

AUDIT COMMITTEE

Minutes of an informal meeting of the Audit Committee of Broadland District Council, held on Thursday 27 January 2022 at 10.00am.

Committee Members Present: Councillors: G Nurden (Chairman) and A Crotch

Apologies for Absence: Councillors: P Bulman, S Holland (apologies received after the meeting) and K Vincent

Officers in Attendance: The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Assistant Director for ICT/Digital and Transformation (C Lawrie), the Strategy and Programme Manager (S Carey) and the Internal Audit Trainee (E Voinic)

23 MINUTES

The minutes of the meeting of the Audit Committee held on 23 September 2021 were agreed as a correct record.

24 MATTERS ARISING

Minute No: 73 – Annual Audit Letter

The Chairman requested an update on whether Public Sector Audit Appointments (PSAA) had made a determination regarding the 2019/20 external audit fee. The Assistant Director of Finance reported that the scale fee for 2019/20 had been set at £32,022. The final audit fee for 2019/20, as determined by PSAA, would be £50,421. He informed the Committee that this amount was in line with what the Council was expecting, and lower than the increase requested by Ernst and Young (EY).

Minute No: 19 – Statement of Accounts 2020/21

The Chairman expressed disappointment that EY had missed their deadline to commence audit work in late December 2021 to January 2022. Members felt that the contingencies put in place by EY had been insufficient to prevent further delays.

In response to a query, the Assistant Director of Finance explained that EY were now due to carry out their audit work between 14 February 2022 to 25 March 2022. Members noted that this meant the Audit Results Report could not be brought to the Committee at its 17 March meeting, and so an additional meeting in April 2022 was required.

Minutes No: 20: Progress Report on Internal Audit Activity

The Head of Internal Audit updated members on the communications work undertaken to engage officers on the remainder of planned internal audit work. She explained that early discussions with officers and CMLT had taken place. The audit contractor had also added an audit manager to their core team who would coordinate the internal audit work.

25 ANNUAL REPORT OF AUDIT COMMITTEE

The Head of Internal Audit presented her report, which outlined the work the Committee had undertaken throughout the year, which included:

- Counter Fraud Activity 2020/21
- Annual Governance Statement 2020/21
- Statement of Accounts 2020/21
- External Audit
- Internal Audit
- Review of Contract Procedure Rules

She explained that, once approved, the Annual Report of the Audit Committee would be reported to full Council at its Annual meeting in May 2022.

Members suggested some minor amendments, and reminded officers that the accounts were not audited in December 2021 to January 2022 as stated at section 3.9 of the report. Additionally, it was pointed out that the Audit Results Report 2020/21 and Rules of Financial Governance were not considered at the January 2022 meeting of the Committee.

A verbal discussion regarding the Committee's 2020/21 self-assessment took place, and attention was drawn to the section "Helping the authority to implement the values of good governance, including effective arrangements

for countering fraud and corruption risks". Members suggested that the grading should be moved up to five, as more effective tracking processes had been implemented. The Assistant Director of Finance notified members that the current Fraud Officer would shortly be moving on to a different position within the Council and that CMLT was looking at how fraud protection and detection would be managed in the future.

It was then

RESOLVED

To recommend to Council that, subject to the amendments outlined above, the Council's approves the content of the Annual Report of the Audit Committee.

26 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report of the Head of Internal Audit, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 for the period 17 September 2021 to 18 January 2022.

The Head of Internal Audit explained that 79 days of programmed work had been completed, which equated to 56% of the Audit Plan for 2021/22. She further advised that the quarter 2 audit reports had been cleared, and that the quarter 3 draft reports were in progress. Members noted that following regular meetings with the audit contractor, and the installation of an Audit Manager to coordinate the audit work, internal audit was back on track to complete all audits by the end of the year.

With regard to the assurance review of Covid-19 business grants at Appendix 2, the Head of Internal Audit explained that approximately 10,000 applications had been processed with £40M in funding awarded. She added that 3 "needs attention" action points represented a good result following the large volume of work carried out.

Members queried whether processes had been put in place to address the issues raised. The Assistant Director of Finance advised members that government guidance during the initial weeks of the Covid-19 pandemic was to undertake only limited pre-payment checks to ensure funding was given out quickly to businesses in need. He added that full pre-payment and document checks were now carried out before payment for any current schemes were made.

It was then

RESOLVED

To note the progress made in completing the internal audit plan of work and the outcomes of the completed audits for the 2021/22 financial year.

27 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 18 January 2022.

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

Discussion moved to the two outstanding HR and Payroll recommendations and the Head of Internal Audit informed the Committee that recommendation 1 was due to be closed as the necessary evidence had now been received. With regard to recommendation 3, members felt concerned that the details of the authorisation of claims was not currently being recorded whilst officers awaited the implementation of the new Oracle HR system. The Head of Internal Audit explained that the details of the authorisation of claims could not be electronically recorded within the current iTrent system, however, this information was manually recorded by officers.

Members raised a concern that the current reporting of outstanding internal audit recommendations did not state whether each recommendation had been previously delayed. They requested that the Head of Internal Audit add this information to future reports, and that should a recommendation have been delayed more than once, the responsible officer would be required to provide additional detail of the delay. They felt these measures would ensure the timely completion of recommendations and prevent the need to escalate to the Council's Managing Director for resolution. The Head of Internal Audit agreed to add this information to future reports.

The Committee noted the positive work carried out to resolve the internal audit recommendations and it was then

RESOLVED

To note the position in relation to the completion of agreed internal audit recommendations.

28 OPTING INTO THE NATIONAL SCHEME FOR EXTERNAL AUDITOR APPOINTMENTS

Members considered the report of the Assistant Director of Finance, which set out the options for appointing an external auditor for the audit of the Council's accounts for the five-year period from 2023/24.

He explained that the Council previously opted into the 'appointing person' national auditor appointment arrangements established by PSAA for the period covering the accounts for 2018/19 to 2022/23, and that it was under this arrangement EY was appointed as the Council's external auditors. The Council had been invited by PSAA to opt into the sector-led option for another five-years from 1 April 2023.

Members were advised that only nine firms in the country were accredited to carry out local government audits and that it was officers' and the Local Government Association's (LGA) opinion that it was in the Council's best interest to opt in. Additionally, 120 local authorities had already signed up to the appointment scheme.

Members raised their concerns regarding delays and issues faced with EY (the current external auditor) and queried whether the Council would have the opportunity to input into the appointment of the auditor. The Assistant Director of Finance explained that the contract holder PSAA would be responsible for the appointment of auditors, however, they were taking into account the current issues faced in order to strengthen the focus on the quality and timeliness of the audits instead of primarily focusing on the cost. He added that the issues faced by the Council were country-wide, and central government was aware.

It was then

RESOLVED

TO RECOMMEND TO COUNCIL that it accepts the 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.

29 STRATEGIC RISK REGISTER

The Assistant Director for ICT/Digital and Transformation presented the report, which provided members with an overview of the current position of the Strategic Risk Register (SRR) for Broadland District Council.

Members were advised that the risks in the SRR had been identified through the Corporate Management Leadership Team's assessment of the risks to the Council's Strategic Plan and Delivery Plan, based on the framework set out in the Risk Management Policy, adopted by Council in September 2020.

The Risk Management Policy broke risks down into three main categories; Strategic Risks, Directorate or Operational & Project Risks. The Assistant Director for ICT/Digital and Transformation explained that both Directorate and Operational & Project Risks could be escalated through CMLT to become part of the SRR.

The Chairman informed the meeting that he had concerns about the number of times the SRR was brought to the Audit Committee, noting that the Committee would consider the document three times a year, whilst it was only presented to Cabinet twice a year in quarters two and four. The Head of Internal Audit advised the Committee that the Risk Management Policy could be amended to present the SRR to the Audit committee twice a year in line with Cabinet. Members were in favour of this amendment and felt that a wider review of the Policy was also needed.

One member felt that it was difficult to track the movement of risks on and off the register as well as the reasoning behind the changes. The Committee requested that, as part of future reports, officers clearly state the changes to the SRR and provide rationale for the changes made.

In response to a question on the adequacy of the risk management framework, the Head of Internal Audit noted that the Council's SRR and accompanying Risk Management Policy were still new (agreed by Cabinet in 2020) and that both development and additional officer training was required. She advised the meeting that she was happy to support officers in the development of the SRR. The Assistant Director for ICT/Digital and Transformation added that CMLT were in discussion on how to progress the SRR further as there was currently no resource for a dedicated Risk Management Officer.

It was then

RESOLVED

1. To note the Strategic Risk Register for the Council.
2. That the suggestions of the Committee (outlined above) be implemented.

30 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme.

The Chairman advised the Committee that the Audit Results Report 2020/21 would not be available for the 17 March Audit meeting, and that an additional meeting would be scheduled for April 2021 to consider this item. The Assistant Director of Finance explained that there was no statutory deadline for the Audit Results Report, however, it was considered good practice to sign it off as soon as possible.

Members queried whether the External Audit Plan 2022/23 would be presented to the Committee at its next meeting. The Assistant Director of Finance advised that he would liaise with EY.

The Head of Internal Audit recommended that both an update of the Annual Report of the Audit Committee and the 2020/21 self-assessment of the Audit Committee be brought to the next meeting, to allow members to review the changes made.

(The meeting concluded at 10.53 am)

Chairman