



**Audit committee**

**16:30 to 17:45**

**18 January 2022**

Present: Councillors Price (chair), Driver, Giles, Haynes, Sands (M), Stutely and Wright

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillor Peek

**1. Public questions/petitions**

There were no public questions or petitions received.

**2. Declarations of interest**

There were no declarations of interests.

**3. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 23 November 2021, subject to item 6, Update from the Chair of Scrutiny Committee, making the following correction by inserting “1” after “202” so that it reads “2021”.

**4. Internal Audit Q2 Update**

The internal audit manager presented the appended report. The internal audit plan had been reviewed to ensure that it addressed the key identifiable risks and was deliverable within the existing resource. The report provided detail of the review undertaken, the proposed amendments to the planned work and resource implications.

During discussion, the internal audit manager, together with the head of finance, audit and risk, and the executive director of corporate and commercial services answered members' questions. Members were advised that there was a budget allocation of £20,000, which could be drawn down to provide external resources. This was part of the interim arrangements that the council had entered into with South Norfolk Council until it could join the Consortium in April 2022.

A member commented on the risk-based approach and said that she was concerned that “65 days” of audit work was being deferred, and that whilst the reasons for deferral were provided in the table (paragraph 2.2 or page 15 of the agenda papers),

alternatives or an explanation of the risk that deferral of audit work could have on the council were not included. The internal audit manager confirmed that the reasons for deferring audit work were provided in the table. The review of this year's audit plan had looked at what the team of two internal auditors could deliver by 31 March 2022, against the council's risk management register and prioritised areas identified as a risk. When the internal audit plan was drawn up, no justification or reasons for audit work to be delivered or prioritised had been provided but this omission would be addressed in future.

A member referred to an article in the Local Government Association's magazine for councillors "Understanding Cyber Risk" ([Understanding cyber risk | first magazine for councillors \(lgafirst.co.uk\)](https://www.lgafirst.co.uk)), which contained a list of questions that councillors could ask, and suggested that the audit committee used these in an interactive session when the IT Audit had been concluded. The chair acknowledged that the council was working hard to mitigate risk to the council from cyber-attacks but considered it would be prudent for the committee to undergo this exercise. The executive director of corporate and commercial services said that a specialist team of auditors, TIAA, would be conducting the audit work, under the existing arrangements. She suggested that there was a discussion/interactive briefing about what the risks were and what the council could do to mitigate these risks. The committee agreed to conduct this exercise at its June/July meeting.

Commenting on the 65 days of audit work that would be carried forward into the next financial year, a member expressed concern that this was a significant amount of work and would impact on the 2022/23 audit cycle. The internal audit manager said that the council was working towards a rolling three-year programme and would have a better idea what coverage was needed to ascertain what to put into the three-year strategy later in the year. In reply to the member's supplementary question, the internal audit manager said that it was not proposed that every area of the council would be audited every three years and the plan would be based on risk management. Managers should manage risk levels at operational levels and escalate if risk scores increased or were rising. The chair asked whether this put the council at reputational risk by not auditing all areas. The internal audit manager said that a significant risk would score highly on the risk management register and senior management could then add it to the internal audit programme. The internal audit plan needed to be fluid and flexible to meet the needs of the council and focus on risk.

In reply to a member's question, the internal audit manager said that she had not come across any areas where the allocation of days had been too high in this plan.. Any changes to the plan arising from an increase in the risk score, or outcome of an audit review, would be reported to the committee and was included in the new template.

The chair, in conclusion, commented on the report and the reduction of days in the overall plan in recent years as the council moved to a risk-based approach.

**RESOLVED** to:

- (1) endorse the proposed changes to the Internal Audit Plan for 2021/22;

- (2) consider the outcome of the IT cyber security questionnaire from the LGA suggestion at the June/July committee meeting and conduct an interactive briefing on cyber security with members.

## **5. Audit Committee Self-Assessment**

The internal audit manager presented the report. A revised version of Appendix 1 had been circulated to members proposing target dates for the committee to consider.

The chair thanked members who had participated in the self-assessment exercise in November and the internal audit manager for facilitating the session.

During discussion, the internal audit manager explained that the committee has assessed several areas as “partly” or not fully compliant. The action plan set out target dates to achieve compliance. A member welcomed the report and considered that the proposed target dates for completion of actions was useful but suggested that in relation to item 18, the action target date was moved forward to June 2022 to inform any training that the committee needed and its other actions, such as the appointment of an independent person.

The head of legal and procurement said that the constitution working party had noted the committee’s request to review its involvement in Treasury Management and asked the committee to bring back a proposal for consideration at a future meeting of the working party. During discussion members considered that a proposal for members of the committee to be involved in reviewing Treasury Management could be agreed via email outside the meeting. The executive director of corporate and commercial services said that Treasury Management and the appointment of an independent member should be given due consideration and that she would be pleased to assist members by sharing feedback from research and other information.

The vice chair questioned whether the committee would have sufficient time to fulfil the action plan. The chair said that it was important that there was adequate debate and that meetings should be structured accordingly. He proposed that extraordinary meetings could be arranged if required. Audit committee was one of the four main committees of the council and with four to five meetings per annum, a 2-hour meeting was not too onerous. During discussion officers advised that meetings required attention, and this was lost if meetings were prolonged. It was agreed that it was better to organise extraordinary meetings as necessary rather than cancel scheduled meetings.

The chair commented that going forward self-assessment would be reviewed annually. The committee could improve on those areas that were only partly compliant. The target dates in the action plan were acceptable with the change to action 18. He pointed out that action 4 would raise other councillors’ awareness of the role of the audit committee in the organisation. He welcomed the involvement of the committee in Treasury Management and the appointment of an independent member for the next cycle. He congratulated the committee and officers for their participation in the self-assessment exercise.

**RESOLVED to:**

- (1) confirm that the report is an accurate reflection of the committee's self-assessment;
- (2) agree the action plan (appended to these minutes) and as amended by moving the target action for action 18 forward to June 2022;
- (3) note that the executive director of corporate and commercial services will share research information on audit committee involvement with Treasury Management and with members to inform their proposals to the constitution working party.

**6. Extraordinary Meeting**

The chair explained that an extraordinary meeting would be required to sign-off the Annual Governance Statement 2020/21, and the Statement of Accounts and Audit Results Report 2020/21 and, in consultation with the vice chair, he would ask the executive director of corporate and commercial services to convene the meeting when appropriate.

The executive director of corporate and commercial services explained that the completion of the external audit had been delayed. She was meeting with the head of finance, risk and audit and the external auditors regularly, but the external audit team was struggling to resource the audit, and this was causing the delay. This was frustrating as the council had submitted its accounts within the statutory deadlines. It was difficult for the finance team as it was servicing the audit whilst also preparing the budget for 2022/23 and the year-end accounts for 2021/22. In reply to a member's question, she said there were no penalties for the external auditors or the council for signing off the accounts late. The auditors would continue the audit until they could be satisfied that they could provide an audit opinion.

In reply to a member's question on the impact of the delay of the audit on the budget setting process, the executive director of corporate and commercial services confirmed that work was continuing on the budget setting process, and they were on track to deliver the budget. Any audit adjustments that impacted on the council's revenue position would be reported to members if substantiated. A statement would be made in the budget papers to note that the previous year's audit had not been concluded.

In reply to a member's concern that the extraordinary meeting could fall in the pre-election period, the head of legal and procurement said that the council was obliged to sign off the accounts in a timely manner and that this was not an issue. The executive director of corporate and commercial services said that she expected that the meeting could be by the end of March.

Discussion ensued in which members expressed their frustration with the service provided by the external auditors. Councillor Kendrick, cabinet member for resources, shared members' concerns and said that local government external audit was a broken system.

**RESOLVED** to note that the chair, in consultation with the vice chair and the executive director of corporate and commercial services, will ask for an extraordinary meeting of the committee to be convened to consider the Annual Governance Statement 2020/21 and Statement of Accounts and Audit Results Report 2020/21.

CHAIR

## Appendix - Item 5 (above) Audit Committee Self-Assessment – Actions arising from Self-Assessment

Question	Assessment	Action	Proposed Target Date
4	Partly	Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.	July 2022
8	Partly	Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.	Ongoing annually
9	Partly	Treasury management is included within the list of wider areas of involvement for Audit Committees. The Committee requests that CLT and the Constitutional Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.	April 2022
12	Partly	To enhance knowledge skills and independence of the Committee, an independent member will be appointed using the appropriate process.	July 2022
15	No	The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.	April 2022
18	Partly	Feedback would be received by the Committee as part of the presentation of the annual report. However, the Committee suggests that a survey of staff and other members interacting with the Committee is undertaken to provide feedback.	June 2022
19	Partly	As part of the self-assessment exercise the Committee has evaluated how it is adding value. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area.	October 2022
20	Partly	It is recommended that the actions arising from this assessment are monitored to completion by the Committee.	October 2022