition there are regular monthly Statutory Officer (Head of Paid Service, Section 151 Officer and Monitoring Officer) meetings to discuss any governance issues.

Review of Effectiveness

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

- (i) the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment,

- (ii) the Head of Internal Audit's annual reports on the Effectiveness of Systems of Internal Audit, Internal Audit Activity and the Status of Agreed Actions arising from Final Audit Reports,
- (iii) comments made by the external auditors and other review agencies and inspectorates.

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

- September 2017 – extraordinary Council received a report proposing a feasibility study is progressed looking at collaborative working with South Norfolk Council. They also agreed to the principle of creating member working groups and joint committee groups.
- April 2018 – Council agreed the adoption of a Member Development Strategy.

Cabinet monitors the effectiveness of the governance framework through budget monitoring reports twice a year and performance which are presented half yearly. Cabinet and individual portfolio holders monitor performance and effect changes to improve where necessary. Portfolio holders also receive budget variance reports from their respective senior managers through the Head of Finance and Revenue Services. Issues of strategic and corporate importance are considered by Cabinet regularly and updates are provided and decisions made regarding commercially sensitive activity. Regular financial monitoring reports are presented to the relevant committees and then to Cabinet. This includes the presentation by the Council's External Auditor of its Annual Audit Letter. Some key governance related reports considered by Cabinet over the last year include:

- July 2017 – received reports on Council Tax Reduction scheme for 2018/19 and also procurement of a new waste contract.
- September 2017 – received a report to agree to commute funds to Broadland Growth Ltd (BGL) for the delivery of affordable homes in the district.
- October 2017 – received a Budget look forward for 2018-2021.

The **Overview and Scrutiny Committee** undertakes its work programme throughout the year, including planned projects as well as more reactive items. The Committee Chairman presented his annual report on the activity of the Committee to the **Council** meeting on 17 April 2018. During 2017/18 the Committee undertook a review of our Early Help Hub, investigated further our Garden Waste contract and tested the success of Neighbourhood Plans. They continued to scrutinise Cabinet reports and the Council's performance. In addition they considered regular reports on the Broadland Economy, Police and Crime Panel and Community Safety updates, Public Health monitoring and Norfolk Health Overview and Scrutiny updates. Over the last year there was one call-in for decisions made by Cabinet regarding the Food waste disposal contract.

The **Service Improvement and Efficiency Committee's** role is to advise Cabinet on the design and delivery of corporate work streams on service improvement and efficiency; identify financial savings and to focus on the ambition in the Business Plan: 'continue to provide high quality, value for money services on our own or as a trusted partner'. During 2017/18 it received updates and progress reports on the System Thinking review within Council Tax around debt and also the waste disposal service. It also received regular updates on the collaborative working project currently being investigated with South Norfolk Council.

During 2017/18 as well as its usual standing items the **Audit Committee** completed a self-assessment exercise to satisfy itself that the committee was performing effectively. Their terms of reference require that a formal annual report on the committees work and performance during the year is taken to Full Council and this was presented on 15 May 2018.

The **Head of Internal Audit's Annual Report and Opinion** on Internal Audit Activity 2017/18 will be considered by the Council's Audit Committee on 28 June 2018. The Statements in the report relevant to this Annual Governance Statement are as follows:

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

It is encouraging to note that of the 11 assurance audits completed within year, 10 of these concluded in a positive assurance with no priority one recommendations raised.

It is also important to note that substantial assurance was concluded in the areas of:

- Environmental Health;
- Accounts Receivable;
- Income;
- Accountancy Services; and
- Social Media.

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

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

The External Auditor's (Ernst and Young) **Annual Audit Letter 2016/17** summarises the findings from the 2016/17 audit. The letter was presented to Audit Committee on 21 September 2017. The audit comprised two elements:

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

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

Audit opinion and financial statements

- An unqualified opinion was issued in 27 July 2017. The Council met the key statutory deadlines and no issues were raised.

Value for Money

- An unqualified Value for Money Conclusion was issued on 27 July 2017. No significant risks were identified in relation to this.

The **Localism Act 2011** made fundamental changes to the Standards regime which came into effect on 1 July 2012. The Council was required to adopt its new arrangements, including the adoption of a new **Member's Code of Conduct** and these were approved by Council on 28 June 2012. During 2017/18 there was 1 formal complaint made against a Broadland Member. In this case the complaint was dismissed. There had been five formal complaints involving parish/town council members (3 of whom were also Broadland Members). Under his delegated powers the Monitoring Officer determined that having undertaken preliminary enquiries, no breach was identified in two complaints against the same subject Member, in two complaints received against one Member where a breach had not been proven the subject member had agreed to undertake chairing meeting training. In the final case a breach of the code had been identified in respect of a failure to both register and declare interests. A letter of explanation from the subject member had been accepted. The parish council concerned had also been asked to review its governance procedures to avoid a repetition. In addition there have been interventions with three parish councils in relation to governance and staffing issues

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

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

Review of AGS Actions 2016/17 and Improvements 2017/18

The 2016/17 AGS did not identify any significant governance issues to address.

Improvements to the governance framework in 2017/18 include:

- Further updating our Code of Corporate Governance to reflect the updated principles.
- New member Training & Development Strategy adopted.

Significant Governance Issues

Based on the conclusions of the reviews referred to in the previous section it is considered that there are no significant governance issues to address over the coming year.

Conclusion

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Senior Managers and Internal Audit and any plans to address weaknesses and ensure continuous improvement of the system are in place.

Signed:

Councillor Andrew Proctor
Leader of Broadland District Council

Signed:

Phil Kirby
Chief Executive of Broadland District Council

Date: 31 May 2018

WORK PROGRAMME

26 July 2018	<ul style="list-style-type: none">• EY 2017/18 Audit Results Report• Statement of Accounts• Letter of Representation
20 September 2018	<ul style="list-style-type: none">• Internal Audit Progress Report• Audit Committee Self-Assessment• EY – 2017/18 Annual Audit Letter
10 January 2019	<ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• EY 2017/18 Grant Certification Report• EY 2018/19 Audit Plan
14 March 2019	<ul style="list-style-type: none">• Strategic and Annual Internal Audit Plan 2019/20• Annual Fraud Update• Treasury Management Risk Update