

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