

Audit Committee

Agenda

Members of the Audit Committee

Cllr G K Nurden (Chairman)

Cllr P C Bulman (Vice Chairman)

Cllr A D Crotch

Cllr S I Holland

Cllr K A Vincent

Date & Time:

Thursday 23 September 2021 at 10.00am

Place:

Council Chamber Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich

Contact:

Jessica Hammond tel (01508) 505298

Email: committee.services@broadland.gov.uk

Website: www.broadland.gov.uk

PUBLIC ATTENDANCE:

If a member of the public would like to attend to speak on an agenda item, please email your request to committee.services@broadland.gov.uk, no later than 5.00pm Monday 20 September 2021. Please see further guidance on the options for public speaking at page 2 of this agenda.

Rules on Public Speaking

All public speakers are required to register a request to speak at public meetings by the date / time stipulated on the relevant agenda. Requests should be sent to:
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Public speaking can take place:

- Through a written representation (which will be read out at the meeting)
- In person at the Council offices

Please note that due to the current rules on social distancing, the Council cannot guarantee that you will be permitted to attend the meeting in person. Democratic Services will endeavour to ensure that each relevant group (i.e. supporters, objectors, representatives from parish councils and local members) can be represented at meetings for public speaking purposes.

All those attending the meeting in person are asked to sign in on the QR code for the building and promptly arrive at, and leave the venue. The hand sanitiser provided should be used and social distancing must be observed at all times. Further guidance on what to do on arrival will follow once your public speaking registration has been accepted.

AGENDA

1.	To receive declarations of interest under Procedural Rule no 8	4
2.	Apologies for absence	
3.	Minutes of the meetings held on:	
	a. 24 June 2021	6
	b. 8 July 2021	13
4.	Matters arising therefrom (if any)	
5.	Audit Plan Addendum – VFM Risk Assessment (Please Note: as this document has been provided by an external source, we cannot guarantee that it is fully accessible)	18
6.	Statement of Accounts 2020/21	24
7.	Progress Report on Internal Audit Activity	26
8.	Follow up Report on Internal Audit Recommendations	33
9.	Audit Committee Work Programme	42

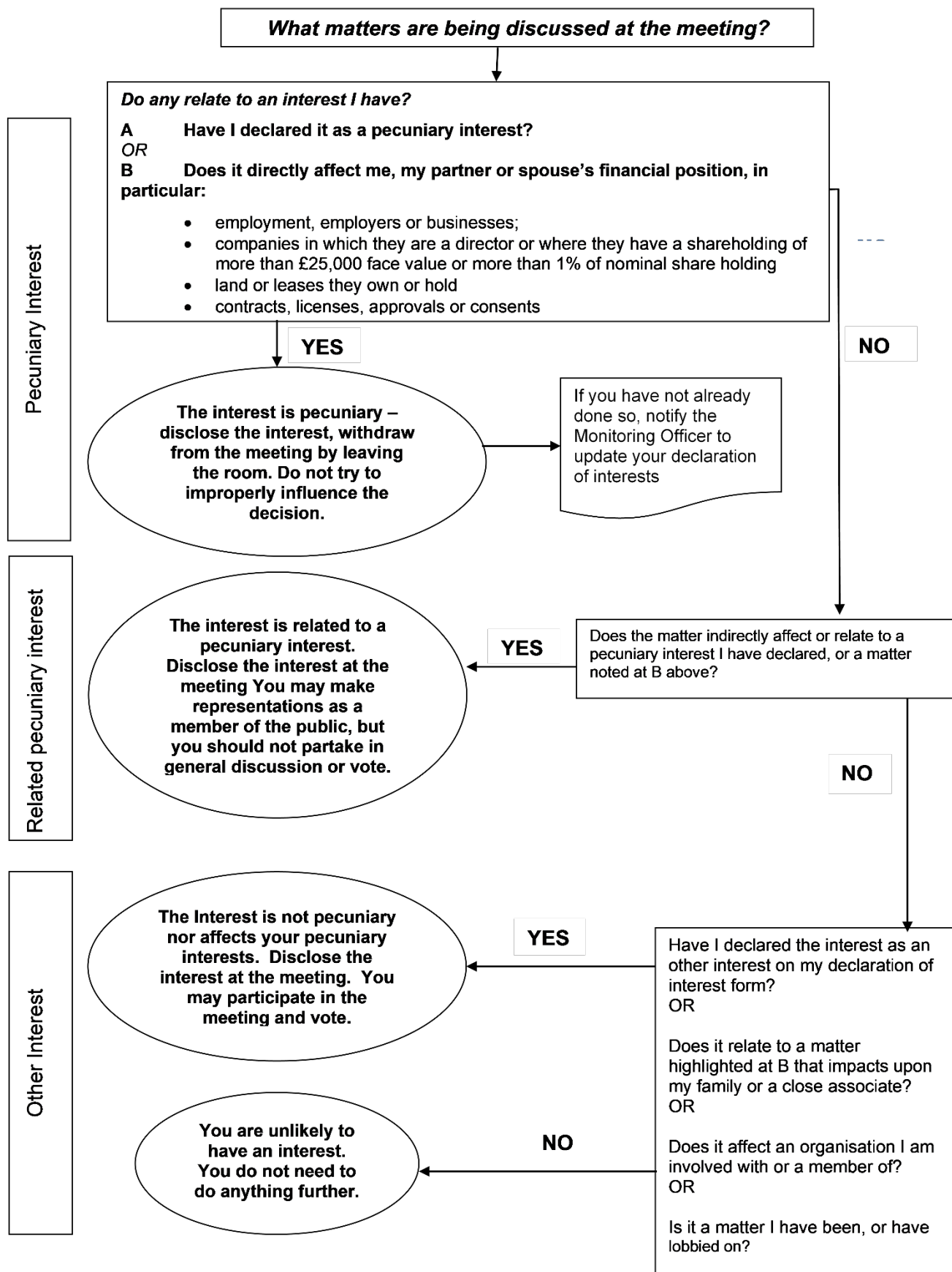
DECLARATIONS OF INTEREST AT MEETINGS

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

<p>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> 1. affect yours, or your spouse / partner's financial position? 2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner? 3. Relate to a contract you, or your spouse / partner have with the Council 4. Affect land you or your spouse / partner own 5. Affect a company that you or your partner own, or have a shareholding in <p>If the answer is "yes" to any of the above, it is likely to be pecuniary.</p> <p>Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.</p>
<p>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</p> <p>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.</p>
<p>Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.</p>
<p>Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</p>

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST
INSTANCE**

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



Agenda Item: 3a

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of Broadland District Council, held on Thursday 24 June 2021 at 10.00am.

Committee Members Present: Councillors: G Nurden (Chairman), P Bulman, A Crotch, S Holland and K Vincent

Other Members in Attendance: Councillors: T Mancini-Boyle and M Murrell

Officers in Attendance: The Director of Resources (D Lorimer), the Chief of Staff (E Hodds), the Internal Audit Manager (F Haywood) and the Senior Procurement Officer (A Butcher)

Also in Attendance: Mr A Bull, Procurement Manager at Breckland District Council
Mr M Hodgson, from Ernst & Young (EY)

1 MINUTES

The minutes of the meeting of the Audit Committee held on 11 March 2021 were agreed as a correct record.

2 MATTERS ARISING

Minute No: 68 – Matters Arising

The Chairman confirmed that the Risk Management training had been provided to members, whilst the Internal Audit Manager advised that training guidance and one-to-one training was being provided to officers.

Minute No: 71 – Progress report on Internal Audit Activity

The Internal Audit Manager provided an update on the outstanding recommendation which related to Purchase Orders, she advised that the testing of key controls had been signed off, as no issues were identified the recommendation was resolved.

Minute No: 73 – Annual Audit Letter

The Chairman requested an update on the Public Sector Audit Appointments (PSAA) determination of the proposed scale fee increase. Mr Hodgson of EY informed the Committee that the proposal was still with the PSAA for determination.

3 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2021/22

Members considered the report, which provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2021/22 to 2024/25 and the Annual Internal Audit Plan for 2021/22. The report also provided the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of Broadland District Council's framework of governance, risk management and control. The Internal Audit Manager advised the Committee that the plans also looked at the impact of the Covid 19 pandemic and sought to provide assurance on the framework for Covid Relief Grants.

Members queried why some audit areas with a high associated risk were not due to be assessed this year, such as Project Management. The Internal Audit Manager advised that some areas were not due to be assessed this year, as position statements and/or assurances had been provided last year for a number of the audit areas. In the case of Project Management she confirmed that a significant amount of work and changes had been undertaken in that area and it was felt time was needed to 'bed in' those changes before an audit assessment was undertaken.

In response to a query regarding resource implications and why Internal Audit was provided through South Norfolk Council instead of directly with Broadland District Council, the Internal Audit Manager informed the Committee that the Council's Internal Audit Service was provided through a partnership agreement with a number of Councils within Norfolk (including South Norfolk Council) and that historically South Norfolk Council had acted as the contract manager for the partnership.

Members queried why assurance mapping was carried out and whether it had impacted on the formation of this plan. In response the Internal Audit Manager explained that the previously approved plan was no longer fit for purpose following the Covid 19 pandemic, assurance mapping was therefore undertaken to capture all areas of concern across the Council. She further explained that the draft plan was shared with the Corporate Management Leadership Team for feedback.

A vote was then taken and it was unanimously,

RESOLVED

To note and approve:

- The Internal Audit Charter
- The Internal Audit Strategy
- The Strategic Internal Audit Plans 2021/22 to 2024/25; and
- The Annual Internal Audit Plan 2021/22

4 EXTERNAL AUDIT PLAN 2020/21

Members considered External Audit Plan from Ernst & Young (EY), which summarised their assessment of the key risks driving the development of an effective audit for the Council.

Mr M Hodgson from EY took members through the plan for 2020/21, highlighting the key areas of activity. He noted that there had been an increase in risk due to the Council's change of valuer for plant and equipment. New risks had also been considered as a result of the Covid 19 pandemic, this included Government grants and NNDR appeal collections.

With regard to the new 2020 code, Mr Hodgson informed members of the changes to the auditor responsibilities, which included:

- Positive conclusions were no longer reported
- Upfront Risk Assessment reports provided
- Annual Auditor Report to be produced within 3 months of the audit (this replaced the Annual Audit Letter)

In response to a query, Mr Hodgson confirmed that additional audit work had to be undertaken as a result of the Covid 19 pandemic, some of which would require recurring work. EY could, if required, provide a split fee invoice showing which costs related to this Covid specific work.

In response to a question of why the Council changed valuers, the Director of Resources informed members that the previous contract came to an end and the contract went out to tender in the normal way. She confirmed that the same valuer was now used by both Councils. This did not correspond to a cost saving, as the valuer assesses each Council's building and assets separately.

Members queried whether the change in valuer required additional checks and costs from EY, Mr Hodgson advised the Committee that EY had valuation experts who would only be required should the Council's valuation be outside of what was expected and if the valuation experts were required there would be an additional cost to the Council.

The Chairman thanked Mr Hodgson for his report and it was,

RESOLVED

To note the contents of the report.

5 ANNUAL GOVERNANCE STATEMENT 2020/21

The Chief of Staff introduced her report, which presented the draft Annual Governance Statement 2020/21.

She advised the Committee that the Annual Governance Statement covered various assurances from the Assistant Directors across key service areas, in addition to other key assurance sources as outlined at section 2.3 of the report.

It was noted that the assurance statement from 2019/20 highlighted no significant issues and that governance regarding closer working relationships with South Norfolk Council was raised as a key theme. Although it was not a significant issue, given the previous year it was considered important to still have oversight of this.

The assurance statement for 2020/21 highlighted two areas which needed further attention:

- Risk and Control - which included the roll out of Risk Management training to officers, ensuring clear understanding of how the Council managed risk
- Business Continuity – which had been tested over the last year due to the Covid 19 pandemic, it was noted that there was a need to undertake a ‘lessons learnt’ exercise and that the Business Continuity Plan needed to be updated to incorporate the lessons learnt over the last year.

A section in the Statement covered the Covid 19 pandemic and how the control environment had been affected.

The Chief of Staff explained to the Committee that the Statement was subject to the outcome of the Head of Internal Audit’s Opinion Report which, due to delays, would be brought before the Committee at its meeting on 8 July 2021.

In response to a typographical error noted by members, the Chief of Staff confirmed that any reference to her previous job title within the Statement would be amended, alongside the confirmed Internal Audit Opinion, before the Statement was published.

One member suggested that this item be deferred until the Internal Audit Opinion Report had been finalised and could be inserted into this Statement.

The Director of Resources reminded Members that the Annual Governance Statement needed to be published by mid-July which would be a tight turnaround should the item be deferred. The Chief of Staff confirmed that this item could be considered at the next meeting on 8 July alongside the Internal Audit Opinion report, should the Committee not be happy to approve the Statement, subject to the conclusion of the Opinion report.

The Chairman proposed that the recommendation be amended to be subject to the conclusion of the Internal Audit Opinion Report, and it was,

RESOLVED

To approve the Annual Governance Statement for 2020/21, *subject to the conclusion of the Head of Internal Audit's Annual Report and Opinion for 2020/21.*

6 COUNTER FRAUD ACTIVITY 2020/21

The Director of Resources provided the Committee with a verbal presentation on the Counter Fraud Activity for 2020/21. This provided members with an update of the Counter Fraud activities of the Council during 2020/21. She outlined the background of the work undertaken in supporting the Department of Work and Pensions (DWP). It was noted that 65 referrals of potentially fraudulent claims had been reported to the DWP by Broadland District Council. Due to the Covid 19 pandemic and the inability to conduct interviews under caution; it had not been possible to pursue criminal investigations over the last year, instead officers had concentrated on correcting Council Tax Support accounts and rectifying these by civil means.

The main body of work carried out over this year involved the Covid business grant verification. The Director of Resources informed members that the Government requested that Council pay out the grants to businesses as quickly as possible with only limited pre-payment checks, whilst they agreed to carry the risk that that would entail with regard to fraudulent claims. The Council was then required to undertake extensive post-payment checks. At Broadland District Council there were 52 applications identified as either a declined, erroneous or fraudulent claim, which was roughly 1% of the grants paid out by the Council. Members queried whether there would be any recourse to the Council over unrecoverable grants. The Director of Resources explained that the Government would cover the unrecoverable monies, but that as the grants were funded by public money the Council would attempt to recover as much as possible.

With regard to fraud training and the resource within the Council the Director of Resources informed members that the Senior Investigations and Enforcement Officer had provided fraud training to the Benefits Team and in

addition support and advice had been provided across the One Team. It was noted that there was a limited fraud resource within the Council with only one senior officer in the team. Due to a backlog of work a temporary resource had recently been added to the team.

Members were advised of the work undertaken by the Council as part of the National Fraud Initiative hosted by the Cabinet Office, which was a data-matching exercise that sought to identify potential errors or instances of fraud.

With regard to internal fraud, the Senior Investigations and Enforcement Officer had investigated and concluded one internal conduct matter and two grievance investigations.

Members thanked the Director of Resources for the comprehensive update.

7 REVIEW OF CONTRACT PROCEDURE RULES

Members considered the report which provided a review of Broadland's Contract Procedure Rules (CPRs) and sought to update wording within the report as well as replace the contract award levels with those proposed within the report at section 2.8 (page 100). The Senior Procurement Officer explained that proposed changes if approved by both Councils would align the CPRs for both Broadland District Council and South Norfolk Council and bring them in step with neighbouring authorities, which would be important were the Council to be part of a Procurement Consortium, which was currently being considered. She also explained that the proposed amendments to the contract award levels would bring them in proportion with officers seniority levels within the Council. In response to a member's query she explained that the current contract award levels meant that an Assistant Director could employ an officer at a greater monetary cost than they were able to award a contract at. The Chief of Staff added that in those cases a Director would be responsible for awarding a contract for a project that they had less knowledge of than the Assistant Director who was not authorised to awarded a contract at that level.

One member queried whether there was evidence that the current contract award levels had delayed or impacted the awarding of contracts. The Senior Procurement Officers explained that there was no evidence of this. The Director of Resources explained that the proposed amendments to the CPRs as a whole would make that procurement process simpler to suppliers, which in turn would encourage a larger number of suppliers to bid for local authority contracts.

After further discussion, the Committee felt that whilst the updates to improve wording were important, they did not feel it necessary to amend the contract

award levels when there was little or no evidence of the current levels delaying or negatively impacting the awarding of contracts; nor evidence of any benefit in increasing the levels.

The Chairman proposed an amendment to the recommendation that the amended CPRs be approved subject to the retention of current contract award levels.

A vote was taken, and it was unanimously:

RESOLVED

To recommend to full Council the amended Contract Procedure Rules attached at appendix A, *subject to the retention of the current contract award levels*.

8 WORK PROGRAMME

The Committee noted the Work Programme.

The Internal Audit Manager advised the Committee that delays in the Internal Audit schedule had meant that an additional meeting was required on Thursday 8 July 2021 for the Committee to consider the Progress Report on Internal Audit Activity, the Internal Audit Follow Up Report and the Head of Internal Audit's Annual Report and Opinion for 2020/21.

The Chairman noted that the final Statement of Accounts for 2020/21 was not due to be brought before the Committee until September and requested an update on the progress of the Statement. The Director of Resources advised the Committee that the Government had extended the deadline for publishing the draft accounts until 31 July 2021 and that the Council had aimed to get the accounts published by mid-July, within the new deadline.

(The meeting concluded at 11.37 am)

Chairman

Agenda Item: 3b

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of Broadland District Council, held on Thursday 8 July 2021 at 10.00am.

Committee Members Present: Councillors: G Nurden (Chairman), P Bulman, S Holland, D King and M Murrell

Other Members in Attendance: Councillor: T Mancini-Boyle

Officers in Attendance: The Assistant Director of Finance (R Fincham), the Internal Audit Manager (F Haywood) and the Internal Audit Trainee (E Voinic)

9 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Crotch (with Cllr King substituting) and Cllr Vincent (with Cllr Murrell substituting).

10 MATTERS ARISING

In lieu of formal draft minutes from the previous Audit Committee meeting dated 24 June 2021, the Chairman requested an update on the Annual Governance Statement 2020/21. The Committee was informed that, subject to the approval of the Head of Internal Audit's Annual Report and Opinion for 2020/21, the Annual Governance Statement would be amended to include the conclusion of the opinion report along with the typographical changes discussed at the last meeting, and circulated via email to the Committee before publication.

11 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2020/21 during the period 2 March 2021 to 29 June 2021. The Internal Audit Manager reminded the Committee that a number of delays had resulted in only one audit being finalised when the last progress report was brought to the Committee in January. She explained that all audit work for 2020/21 had now been completed and was covered in this report.

With regard to the significant delays faced, she explained that a number of causes were responsible for the delays and that the Internal Audit team were working to streamline processes, undertake a communication strategy to improve officer's engagement with Internal Audit.

Members discussed home-working and the undertaking of audits remotely during the Covid 19 pandemic and queried if this had affected the evidence gathering process. The Internal Audit Manager confirmed that the increased use of digital technology during the pandemic had benefitted evidence gathering, but acknowledged that there were drawbacks to homeworking and that there was still a need for some in person work to take place, she suggested that future audits would take on a hybrid approach.

Further queries arose regarding what the balance between home and office-based working would be to ensure excellent customer service would be maintained. The Internal Audit Manager advised members that a large number of officers wished to continue with home-based working and that strong management processes would be utilised to ensure output and performance was maintained. The Assistant Director of Finance further explained that officers would continue to be located where the business and customer need required them to be.

In response to questions regarding the HR and Payroll audit, the Internal Audit Manager confirmed that there had been issues with the new payroll system as had been noted by both officers and members, but that these could not be evidenced at the time the audit was carried out. She explained that the issues raised would be considered during the next review.

In respect of the suggested recommendations regarding the Economic Development department, the Internal Audit Manager explained that a full assurance review would take place next year, during which a report would be produced which would confirm whether the recommendations had been accepted, the person responsible and the timeframe for action.

During further discussions it was noted that an audit procurement exercise would be undertaken in 2022 and members queried whether unfinished audit work would be affected if the contract was ended. The Internal Audit Manager explained that unfinished audit work should not be affected if this were to happen as the core team would remain with the Council to ensure the audit work was completed.

It was then,

RESOLVED

To note the progress in completing the internal audit plan of work and the outcomes of the completed audits for the 2020/21 financial year.

12 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Manager presented the report, which informed members of the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 March 2021. She advised members that there were no urgent or important recommendations outstanding and only a few 'needs attention' recommendations, which was an unprecedented and a very positive position for the Council to be in. The Internal Audit Manager thanked officers and the Audit Committee for their support.

It was then,

RESOLVED

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

13 HEAD OF INTERNAL AUDIT'S ANNUAL REPORT AND OPINION FOR 2020/21

The Internal Audit Manager presented the report, which informed members of the annual internal audit opinion on the Councils governance risk management and control framework and evaluates the effectiveness of the internal audit function for 2020/21.

She advised the Committee that the Internal Audit Plan was revised to take into account the Covid 19 pandemic as agreed by the Committee on 16 July 2020, she reassured members that the audit work had shown that the Councils ability to deliver core services had not been significantly impacted by

the pandemic. She provided a summary of the work undertaken and explained that all areas had been graded as 'reasonable', which was a positive outcome for the Council.

It was noted that no issues should be reflected in the Annual Governance Statement and that the annual review of effectiveness had raised no issues. The Internal Audit Manager added that an external assessment of Internal Audit work, which must be undertaken every five years, was due to take place in 2022.

A section in the report covered the Performance Indicator outcomes, and the Internal Audit Manager explained that there had been a number of significant delays, which had resulted in performance not being in line with the boundaries of agreed targets nor in line with expectations, she confirmed that discussions had taken place with the contractor to resolve issues and that further discussions and a lessons learnt exercise would be carried out to determine the root cause of the delays and ensure they did not reoccur for the year ahead.

One member queried whether the Council's proposal for a procurement consortium would have any impact on the Internal Audit consortium. The Internal Audit Manager explained that there would be no direct impact on the Internal Audit consortium should the proposals go ahead, however Internal Audit work regarding the procurement arrangement would need to be carried out and brought before the Committee.

A vote was then taken and it was unanimously,

RESOLVED

To,

- a) 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 2021.
- b) Note the conclusions of the Review of the Effectiveness of Internal Audit.

14 WORK PROGRAMME

The Committee noted the Work Programme.

The Chairman queried whether the Council was on track to publish the Draft Statement of Accounts. The Assistant Director of Finance confirmed that the Statement of Accounts would be ready to be brought before the Committee for approval at its September meeting. He also suggested that an informal

briefing be held to discuss the Statement of Accounts prior to the September Audit Committee meeting.

(The meeting concluded at 10.55 am)

Chairman

Broadland District Council

Audit Plan Addendum - VFM Risk Assessment

Year ended 31 March 2021

3 September 2021



Broadland District Council
Audit Committee Members
Thorpe Lodge,
1 Yarmouth Road
Norwich, NR7 0DU

3 September 2021

Dear Committee Members

Audit Plan Addendum - VFM Risk Assessment

We are pleased to attach a short Audit Plan Addendum to report the outcome of our VFM risk assessment under the new NAO Code which applies for the audit of the Council's 2020/21 accounts.

The purpose of this report is to provide the Audit Committee with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 10 May 2021.

You should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Provisional Audit Plan dated 10 May 2021.

Yours faithfully

Mark Hodgson

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



01

Value for Money Risks



Value for money

Broadland Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

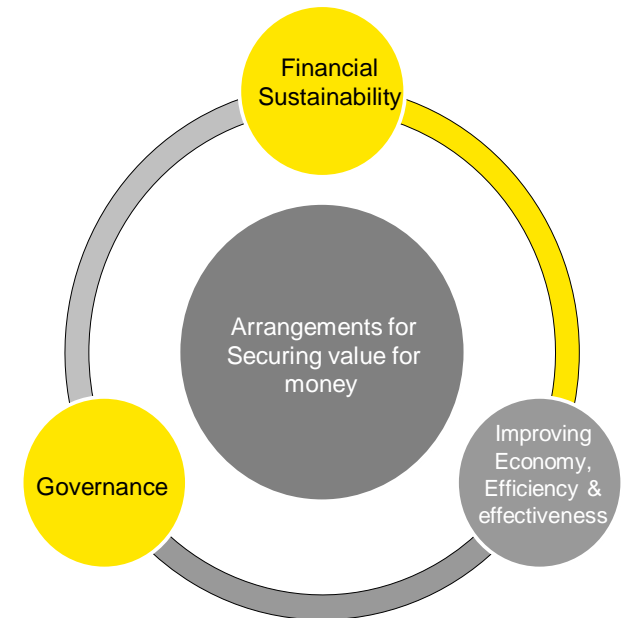
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Council has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Council's arrangements. As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts and at this stage anticipate having no matters to report on VFM.

We plan to issue the VFM commentary, as required under the new Code, in January / February 2022, within our Auditor's Annual Report.

STATEMENT OF ACCOUNTS 2020/21

Report Author(s): Rodney Fincham
Assistant Director - Finance
01508 533 982
rodney.fincham@broadland.gov.uk

Portfolio: Finance

Ward(s) Affected: All

Purpose of the Report:

To provide an update on the 2020/21 Statement of Accounts.

Recommendations:

To note the progress with the 2020/21 Statement of Accounts.

1 Background

- 1.1 Council Accounts normally need to be approved by the s151 officer by the end of May, and published by the end of July. However, due to Covid 19, the dates this year are:
- Approved by s151 Officer 31 July
 - Published 30 September
- 1.2 The Council's Draft Statement of Accounts were formally approved by the Assistant Director of Finance on 30th July 2020 (in line with the deadline) and were published on the Council's website.
- 1.3 The Accounts were available for public inspection from 2 August 2021 to 13 September 2021 inclusive. One request to inspect the Accounts was received from a journalist interested in Covid Business Grants and rent deferrals.

2 Current position

- 2.1 The final external audit of the accounts by EY commenced on 12th July, with an aim to finish by mid-August. However it has not been possible to complete the audit within this audit window.
- 2.2 Due to audit resources being fully committed until December, completion of the BDC audit will now take place in late December 21 / January 22.
- 2.3 Delays have been experienced due to Covid impacts, resourcing levels and the authority having to prioritise undertaking the insurance tender.
- 2.4 The Council will fulfil its statutory requirements to publish its Statement of Accounts by 30th September. However, these will not be the final audited version and a statement to explain this will accompany these on the website.

3 Next Steps

- 3.1 The external audit will recommence in Dec 21 / Jan 22 and once complete the Audit Committee will need to receive and review the final audited Accounts together with the Audit Results report from EY.

4 Recommendations

To note the progress with the 2020/21 Statement of Accounts.

Background papers

None

Progress Report on Internal Audit Activity

Report Author(s): Faye Haywood
Internal Audit Manager for Broadland District Council
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Portfolio: Finance

Ward(s) Affected: All

Purpose of the Report:

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 during the period 1 April 2021 to 16 September 2021.

Recommendations:

1. That members note the progress in completing the internal audit plan of work.

1. Summary

- 1.1 This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 during the period 1 April 2021 and 13 September 2021.

2. Background

- 2.1 The Audit Committee receive updates on progress made against the annual internal audit plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from audits; and
 - Performance Measures.

3. Current position/findings

- 3.1 The position in relation to the delivery of the Annual Internal Audit Plan 2021/22 is shown in the report attached.

4. Proposed action

- 4.1 For the Audit Committee to review the progress made in the completion of the Annual Internal Audit Plan for 2021/22.

5. Issues and Risks

- 5.1 **Resource implications** – there are no resource implications arising from this report.
- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.

- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.
- 5.6 **Risks** – Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion. Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.
- 6. Conclusion**
- 6.1 The attached report provides the Council with progress on the status of the internal audit plan 2021/22.
- 7. Recommendations**
- 7.1 That members note the progress in completing the internal audit plan of work and the outcomes of the completed audits for the 2021/22 financial year.

Background papers

None

Eastern Internal Audit Services



Broadland District Council

Progress Report on Internal Audit Activity

Period Covered: 30 June 2021 to 13 September 2021

Responsible Officer: Faye Haywood – Head of Internal Audit for Broadland District Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 No significant changes have been made to the plan since its approval on 24th June 2021.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 16 days of programmed work has now been completed, equating to 11% of the Audit Plan for 2021/22.

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, no final Internal Audit reports have been issued. Quarter two work is being progressed and it is expected that all assigned work will be at draft stage by quarter two deadline of 14 October 2021.

5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the TIAA will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.
- 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 TIAA and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

- 5.3 Progress delays continue to be closely observed and regular meetings are held with the contractor to ensure that assigned work is completed in line with expectations and agreed timeframes. Achievement of performance measures will be reviewed following receipt of the first performance report, due 15 working days after the end of quarter 2.

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 2											
Performance Management, Business Planning	BRD2202	10	10	1	APM issued on 19 August 2021, audit due to start 17 September 2021						
Corporate Health and Safety	BRD2205	8	8	2	APM issued 7 September 2021. Audit fieldwork stage.						
Counter Fraud and Corruption	BRD2206	8	8	4	APM issued on 28 July 2021. Audit fieldwork stage.						
COVID-19 Business Grants	BRD2210	8	8	6	APM issued on 22 July 2021. Testing concluded. Report due.						
TOTAL		34	34	13							
Quarter 3											
Annual Governance Statement	BRD2203	8	8	0							
Accounts Receivable	BRD2207	10	10	1	APM issued 13 September 2021						
Income	BRD2208	8	8	1	APM issued 13 September 2021						
Accountancy Services	BRD2209	15	15	1	APM issued 13 September 2021						
TOTAL		41	41	3							
Quarter 4											
Key Controls and Assurance	BRD2201	15	15	0							
Homelessness & Housing Options	BRD2211	10	10	0							
Environmental Health	BRD2212	10	10	0							
TOTAL		35	35	0							
IT Audits											
Cyber Security	BRD2213	10	10	0							
Disaster Recovery	BRD2214	10	10	0							
TOTAL		20	20	0							
Follow Up											
Follow Up	NA	10	10	0							
TOTAL		10	10	0							
TOTAL		140	140	16			0	0	0	0	
Percentage of plan completed				11%							

Follow up report on Internal Audit Recommendations

Report Author(s): Faye Haywood
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Portfolio: Finance

Ward(s) Affected: All

Purpose of the Report:

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 13 September 2021.

Recommendations:

1. That members note the position in relation to the progress of completing agreed Internal Audit recommendations.

1. Summary

- 1.1 This report seeks to inform members as to the progress made in relation to management's implementation of agreed internal audit recommendations falling due by 13 September 2021.

2. Background

- 2.1 This report forms part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.
- 2.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting at Broadland District Council is twice yearly.
- 2.3 To comply with the above this report includes the status of agreed actions.

3. Current position/findings

- 3.1 The report attached shows the progress in relation to implementing agreed internal audit recommendations.

4. Proposed action

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

5. Issues and Risks

- 5.1 **Resource implications** – there are no resource implications arising from this report.
- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.

- 5.6 **Risks** – Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.

6. Conclusion

- 6.1 The attached report provides the Council with progress on the status of internal audit recommendations raised each year. Where recommendations are outstanding, an update is provided by the responsible officer and a new deadline for implementation for Audit Committee consideration.

7. Recommendations

- 7.1 That members note the position in relation to the completion of agreed Internal Audit recommendations.

Background papers

None

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2021 to 13 September 2021

Responsible Officer: Faye Haywood – 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.

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 historical outstanding recommendations. The table also identifies outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding within the period covered by the report.
- 2.3 In 2018/19 Internal Audit raised 30 recommendations. Of these 29 are closed. One needs attention recommendation remains outstanding.

Number raised	30	
Complete	29	97%
Outstanding	1	1%

- 2.4 In 2019/20 internal audit has agreed 42 recommendations with management, 40 of these are now complete. Two needs attention recommendations remain outstanding.

Number raised	42	
Complete	40	95%
Outstanding	2	5%

- 2.5 For 2020/21 a total of 42 recommendations were agreed with management. Of these 25 are complete. Six important and five needs attention recommendations are outstanding. Six are currently within deadline.

Number raised	42	
Complete	25	60%
Outstanding	11	26%
Within deadline	6	14%

- 2.6 Management are making good progress in resolving raised by internal audit work. We continue to work with CMLT to ensure that outstanding recommendations are closed, highlighting those that have surpassed their deadline dates.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed between 1 April 2021 and 13 September 2021			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													
2018/19 Internal Audit Reviews															
BRD1903	GDPR	Reasonable						1				1			
2019/20 Internal Audit Reviews															
BRD2001	Broadland Growth	Reasonable			2							0			
BRD2011	Disaster Recovery	Reasonable			1			1				1			
BRD2002	Corporate Governance	Reasonable						1				1			
2020/21 Internal Audit Reviews															
BRD2102	Corporate Governance	Reasonable			1							0			2
BRD2103	Accounts Payable	Reasonable								1	1	2			
BRD2105	Housing Benefit and Council Tax Support	Reasonable			3					1		1			1
BRD2111	Service Desk	Reasonable			1					1	1	2			
BRD2106	Council Tax and NNDR	Reasonable			5						1	1		1	1
BRD2104	HR and Payroll	Reasonable			4					3	1	4			
BRD2112	Remote Access	Reasonable		1	1						1	2		1	
TOTALS			0	1	18	0	0	3	0	6	5	15	0	2	4

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2020/21

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2103 Accounts Payable	Recommendation 2: The Councils are to publish data on payments to suppliers within the 30 days, in accordance with the Public Contracts Regulations 2015.	2	Agreed.	Assistant Director of Finance	31/05/2021	30/09/2021	Outstanding	Due to staff shortages in the team, the deadline has been extended to 30/09/2021, as requested by AD of Finance. This will allow for vacancies to be filled to ensure there is capacity to deliver this recommendation.
BRD2105 Housing Benefit and Ctax Support	Recommendation 4: Errors identified in quality checks to be analysed for trend analysis, to identify underlying causes, with appropriate action taken to rectify, across both South Norfolk and Broadland Councils.	2	Agreed.	Assistant Director of Individuals and Families	30/06/2021		Outstanding	No update received.
BRD2104 HR and Payroll	Recommendation 1: Monthly payroll checklists be signed and dated as each task is completed.	2	Agreed.	Chief of Staff	30/06/2021	31/10/2021	Outstanding	The pre-payroll checklists have been received by the Internal Audit team and signed off as complete. The deadline for this recommendation has been extended to 31/10/2021, to allow for necessary changes to be implemented to the post-payroll checklists too.
BRD2104 HR and Payroll	Recommendation 3: The audit trail in the payroll system be improved so that it is possible to view the authorisation details for all claims submitted, including the authorising officer and the dates submitted and authorised.	2	Agreed.	Chief of Staff	30/06/2021	31/01/2022	Outstanding	There will be a new HR system, 'Oracle', implemented over the next few months. It has already been requested that relevant steps are taken to ensure the needs of the recommendation are met by the new system, and therefore, the deadline for this recommendation has been extended to 31/01/2022 to allow for these changes to be made.

Job	Recommendation	Priority	Management Comments	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2104 HR and Payroll	Recommendation 4: Confirmation of eligibility to drive be obtained on a regular basis, through a declaration from drivers when submitting mileage claims.	2	Agreed.	Chief of Staff	30/06/2021	31/01/2022	Outstanding	There will be a new HR system, 'Oracle' implemented over the next few months, which will allow for these changes to be made. Extension therefore requested to allow for enough time for these changes to be made.
BRD2111 Service Desk	Recommendation 1: ICT management do develop appropriate management information to be reported on a periodic basis as a reporting package. We suggest that the pack contain, but not necessarily be limited to, the following subject areas: - Resource effectiveness and strategic resource projections; - Actual service delivery compared to targets set out in the SLA. SLA target to be reviewed and improved over time as actual experiences dictate; Recommendations for service improvements, to include a rationale for raising them. Rationales may include trends in customer satisfaction that may need to be addressed – see below. Challenges faced by the service; Metrics setting out the nature and number of calls being received over time; Results of periodic customer satisfaction surveys and noted scoring trends over time; Any challenges being faced by customer use of the service desk; Metrics on any incident trends for problem management purposes.	2	Agreed.	Assistant Director of ICT/Digital and Transformation	30/06/2021	30/11/2021	Outstanding	This recommendation is currently in progress, as raw data is being produced which provides some of the information needed for management. However, more work needs to be done on this to ensure this is turned into a full management reporting package.

Audit Committee Work Programme

23 September	Audit Plan Addendum – VFM Risk Assessment Final Statement of Accounts 2020-21 Progress Report on Internal Audit Activity Internal Audit Follow Up Report	External Audit Rodney Fincham/Julie Brown Faye Haywood Faye Haywood
27 January	Audit Results Report 2020-21 Opting into PSAA External Auditor Appointment Progress Report on Internal Audit Activity Internal Audit Follow Up Report Annual Report of Audit Committee Self Assessment of the Audit Committee Strategic Risk Register Rules of Financial Governance	External Audit Rodney Fincham Faye Haywood Faye Haywood Emma Hodds Faye Haywood Sinead Carey Rodney Fincham
17 March	Strategic and Annual Internal Audit Plans 2022/23 External Audit Plan 2022/23	Faye Haywood External Audit