

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 27 January 2022 at 10.00am

Place:

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

Contact:

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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 24 January 2022. Please see further guidance on the options for public speaking at page 2 of this agenda.

Rules on Public Speaking

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Public speaking can take place:

- Through a written representation
- In person at the Council offices

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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.

Glossary

General Terms	
AGS	<i>Annual Governance Statement</i> – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework
BAD DEBT PROVISION	To take account of the amount of debt which the Council estimates it will not be able to collect
CIPFA	<i>The Chartered Institute of Public Finance and Accountancy</i> – The accountancy body for public services
CREDITOR	A person or organisation which the Council owes money to for a service or goods
KPI	Key Performance Indicator
LDF	<i>Local Development Framework</i> – Outlines the management of planning in the Council
LEDGER	A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger
LGA	<i>Local Government Association</i> – a lobbying organisation for local councils
LGPS	<i>Local Government Pension Scheme</i> - Pension Scheme for all public sector employees
NFI	<i>National Fraud Initiative</i> – A national exercise to compare data across public sector organisation to aid identifying potential frauds
NHB	<i>New Homes Bonus</i> – Grant paid by central Government to local councils for increasing the number of homes and their use
NI	<i>National Indicator</i> – A measure used to identify how the Council is performing that is determined by central Government
NNDR/NDR	<i>(National) Non-Domestic Rates</i> – Commonly known as Business Rates
PI	<i>Performance Indicator</i> – Measure used to identify how the Council is performing
PSN	<i>Public Services Network</i> – Provides a secure private internet for organisations across central Government and the Wider Public Sector and standardised ICT infrastructure
RAD	Rent Assisted Deposit scheme
SLA	<i>Service Level Agreement</i> – An agreement that sets out the terms of reference for when one organisation provides a service to another
MTFP	<i>Medium Term Financial Plan</i> – Sets out the future forecast financial position of the Council
SUNDRY DEBTOR	A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the Council e.g. the Sundry Debtors system which is a module within the financial system.

AGENDA

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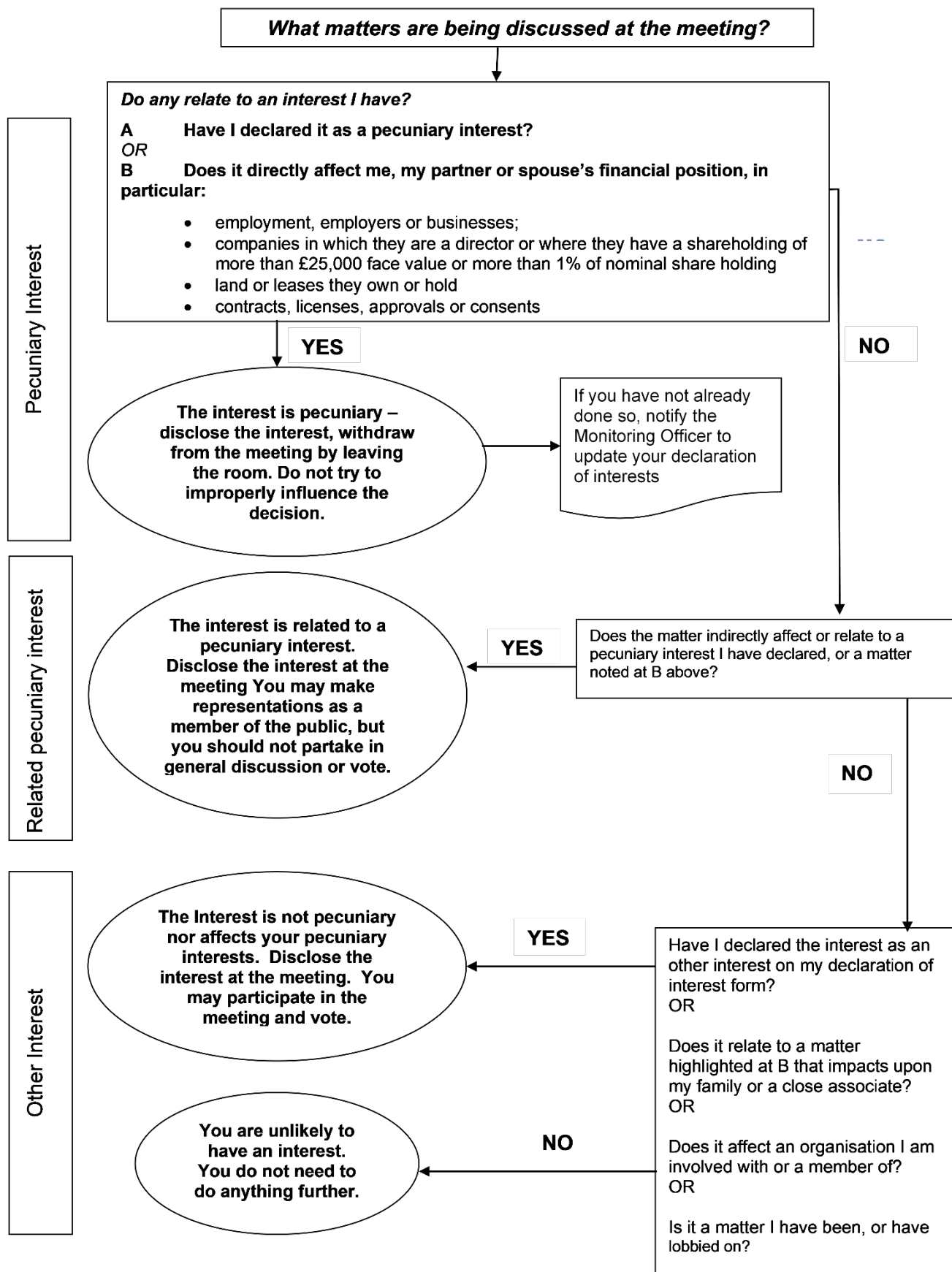
DECLARATIONS OF INTEREST AT MEETINGS

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: 3

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of Broadland District Council, held on Thursday 23 September 2021 at 10.00am.

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

Officers in Attendance: The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Corporate Accountant (D Slowther) and the Internal Audit Trainee (E Voinic)

Also in Attendance: Mr M Hodgson, from Ernst & Young (EY)

15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr K Vincent (with Cllr G Peck substituting).

16 MINUTES

The minutes of the meetings of the Audit Committee held on 24 June 2021 and 8 July 2021 were agreed as a correct record.

17 MATTERS ARISING

On behalf of the Committee, the Chairman congratulated the Head of Internal Audit on the completion of her qualification and appointment to the role.

Minute No: 63 – Annual Audit Letter

The Chairman requested an update on whether the PSAA had made a determination regarding the proposed scale fee increase. Mr Hodgson advised the committee that the PSAA were due to respond that week, but that at the time of the meeting, no response had been received.

Minute No: 4 – External Audit Plan 2020/21

Members queried when the Annual Audit Report would be produced and presented to the Committee, as it was noted that the report should be produced within three months of the audit completion. Mr Hodgson confirmed that it was EY's intention to present both the audit plan and the Annual Audit Report at the January 2022 meeting of the Committee.

18 AUDIT PLAN ADDENDUM – VFM RISK ASSESSMENT

Members considered the Audit Plan Addendum – VFM Risk Assessment from Ernst & Young (EY), where it was reported that EY had not identified any risks of significant weaknesses in the Council's arrangements, as a result they had no risk-based procedures to carry out.

Mr Hodgson further explained that EY would revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts, but at that stage anticipated no matters to report on VFM.

It was then,

RESOLVED

To note the contents of the report.

19 STATEMENT OF ACCOUNTS 2020/21

The Assistant Director of Finance introduced his report, which provided members with an update on the 2020/21 Statement of Accounts. He advised the Committee that there had been delays on the auditing of the accounts, which had been common across the country. The accounts were completed and published on 30 July 2021, which, whilst within the statutory deadline, was past the target date agreed with EY of 12 July 2021. As a result, EY would now complete the audit of the accounts in December 2021 – January 2022.

One member queried whether there was a possibility that the December 2021 – January 2022 date for the EY audit of the accounts could be brought forward or delayed. Mr Hodgson explained that EY had planned each phase of their audit work back in February 2021, with each local authority notified of their phase/timeslot. As multiple authorities were allocated to each phase, it was considered highly unlikely that the audit would be brought forward. Mr Hodgson further explained that contingencies had been built in, to reduce the

risk of EY postponing the audit, if the audit was to be delayed it would be because the Council had missed their deadline.

In response to a question on the cause of the delay, the Assistant Director of Finance explained that a number of factors had contributed to the delay in the accounts, which included; the loss of a key member of staff in June 2021 and the decision to prioritise available resources on the insurance tender.

Members queried the likelihood of a delay in next year's audited accounts. The Assistant Director of Finance advised members that a plan was in place to prevent a similar occurrence next year. He further explained that the appointment of temporary staff had been discussed, if this became necessary a report would be brought to Cabinet to request the allocation of additional budget.

It was then,

RESOLVED

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

20 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Head of Internal Audit presented the report, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 for the period 1 April 2021 to 16 September 2021.

She explained that 16 days of the programmed work had been completed, which equated to 11% of the Audit Plan for 2021/22. She further advised the Committee that the draft audit reports were due to be completed 10 days after the end of quarter two.

It was noted that Broadland District Council was behind on its Internal Audit Activity, which was in part due to catching up from the previous year as well as unforeseen sickness within the audit team. The Head of Internal Audit informed members that a communications piece was being produced which would highlight the remainder of planned work to be undertaken with an aim to engage officers well before the audit start date.

During further discussion, Members queried how the Internal Audit Opinion might be impacted should another unforeseen situation arise. The Head of Internal Audit explained that were this situation to arise, then the Internal Audit Plan would be reassessed, with less urgent items deferred to the following year if required.

It was then,

RESOLVED

To note the progress in completing the Internal Audit Plan of work for the 2021/22 financial year.

21 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Head of Internal Audit presented the report, which informed members on the progress made in relation to management's implementation of agreed Internal Audit recommendations which were due by 13 September 2021.

She explained that of the issues outstanding, none were urgent, and a fair explanation had been provided by officers regarding the outstanding issues.

One member queried the two outstanding issues for HR/Payroll, the Head of Internal Audit explained that these related to pre- and post-payment checks, she had been advised by officers that the issues had been resolved, however she was awaiting evidence before the issue could be marked as completed.

In response to members questions on the engagement of CMLT, the Head of Internal Audit commended CMLT for their engagement and proactive work.

It was then,

RESOLVED

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

22 WORK PROGRAMME

The Committee noted the Work Programme.

The Head of Internal Audit recommended that the Annual Report of the Audit Committee be moved to the 17 March 2022 meeting. This was to allow for the completion of and any follow up action which might arise from the Self-Assessment of the Audit Committee, and to progress the Strategic Risk Register.

(The meeting concluded at 10.42 am)

Chairman

ANNUAL REPORT OF THE AUDIT COMMITTEE

Report Author: Faye Haywood
Head of Internal Audit
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Portfolio: Finance

Wards Affected: All

Purpose of the Report:

This report summarises the work of the Audit Committee during 2021/22, confirms that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.

Recommendations:

1. To recommend that Council approves the content of the Annual Report of the Audit Committee.

1 SUMMARY

- 1.1 The Terms of Reference of the Audit Committee require 'A formal Annual Report of the Committee's work and performance during the year to Council.'
- 1.2 The purpose of this report is, therefore, to summarise the work of the Audit Committee during 2021/22, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.
- 1.3 Thus, this report looks back over 2021/22 and examines the range of reports which have been brought to the attention of the Committee by various parties, Senior Management, Internal Audit and External Audit.

2 BACKGROUND

- 2.1 Broadland District Council's Audit Committee has been meeting on a regular basis since its inaugural meeting on the 23 August 2012, following approval of the Terms of Reference by Council.
- 2.2 The Committee was established to play a pivotal role in the delivery of corporate governance at the authority, improve standards of internal control, review financial information including such items as the Annual Statement of Accounts, and to allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions. This wide-ranging remit ensures that the Committee is meeting best practice.
- 2.3 This is the tenth year that an Annual Report has been produced, which sets out to analyse the work of the Audit Committee and in doing so fulfil the requirements within the Terms of Reference of the Committee and to demonstrate compliance with best practice.

3 CURRENT POSITION

- 3.1 The Committee have met on three occasions so far in 2021/22, (June 2021, July 2021 and September 2021). Further meetings are scheduled for January and March 2022. A review of the minutes from meetings highlights that attendance by Members is high, with apologies provided where needed. There has also been a consistently strong level of officer support throughout the year, with regular representation from Finance, Internal Audit, the Council's External Auditors and officers attending to present reports as required.
- 3.2 After holding remote meetings throughout 2020/21, the Committee was able to resume in person meetings from June 2021 once again.
- 3.3 The Terms of Reference of the Audit Committee are established in the Constitution and emphasise how the Committee is to champion governance arrangements at the authority and follow best practice.
- 3.4 The Committee also ensures that it operates to the highest standards, and with this in mind, a self-assessment exercise is undertaken. The assessment ensures that

the Committee continues to meet best practice and identifies where improvements would be beneficial.

- 3.5 The Committee is due to carry out its annual self-assessment exercise again at the January 2022 meeting with the results of this being presented at the March 2022 meeting.
- 3.6 Finally, a rolling work programme is in place which is reviewed and discussed at each meeting, to ensure reports are considered and received by the Committee at appropriate times over the course of the year.

Overview of key items considered and reviewed

3.7 Counter Fraud Activity 2020-21

The Committee was provided with an update of the Counter Fraud activities of the Council during 2020-21 at the June 2021 meeting. The main body of work carried out over the year involved the Covid-19 Business Grants verification and carrying out post-payment checks. It was also noted that 65 referrals of potentially fraudulent claims had been reported to the Department of Work and Pensions (DWP). Additionally, fraud training had been provided across to the Benefits team and general advice provided to the Council. One internal conduct matter and two grievance investigations have been investigated and concluded.

3.8 Annual Governance Statement 2020/21

The Annual Governance Statement was considered at the June 2021 meeting where Members considered the current governance arrangements of the Council. An amendment was suggested and agreed at the time of the meeting, and the statement was approved at the meeting subject to the conclusion of the Head of Internal Audit's Annual Report and Opinion for 2020/21.

3.9 Statement of Accounts 2020/21

An update on the Statement of Accounts was presented to the Committee at its September 2021 meeting. The Committee was advised that there had been delays on the auditing of the accounts due to Covid-19 (which had been common across the country), and that the accounts would be audited in December 2021 – January 2022. The Assistant Director for Finance provided the Committee with reassurance that a plan was in place for next year's audited accounts, to prevent a similar occurrence next year.

3.10 External Audit

In June 2021, the Committee considered the External Audit Plan for 2020-21, which summarised Ernst & Young's (EY's) assessment of the key risks driving the development of an effective audit for the Council. Additional audit work caused by the Covid-19 pandemic was discussed. In September 2021, a report was received by the Committee on EY's Value For Money Risk Assessment. It was reported that

EY had not identified any risks of significant weaknesses in the Council's arrangements and that this would be re-visited prior to issuing the audit opinion on the 2020/21 accounts.

3.11 Internal Audit

On an annual basis the Committee reviews and approves the Strategic and Annual Internal Audit Plan for the forthcoming year. The Committee then regularly receives updates on the progress of the completion of the plan of work and the position with the action taken by management to progress audit recommendations. Finally, at the end of the financial year, the Annual Report and Opinion of the Head of Internal Audit is considered by the Committee in terms of the conclusions made in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Audit Plan was received and approved by the Committee in June 2021. Due to delays in the previous year, caused by the Covid-19 pandemic, the Internal Audit work commenced in Q2 rather than Q1 of 2021-2022. Although there have been some delays with issuing reports, Head of Internal Audit has been keeping a close eye on the progress and continues to report this to the Committee.

The Committee have also been supportive of the Head of Internal Audit in the review and encouragement for completion of the internal audit recommendations. At the meeting in July 2021, Head of Internal Audit was pleased to be able to confirm to the Committee that there were no urgent or important recommendations outstanding at the time.

3.12 Review of Contract Procedure Rules

The Committee considered the report which provided a review of Broadland's Contract Procedure Rules (CPRs) at the June 2021 meeting. The changes which were proposed in the report would bring the Council in step with neighbouring authorities. Additionally, the proposed amendments to the CPRs as a whole would make the procurement process simpler to suppliers, which in turn would encourage a larger number of suppliers to bid for local authority contracts. An amendment to the recommendation was proposed during the meeting, which resulted in the proposed changes being accepted, subject to the retention of the current contract award levels.

3.13 The committee has not reviewed the Council's strategic risk register in 2021/22 due to the layout and content of the register continuing to be discussed with members. The Strategic Risk register has now however been added to the agenda in January 2022 for Audit Committee review.

3.14 The following items are being considered at the January 2022 meeting:

- Self-Assessment of the Audit Committee
- Internal Audit Progress and Follow Up reports
- Rules of Financial Governance
- Audit Results Report 2020-21
- Opting into PSAA External Auditor Appointment
- Strategic Risk Register

3.15 The following items will be considered at the March 2022 meeting:

- Strategic and Annual Internal Audit Plan 2022-2023
- Internal Audit Progress report
- External Audit Plan 2022-2023

4 PROPOSED ACTION

4.1 To note the work of the Audit Committee during 2021/22 so far and approve the contents of the Annual Report.

5 OTHER OPTIONS

5.1 Not applicable to this report.

6 ISSUES AND RISKS

6.1 **Resource Implications** –not applicable to this report.

6.2 **Legal Implications** – not applicable to this report.

6.3 **Equality Implications** – not applicable this report.

6.4 **Environmental Impact** – not applicable to this report.

6.5 **Crime and Disorder** – not applicable to this report.

6.6 **Risks** - not applicable to this report.

7 CONCLUSION

7.1 This report highlights that the Committee continues to operate in accordance with best practice. It plays an important part in the Council's governance framework, remaining an active Committee and ensuring that it delivers its remit and reviews a wide range of items, providing an appropriate level of support.

8 RECOMMENDATIONS

8.1 To recommend that Council approves the content of the Annual Report of the Audit Committee.

Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
	Audit Committee purpose and governance	√		
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council?	√		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	√		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the committee to accounts for its performance operating satisfactorily?	√		
	Functions of the committee	√		
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 	√		
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√		
9	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?	√		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Not applicable		

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11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
	Membership and support			
12	Has an effective audit committee structure and composition of the board been selected? This should include: <ul style="list-style-type: none"> - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process 	√		
13	Does the chair of the committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the committee with briefings and training?	√		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√		
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
	Effectiveness of the committee			
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	√		
19	Has the committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the committee have an action plan to improve any areas of weakness?	√		

Appendix 1

Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making	<p>The Committee meets regularly to question and challenge as appropriate, as shown through the minutes.</p> <p>Significant control weaknesses identified during the Audit Committee meetings are reported to full Council. The Annual governance statement is reviewed by the committee.</p>	5

Appendix 1

	<p>The Committee seeks to gain assurance as needed on the reports received. The Committee provides robust review of the Annual Governance Statement and the assurances underpinning it. The Audit Committee also discusses any significant constitutional changes.</p> <p>Through the reports received and the questions raised, the Committee supports reviews / audits of governance arrangements. The Committee regularly participates in self-assessments of governance arrangements.</p>	
Contributing to the development of an effective control environment	<p>The Committee monitors the implementation of recommendations made by the auditors, and regularly challenges those that are overdue.</p> <p>The Committee encourages ownership of the internal control framework by appropriate managers and calls managers to account as necessary / required. The Committee raises significant concerns over controls with appropriate senior managers through those presenting the reports.</p> <p>The Committee recently provided feedback on the revised Contract Standing Orders suggesting changes where appropriate to strengthen the control framework. The Commercialisation Strategy was also recently reviewed by the Committee and they have been robust in their challenge of revised deadlines for the completion of recommendations in relation to noncompliance with 'No PO No Pay'.</p>	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Risk registers/reports are now presented to the Committee and are included within their remit of the Committee in its terms of reference. The Committee reviewed, and recommended following amendments that the Risk Policy be approved by Council. Until members have received training on the Risk Management framework, this section will remain at a lower score.</p>	3
Advising on the adequacy of the assurance framework and	<p>The Committee is responsible for assuring itself that internal audit coverage is sufficient when the annual plan is presented each year. The Internal Audit team</p>	5

Appendix 1

considering whether assurance is deployed efficiently and effectively	<p>where possible has been working on ensuring that where possible joint reviews are carried out with South Norfolk to identify inconsistencies in shared processes.</p> <p>Whilst Broadland did not experience any significant delays from EY in relation to delivering external audit work in 2019/20; the Chair of the committee will be kept informed of any future difficulties experienced by EY that could impact on delivery during 2020/21. The Chair has recently attended an EY event in Cambridge.</p>	
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Committee reviews the audit charter and functional reporting arrangements as part of the annual internal audit plans report brought to the Committee by the Internal Audit team.</p> <p>The Committee assesses the effectiveness of internal audit arrangements and supports improvements. The Committee recognises that internal audit is a key source of information for them to consider.</p>	5
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	The Committee reviews and endorses the risk based internal audit plan annually and is involved in reviewing the effectiveness of performance management arrangements through the specific internal audit reviews as appropriate. In addition, external audit provides reports in relation to the financial stability of the Council.	4
Supporting the development of robust arrangements for ensuring value for money	The Committee evaluates the three E's (effectiveness, efficiency and economy) regularly and ensures that assurances on value for money arrangements is included in the assurances received by the Committee. The Committee considers how performance in value for money is evaluated as part of the AGS, contract standing orders and through internal/external audits.	5
Helping the authority to implement the values of good governance, including effective	The Committee reviews the arrangements in place for countering fraud and corruption through regular review of the relevant policies and receives regular updates from the Fraud team.	4

Appendix 1

arrangements for countering fraud and corruption risks	The Committee recognises that fraud risks and the effectiveness of the organisations strategy to address those risks are highlighted through the reports received from internal audit as necessary and through the Annual Governance Statement.	
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Progress Report on Internal Audit Activity

Report Author(s): Faye Haywood
Head of Internal Audit for Broadland District Council
01508 533873
faye.haywood@southnorfolkandbroadland.gov.uk

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 17 September 2021 to 18 January 2022.

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 17 September 2021 and 18 January 2022.

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: 14 September 2021 to 18 January 2022

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**.
- 3.2 In summary 79 days of programmed work has now been completed, equating to 56% 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, one final Internal Audit report has been issued for Covid-19 Business Grants, which has resulted in ‘Reasonable’ assurance. The Executive Summary of this report can be seen in **Appendix 2**. There have been delays in finalising the Q2/Q3 work, due to sickness and other staffing issues. It is expected that these audits should be finalised in the coming weeks.

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 second performance report, due 15 working days after the end of quarter three.

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	8	Draft report in preparation.						
Corporate Health and Safety	BRD2205	8	8	6	Draft report in preparation.						
Counter Fraud and Corruption	BRD2206	8	8	8	Draft report issued on 5 November 2021.						
COVID-19 Business Grants	BRD2210	8	8	8	Final report issued on 11 October 2021.	Reasonable	0	0	3	0	January 2022
TOTAL		34	34	30							
Quarter 3											
Annual Governance Statement	BRD2203	8	8	6	Draft report in preparation.						
Accounts Receivable	BRD2207	10	10	8	Draft report in preparation.						
Income	BRD2208	8	8	6	Fieldwork concluding.						
Accountancy Services	BRD2209	15	15	12	Fieldwork concluding.						
TOTAL		41	41	32							
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	1	Audit Planning Memorandum (APM) prepared						
Disaster Recovery	BRD2214	10	10	8	Draft report in preparation.						
TOTAL		20	20	9							
Follow Up											
Follow Up	NA	10	10	8							
TOTAL		10	10	8							
TOTAL		140	140	79			0	0	3	0	
Percentage of plan completed				56%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARY

Assurance Review of Covid-19 Business Grants

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy and Procedure	0	0	1	0
Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy.	0	0	1	0
Resources	0	0	1	0
Total	0	0	3	0

SCOPE

The objective of the audit was to review the systems and controls in place within Covid Government Grants, to help confirm that guidance was clear, internal processing and checks were/are adequate, relevant resources assigned, funding arrangements in place and submissions to government adequate.

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 'needs attention' recommendations being raised upon the conclusion of our work.
- A direction of travel is not applicable since the areas under scope have not previously been subject to internal audit scrutiny.

POSITIVE FINDINGS

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

- Application forms were shown to be accurate and compliant with government guidance.
- Fraud identification and recovery was shown to be in place and functioning well including reporting to the National anti-fraud network (NFI).
- System reports and returns to government were shown to be in place and completed accurately and in a timely manner.
- Costs of grants and resource cost were all monitored and reported correctly to government with no costs incurred by the Council.

ISSUES TO BE ADDRESSED

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

Policy and Procedures

- Procedures for discretionary grants should be more comprehensive and detailed in order to avoid confusion as to qualifying criteria.

Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy.

- A step-by-step process / checklist should be put in place for checks applied where there is a valid reason for not using Spotlight.

Resources

- Internal performance measures to be used in order to monitor processing times versus resources, so as to ensure the Council is able to meet demand.

**Note that the aforementioned matters raised should be considered in light past and present grant activity.*

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area has not been subject to previous internal audit scrutiny.

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 18 January 2022.

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 18 January 2022.

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: 14 September 2021 to 18 January 2022

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 2019/20 internal audit has agreed 42 recommendations with management, 41 of these are now complete. One needs attention recommendation remains outstanding.

Number raised	42	
Complete	41	98%
Outstanding	1	2%

- 2.4 For 2020/21 a total of 50 recommendations were agreed with management. Of these 39 are complete. Five important and five needs attention recommendations are outstanding. One recommendation is currently within deadline.

Number raised	50	
Complete	39	78%
Outstanding	10	20%
Within deadline	1	2%

- 2.5 For 2021/2022, a total of 3 recommendations were agreed with management so far. All 3 are needs attention and are within deadline.

Number raised	3	
Complete	0	0%
Outstanding	0	0%
Within deadline	3	100%

- 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 14 September 2021 and 18 January 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
2018/19 Internal Audit Reviews															
BRD1903	GDPR	Reasonable			1							0			
2019/20 Internal Audit Reviews															
BRD2011	Disaster Recovery	Reasonable						1				1			
BRD2002	Corporate Governance	Reasonable			1							0			
2020/21 Internal Audit Reviews															
BRD2102	Corporate Governance	Reasonable			1						1	1			
BRD2103	Accounts Payable	Reasonable		1	1							0			
BRD2105	Housing Benefit and Council Tax Support	Reasonable		1								0			1
BRD2108	Key Controls and Assurance	Reasonable		1	2						2	2			
BRD2111	Service Desk	Reasonable			1		1					1			
BRD2106	Council Tax and NNDR	Reasonable			1					1	1	2			
BRD2104	HR and Payroll	Reasonable		1	1		2					2			
BRD2112	Remote Access	Reasonable						1		1		2			
2020/21 Internal Audit Reviews															
BRD2210	Covid-19 Business Grants	Reasonable										0			3
TOTALS			0	4	9	0	3	2	0	2	4	11	0	0	4

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD2106 Council Tax and NNDR	Recommendation: Processes be put in place to ensure that all NNDR reliefs are reviewed on a periodic basis.	2	Assistant Director of Finance	31/12/2021	28/02/2022	Outstanding	This is nearing completion. All the review forms have now been issued for both councils, with a final reminder date set for 15 January 22. These reviews are well on track to be complete by 28 February 2022.
BRD2104 HR and Payroll	Recommendation 1: Monthly payroll checklists be signed and dated as each task is completed.	2	Chief of Staff	30/06/2021	01/02/2022	Outstanding	The checklists have been received by Internal Audit. They have been signed, however they haven't been dated. The due date has therefore been revised to 01/02/2022 to allow for necessary changes to be made.
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	Chief of Staff	30/06/2021	01/05/2022	Outstanding	The new Oracle system will hold the details of all the authorisation – i.e.. who authorised, date, time etc. May 2022 will be the first month where expenses will be run completely through Oracle.
BRD2112 Remote Access	Recommendation 1: The newly developed ICT & Digital Change Management Policy be adopted into the wider SPARK Transformation Programme as a basis for Corporate change management.	2	Assistant Director of ICT/Digital and Transformation	01/10/2021	30/06/2022	Outstanding	This has not yet been implemented due to resource availability. Revised timeline for implementation is by the end of Q1 2022.
BRD2111 Service Desk	Recommendation 1: ICT management to 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.	2	Assistant Director of ICT/Digital and Transformation	30/06/2021		Outstanding, pending internal audit verification	Internal audit has been advised that this recommendation is complete. However, evidence for this has not yet been received and will therefore remain outstanding until verified.

Opting into the National Scheme for External Auditor Appointments

Report Author(s): Rodney Fincham
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Portfolio: Finance and Resources

Ward(s) Affected: All

Purpose of the Report:

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

Recommendation

That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

1 Background

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. Under this arrangement EY were appointed as our external auditors.
- 1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28.

- 1.3 During Autumn 2021 all local government bodies need to make a decision about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 1.4 There are currently only nine accredited audit firms able to carry out local authority external audits. These are
- BDO LLP
 - Cardens Accountants LLP
 - Deloitte LLP
 - Ernst & Young LLP
 - Grant Thornton UK LLP
 - KPMG LLP
 - Mazars LLP
 - PricewaterhouseCoopers LLP
 - Azets Audit Services Limited.

2 Proposed Action

- 2.1 It is suggested that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
 - if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
- 1.5 The LGA's view is that the national framework remains the best option for councils; see **Appendix A** for a copy of the letter they sent to authorities all on this matter.

3 Other Options

- 3.1 As mentioned above, the Council does have the option to arrange its own procurement and make the appointment themselves or in conjunction with other bodies.
- 3.2 The possibility of undertaking a joint external audit procurement for the Norfolk authorities has been discussed by the s151 officers. There is no appetite for doing this, as most authorities are minded to join the PSAA process to benefit from economies of scale. S151 officers are also concerned about whether a local procurement would be able to secure a qualified, registered auditor given the nine accredited firms would most likely be focusing on the national procurements.

4 Next Steps

- 4.1 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council.
- 4.2 The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return a completed opt-in document to PSAA by 11 March 2022.

5 Issues and Risks

- 5.1 **Resource Implications** – The proposal to join the PSAA procurement is considered to have the least resource requirement on the Council, and is considered most likely to deliver a value for money contractor.
- 5.2 **Legal Implications** – The Council is required to appoint an external auditor.
- 5.3 **Equality Implications** – None
- 5.4 **Environmental Impact** – None
- 5.5 **Crime and Disorder** – None
- 5.6 **Risks** – The public sector external audit market is currently failing to deliver timely audits, and the current fee levels are lower than audit firms state are necessary. There is therefore a risk that fee levels will increase significantly and / or the number of firms bidding for this work will decrease.

6 Recommendation

That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023

Background papers

None

Appendix A: Letter from LGA

From the Chairman of the Association
Cllr James Jamieson



**To: Mayors/Leaders/Chief Executives/Chief Finance
Officers of English Principal Councils**
23 September 2021

Retender of External Audit Contracts

I am writing because your council must shortly make a decision whether to opt into the national arrangement for the procurement of external audit or procure external audit for itself, and to set out the LGA's view on that decision.

In most councils this matter will be considered first in detail by the Audit Committee. You will therefore no doubt wish to pass on a copy of this letter and the more detailed attachment to the colleague who chairs the relevant committee.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The practical deadline for this decision is 11th March 2022. As this is a decision for the Full Council, I wanted to ensure that you had sight of the letter that has been sent to audit and finance colleagues and that you are aware of the crucial issues to be considered.

The way external audit has operated over the last couple of years has been extremely disappointing. This has led to many audits being delayed and dozens of audits remain uncompleted from 2019/20. Dealing with these issues is not a quick or easy fix.

Nevertheless, the LGA's view is that the national framework remains the best option for councils. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

We believe that in a suppliers' market it is imperative that councils act together to have the best chance of influencing the market and for nationally coordinated efforts to improve the supply side of the market to be effective.

The information attached goes into more detail about the background to this decision. My officers will be happy to answer any questions you may have. Please contact Alan Finch (alan.finch@local.gov.uk) if you have any issues you would like to raise.

Yours sincerely

A handwritten signature in black ink, appearing to read "James Jamieson".

Cllr James Jamieson
Chairman

RETENDER OF EXTERNAL AUDIT CONTRACTS

Information from the LGA for those charged with governance

The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council doesn't make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.

The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.

As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.

It is therefore vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.

To summarise, the same arguments apply as at the time of the last procurement:

- A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.

- The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.
- Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.
- Procuring for yourself provides no obvious benefits:
 - The service being procured is defined by statute and by accounting and auditing codes
 - Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP)
 - Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.
- PSAA has now built up considerable expertise and has been working hard to address the issue that have arisen with the contracts over the last couple of years:
 - PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.
 - PSAA has commissioned high quality research to understand the nature of the audit market.
 - It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year.

Councils need to consider their options, we have therefore attached a list of Frequently Asked Questions relating to this issue which we hope will be useful to you in reaching this important decision.

When the LGA set up PSAA in 2015, we did so with the interests of the local government sector in mind. We continue to believe that the national arrangement is the best way for councils to influence a particularly difficult market.

If you have any questions on these issues please contact Alan Finch, Principal Adviser (Finance) (alan.finch@local.gov.uk).

PROCUREMENT OF EXTERNAL AUDIT from financial year 2023/24

FREQUENTLY ASKED QUESTIONS

“Were prices set too low in the current contract?”

It is clear that firms did submit bids that reflected what seemed at the time to be very stable market conditions. Unfortunately, a series of financial collapses in the private sector have since created a very different climate and resulted in a whole series of new regulatory pressures. It is very likely that firms thought they could make savings as a result of the new timetable, essentially finishing the accounts audits by the end of July each year. Of course, that is not what has happened.

The Government opened up the market principally on the argument that costs would reduce, and views were mixed in the sector when the first contract was being let. Some councils wanted more savings and some were worried about reduced standards.

“Has the current contract helped cause these issues?”

Since the current contract is based around the Code of Audit Practice and the local government accounting code, this is unlikely. The first year of the new contract coincided with the introduction of new standards and with the emergence of some difficult audit issues such as the [McCloud judgement](#) (a legal case which affected the valuation of pension liabilities). The second year was affected by COVID-19. This laid bare the lack of capacity in the supplier side of the market and led to considerable delays. It is hard to see how the contract could have pre-empted this, but now we are clearer about the level of uncertainty in the system, the next contract can adjust for it.

“If we let our own contract, could we have more influence over auditors?”

No. The auditors are required to be independent and are bound by the Codes and need to deliver to them in line with the regulator’s expectations or face action under the regulatory framework.

As far as delays in audits is concerned, auditors are required to allocate resources according to risk and councils that procure for themselves will find themselves in the same queue as those within the national arrangement.

“If we let our own contract, can we get the auditors to prioritise our audit over others?”

Very unlikely. Auditors are running at full capacity and have to deploy resources according to their assessment of audit risks in accordance with professional standards. It is very unlikely that auditors could give preference to some clients rather than others even if they wanted to.

“Didn’t we used to get more from our auditors?”

Yes we did. For example, auditors were often prepared to provide training to audit committees on a pro-bono basis. The fact that they used to be with us for most of the year meant officers could develop professional working relationships with auditors and they understood us better, within the boundaries required of their independent status. Auditors no longer have the capacity to do extra work and the light shone on audit independence in other sectors of the economy has reinforced the rules on the way auditors and councils work together.

“Under the national framework we have had to negotiate our own fee variations. Will that continue to be the case?”

Unfortunately, virtually all councils have had to engage in discussions with auditors about fee variations linked to new regulatory requirements and, of course, the challenges of COVID-19. PSAA has worked hard with MHCLG to enable the recent consultation on changes to the fee setting regime, and the resulting regulatory change will bring scope for more issues to be settled at a national level in future.

“Can we band together in joint procurements to get most of the benefits of not going it alone?”

We understand that this is lawful. However, joint procurement partners would not be part of PSAA’s efforts on behalf of the sector to increase the number of firms competing in the market, which will therefore be less likely to succeed.

At best, joint procurement spreads the pain of procuring over a larger number of councils and at worst it introduces a new layer of bureaucracy, because someone is going to have to take the lead and bring all the members of the consortium along. It’s not altogether clear to us why a joint procurement would be better than the national contract, especially as the consortium would then have to manage the contract throughout its life (for example, the implications of changes of audit scope).

Strategic Risk Register

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Portfolio:	Transformation and Organisational Development
Ward(s) Affected:	None

Purpose of the Report:

The purpose of this report is to provide an overview of the current position of the Strategic Risk Register for Broadland District Council.

Recommendations:

1. Review and note the Strategic Risk Register for the Council.

1 SUMMARY

- 1.1 This report provides the committee with an update and overview of the current position in terms of strategic risk for Broadland District Council.

2 BACKGROUND

- 2.1 The Risk Management Policy agreed by Cabinets in 2020, sets out the approach for the Council in terms of how it will identify, manage, reduce and mitigate risks of all levels to the organisation.
- 2.2 To facilitate the management of risk throughout the organisation, the Council maintains a system of risk registers. The risks are identified through the Corporate Management Leadership Team's (CMLT) assessment of the risks to the Council's Strategic Plan and Delivery Plan. The Strategic Risk Register records the strategic risks faced by the Council. Attached to this report is the latest update of the Strategic Risk Register.
- 2.3 The Strategic Risk Register forms part of the Council's quarterly (reported formally twice a year in Q2 and Q4) performance, risk and finance reports, where updates on strategic risks, delivery measures and finance position are brought through to Cabinet for review. The Strategic Risk Register is a document which is reviewed on a regular basis and subject to change depending upon the current circumstances in which the Council is operating.
- 2.4 As set out in the Policy, Cabinet has ultimate responsibility for:
- Setting the culture for risk management at the Council
 - Approving the Policy
 - For developing and approving Risk Appetite
- 2.5 Detailed oversight of the risk management process is delegated to the Audit Committee, who are responsible for scrutinising the scope and effectiveness of the risk management systems in place.
- 2.6 In developing the Strategic Risk Register, CMLT are responsible for identifying, evaluating and reporting on significant strategic risk faced by the Council. Strategic risks are risks that are significant in size, impact and duration and could impact on the performance of the Council as a whole. This may include operational risks escalated from particular services to the leadership level due to the potential scale of their impact.
- 2.7 Risks in the Strategic Risk Register are assessed for both their likelihood (on a scale of 1-5) and their impact if they were to happen (on a scale of 1-5), which are then combined to give each risk a severity score. Once all ongoing and planned mitigating actions are taken in consideration, each risk's "residual severity score" is recorded. The higher the severity score, the more significant the risk is.

- 2.8 Alongside the Strategic Risk Register, each directorate across the Council manages their Directorate Risk Registers. Directorate Risk Registers detail the more operational risks to the organisation and are the responsibility of the Director and Assistant Directors in that directorate to manage. If a risk on a Directorate Risk Register scores a high severity score above our risk appetite as a council, this will be escalated to the Strategic Risk Register and reported to Cabinet and the Committee. There is also support, guidance and templates on identifying and managing risk (including project risk) available on our internal intranets for staff, as well as risk training available on our training platform Skillsgate.

3 CURRENT POSITION/FINDINGS

- 3.1 During Q2 - Q3 21/22, CMLT have reviewed and updated the Strategic Risk Register to ensure we are managing the risks effectively and that we are taking the right action to prevent the risk from escalating and ultimately reduce the risk where possible. As part of reviewing the register, CMLT take into consideration:
- Whether risks are still relevant
 - Any emergent risks which have been identified
 - Whether the likelihood and impact of risks has changed
 - Whether controls which are in place are still effective
- 3.2 The below table provides an overview of the current risk register with the risks which are being managed at a strategic level. During Q3, all risks have remained at the same risk score level. A full version of the Strategic Risk Register can be found in appendix 1.

Risk Category	Category Description	Number of Risks	Comment
Very High	Risks scored here represent a severe threat to the delivery of Council objectives and service delivery and are outside of the risk appetite of the Council.	Total number of risks - 0	
High/Medium High	Risks scored here represent a significant threat to the delivery of Council objectives and service delivery and are outside the risk appetite of the Council.	Total number of risks - 3	Overview of risks: <ul style="list-style-type: none"> • Risk 1 – Failing to anticipate and respond to change in external environment which impacts on our ability to deliver or MTFP. • Risk 3 – Capacity and capability of the organisation does not meet organisational requirements. • Risk 4 - Our ICT Infrastructure fails due to running old infrastructure at near capacity with intention of increasing the load.

Medium	Risks scored here represent a moderate threat to the delivery of Council objectives and service delivery and are within the risk appetite of the Council with some proportionate mitigation and regular monitoring required.	Total number of risks – 1	<ul style="list-style-type: none"> Though this risk is within our risk appetite as set out in the Risk Management Policy, it is of strategic importance, therefore continue to get reported to Cabinet in Q2 and Q4. <p>Overview of risks:</p> <ul style="list-style-type: none"> Risk 2 – Failure to deliver the Feasibility Study collaboration roadmap.
Low	Risks here represent a minor threat to the delivery of Council objectives and service delivery and are within the risk appetite of the Council.	Total number of risks – 0	
Very Low	Risks scored here represent an insignificant threat to the delivery of Council objectives/service delivery and are within the risk appetite of the Council.	Total number of risks - 0	

4 PROPOSED ACTION

- 4.1 The Strategic Risk Register, alongside the Directorate Risk Registers will continue to be managed and reviewed into the next quarter.

5 OTHER OPTIONS

- 5.1 None.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** – each risk has associated resources aligned to each action.
- 6.2 **Legal Implications** – no implications.
- 6.3 **Equality Implications** – no implications.
- 6.4 **Environmental Impact** – no implications.
- 6.5 **Crime and Disorder** – no implications.
- 6.6 **Risks** – no implications.

7 RECOMMENDATIONS

1. Review and note the Strategic Risk Register update for the Council.

Appendix 1
Broadland District Council – Strategic Risk Register
Last reviewed – January 2022



						Risk with existing Controls							Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 3
All priorities	1	Risk - Financial - The Council fails to anticipate and respond to large scale changes in the external environment that impacts on our ability to deliver our MTFP. Consequence - A negative impact on the Council's finances, either from reductions in income or funding, or from increased cost pressures.	Medium Term Financial Plan (MTFP) budget process and scenario planning. Quarterly review of performance and risks to the organisation. Regular Horizon Scanning. CMLT relationship building and liaison with key stakeholders such as central Government departments and professional bodies. Implementing Broadland/South Norfolk Collaboration. Active Membership of different groups such as the DCN, LGA, RSN etc.	2	5	10	Reduce	1a Lobby government for adequate funding. 1b Respond to Government Consultations to ensure any potential impact on the Council finances is conveyed to Government. 1c Feed into any relevant networks e.g LGA and DCN to influence policy creation. 1d Ensure local MP's are aware of the Council financial position and potential impact of any forthcoming Government policies as part of the regular MP briefings. 1e Continued regular horizon scanning and policy updates to CMLT and management team to ensure we stay abreast of changes and are able to have influence. 1f Regular monitoring of our current position and reporting to Members.	Director of Resources	1a - Prior to Autumn budget 1b - As appropriate when consultations open 1c - As Appropriate 1d - At regular MP Briefings 1e - Monthly 1f - Quarterly	2	5	10	No	No change to risk score this quarter. 1a Prior to Autumn budget, however as only a 1 year financial settlement received, there is a requirement to continue to lobby for a multi-year settlement in future. 1b As appropriate when consultations open. 1c As Appropriate. 1d At regular MP Briefings. 1e Monthly horizon scanning and policy reports are developed for CMLT. 1f Completed on a quarterly basis.
Moving with the times, working smartly and collaboratively	2	Risk - Failure to deliver the Feasibility Report collaboration roadmap.	Transformation approach (SPARK) and programme of work in place based on the collaboration roadmap.	3	4	12	Reduce	2a Embed the SPARK transformation programme across the organisation.	Director of Resources	2a - Through 21/22 2b - Establish in Q2 and embed throughout Q2-	3	3	9	Yes	No change to risk score this quarter. 2a Transformation guides and toolkits continue to be developed and cascaded to teams through Connect.

		Consequence - Failure to achieve improved quality of services and resilience.	ICT/Digital Strategy in place which aligns systems and transformation to deliver a First Class Customer Service, with increased resilience, while enabling efficiencies and savings to be realised at the same time. Customer Service Strategy developed and agreed by Council which sets out our approach to enhancing and providing a consistent customer service. Service Improvement and Efficiency Committee (SIEC) has Member oversight and steering of the collaboration programme. Regular updates and briefings to CMLT (6 weekly) and SIEC on the collaboration. Collaboration costs and savings tracked half yearly.					2b Establish and embed a new officer Resources Co-ordination Group as an outcome of the Project Management Framework, to ensure that we manage our resources efficiently to deliver the collaboration roadmap. 2c- Following agreement of ICT/Digital Strategy, business cases to be developed and taken through for approval for each IT system (finance system business case completed and signed off by Cabinet July 2021). 2d Implementation of the approved Finance system business case. 2e Undertake accommodation review to ensure the Councils' maximise the efficiency and use of their two offices.		Q4 21/22 2c- Through 21/22 2d - System live 1 April 2022 2e- Decision by November 2021 2f - Review of progress of implementation of Strategy in June 2022 to O&S committee.					We are also reviewing the opportunity of introducing Improvement Apprenticeships across the transformation network to drive forward projects. 2b The Resources Group has been established and is currently working on baselining our projects and prioritising the 22/23 draft Delivery Plan resource requirements. 2c A business case for a new finance system has been approved by Cabinet, with a transformation review in this area now underway. Business Cases agreed in Q3/Q4 are the Planning and Regulatory Systems and the Cash Receipting System. Further business cases are currently in development and will be brought forward to Members during 21/22 and 22/23. 2d As above the Finance System is currently underway and due to be implemented on 1 April 2022. 2e Consultants have been appointed who are currently working on developing a business case looking at the options for future office accommodation. Further work is being undertaken following meetings of the Commercial Trading and Customer Focus Committee and the Service Improvement and Efficiency Committee at Broadland Council. 2f The Customer Services Strategy and Charter has been approved by Cabinet and is in the process of being implemented.
All priorities	3	Risk - Capability and capacity does not meet organisational requirements. Consequence - Poor standards of service delivery, service disruption, slow or minimal transformation and inability to meet savings targets as a result.	Four year Strategic Plan developed and in place which sets out the ambitions for the Council over the coming years. Delivery Plan for the Council developed and in place which sets out the detailed projects and BAU for the Council in the coming year to 2022. Management/Leadership Training and	4	4	16	Reduce	3a Scope and develop a talent management programme. 11b Build our own talent - Develop projects to consider our use and opportunities of apprenticeships, internships, career placement, graduates etc. 3c Succession planning to ensure capacity is maintained.	3a - d Chief of Staff 3e Director of Resources	3a - March 2021 (completed) / Ongoing. 3b - March 2021 (completed) / Ongoing 3c - Not yet started. 3d - New recruitment approach trialled summer 2021 through apprenticeships. This is to be reviewed and rolled out across	3	4	12	No	The risk score has been maintained at 12, due to the recruitment market at present, both nationally and locally and the challenges this is bringing to the organisation. 3a This work is still in progress. 3b Successful apprenticeship recruitment drive held, with apprenticeship levy target now being met. Graduate places also recruited to. 3c Initial discussions have been held with Assistant Directors to look at succession planning and potential knowledge gaps - management & leadership training programme will

			Development in progress.					3d Implement successful recruitment campaigns particularly in service areas where there are specific needs for skills which are hard to recruit to or shortage of resource available (e.g. nationally) - this links in with 11b above. 3e Effective project and programme management processes and Resources Co-ordination Group in place to manage our capacity to deliver.		the board for all appointments. 3e - Establish in Q2 and embed throughout Q2-Q4 21/22					have a positive impact on knowledge in relation to people 3d further work required on recruitment approach with recruiting managers and in particular the hard to recruit to posts 3eThe Project Management Framework is being enhanced to provide clarity on the governance arrangements for projects including roles and responsibilities and clear reporting lines. A Resources Coordination Group has been set up to review and manage the organisations resources.
All priorities	4	Risk - Our ICT Infrastructure fails due to running old infrastructure at near capacity with intention of increasing the load. Delay in our new Infrastructure project due to global shortage in switches. Consequence - Unable to delivery our systems transformation programme, inability to bring systems together and deliver longer term savings. Unable to recover systems if infrastructure fails.	Ongoing work to create additional capacity on our servers. Regular contact and updates from the supplier of the new infrastructure. Frequent back-ups and health checks on old infrastructure.	3	5	15	Reduce	As per existing controls.	Director of Resources	Ongoing	3	5	15	No	No change to risk score this quarter. Space made on our current servers to ensure we are able to deliver the finance system as part of the systems transformation programme. The switches, which have delayed the implementation of the new infrastructure, have now been received and are being installed. The project is now on target to have all the infrastructure in place by end of January 2022 ready for the data transfer from the old infrastructure. It is anticipated that this risk score will reduce significantly in the following Quarter, and be removed from the SRR.

Audit Committee Work Programme

27 January

Opting into PSAA External Auditor Appointment
Progress Report on Internal Audit Activity
Internal Audit Follow Up Report
Annual Report of Audit Committee
Strategic Risk Register

Rodney Fincham
Faye Haywood
Faye Haywood
Emma Hodds
Sinead Carey

17 March

Strategic and Annual Internal Audit Plans 2022/23
External Audit Plan 2022/23
Self Assessment of the Audit Committee
Audit Results Report 2020-21

Faye Haywood
External Audit
Faye Haywood
External Audit