

# **Finance, Resources, Audit and Governance Committee**

## **Agenda**

### **Members of the Finance, Resources, Audit and Governance Committee:**

Cllr P Hardy (Chairman)  
Cllr C Brown  
Cllr D Elmer  
Cllr K Kiddie  
Cllr N Legg

Cllr S Ridley (Vice Chairman)  
Cllr B Duffin  
Cllr C Hudson  
Cllr T Laidlaw

### **Date & Time:**

Friday 15 July 2022  
9.30am

### **Place:**

Council Chamber, South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

### **Contact:**

Jessica Hammond tel (01508) 505298  
Email: [committee.snc@southnorfolkandbroadland.gov.uk](mailto:committee.snc@southnorfolkandbroadland.gov.uk)  
Website: [www.southnorfolkandbroadland.gov.uk](http://www.southnorfolkandbroadland.gov.uk)

### **PUBLIC ATTENDANCE:**

If a member of the public would like to attend to speak on an agenda item, please email your request to [committee.snc@southnorfolkandbroadland.gov.uk](mailto:committee.snc@southnorfolkandbroadland.gov.uk), no later than 5.00pm on Tuesday 12 July 2022.

### **Large print version can be made available**

If you have any special requirements in order to attend this meeting, please let us know in advance.

# **AGENDA**

- 1. To report apologies for absence and to identify substitute members;**
- 2. Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act, 1972. Urgent business may only be taken if, “by reason of special circumstances” (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;**
- 3. To receive Declarations of interest from Members;**  
(Please see guidance form and flow chart attached – page 7)
- 4. To confirm the minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 25 March 2022;**  
(attached – page 9)
- 5. Progress Report on Internal Audit Activity;**  
(attached – page 15)
- 6. Head of Internal Audit’s Annual Report and Opinion 2021/22;**  
(attached – page 47)
- 7. Annual Governance Statement 2021/22;**  
(attached – page 62)
- 8. Verbal update on the Counter Fraud Service;**  
(Verbal Update)
- 9. Finance, Resources, Audit & Governance Committee Work Programme;**  
(attached – page 78)

## Glossary

### General Terms

**AGS** – *Annual Governance Statement* – 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.

**Build Insight** – The Council's Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

**CIPFA** – *the Chartered Institute of Public Finance and Accountancy* – the accountancy body for public services

**CoCo** - *Code of Connection* – a list of security controls that the Council has to have in place in order to undertake secure transactions with other government bodies

**CNC** - a joint venture established with Norwich City Council, Broadland Council and Kings Lynn and West Norfolk Borough Council to deliver the Council's building control functions, ensuring buildings and developments comply with building regulations

**CNC CS** – CNC consultancy services, the private company administered by CNC

**CREDITOR** - A person or organisation which the Council owes money to for a service or goods.

**CSO** – *Contract Standing Orders* – outline the Council's rules when entering into contracts and buying large value goods

**GIG** - Gaining Independence Grant – a small grant to support residents with adaptations to allow them to live independently

**GNDP** – *Greater Norwich Development Partnership* – a partnership with Norwich City and Broadland Councils that manages delivery of the Government's growth strategies

**GNGB** – *Greater Norwich Growth Board* – a partnership with Broadland Council, Norwich City Council, Norfolk County Council and New Anglia Local Enterprise Partnership providing strategic direction, monitoring and coordination of both the City Deal and the wider growth programme for the Greater Norwich area

**JCS** – *Joint Core Strategy* – sets out the general vision and objectives for delivering the local development framework

**JOURNAL** - The transfer of a transaction to either a different cost centre or a different categorisation within the finance system e.g. transfer of an item of expenditure between HR and Planning or the transfer of expenditure from electricity to water. These are used to correct input errors, share costs/income between cost centres or to record expenditure or income which has not yet been invoiced.

**KPI** - Key Performance Indicator

**LASAAC** – *Local Authority (Scotland) Accounts Advisory Committee* – this Committee develops proper accounting practice for Scottish Local Authorities

**LDF** – *Local Development Framework*- outlines the management of planning in the Council

**LEDGER** - A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger.

**LGA** – *Local Government Association* – a lobbying organisation for local councils

**LGPS** – *Local Government Pension Scheme*- Pension Scheme for all public-sector employees

**LSVT** - *Large Scale Voluntary Transfer* - the transfer of the Council's housing stock to Saffron Housing Trust

**Moving Forward Together** – The Council's internal programme to improve performance in a number of key areas

**NFI** – *National Fraud Initiative* – A national exercise to compare data across public sector organisation to aid identifying potential frauds

**NHB** – New Homes Bonus - grant paid by central government to local councils for increasing the number of homes and their use

**NI** – *National Indicator* – a measure used to identify how the Council is performing that is determined by central government

**NNDR/NDR** – (*National*) *Non-Domestic Rates* – commonly known as Business Rates

**PI** – *Performance Indicator* – measure used to identify how the Council is performing

**PSN** – *Public Services Network* - provides a secure private internet for organisations across Central Government and the Wider Public Sector and standardised ICT infrastructure

**RAD** - Rent Assisted Deposit scheme.

**RFG** – *Rules of Financial Governance* – the Council's rules governing the day-to-day financial activities undertaken

**SLA** – *Service Level Agreement* – an agreement that sets out the terms of reference for when one organisation provides a service to another

**MTP** – *Medium Term Plan* – sets out the future forecast financial position of the Council

**SOLACE** – *Society of Local Authority Chief Executives* – society promoting public sector management and development

**SPARSE** – *Sparsity Partnership for Authorities Delivering Rural Services* – an organisation that benchmarks and supports local rural councils

**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.

## **Audit Terminology**

**APB** – *Auditing Practices Board* – the body that sets the standards for auditing in the UK

**COUNT** – *Count Once, Use Numerous Times* – a system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways

**ISA** – *International Auditing Standard* – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts

**VFM Conclusion** – *Value for Money Conclusion* – our external auditors are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts.

## **Accounting Terminology**

**BRRS** – *Business Rates Retention Scheme* - provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)

**CFR** – *Capital Financing Requirement* – a calculated figure that establishes the amount of money the Council needs to borrow

**Collection Fund** – a separate account statement that records the transactions relating to the collection and redistribution of council tax and business rates

**GAAP** – *Generally Accepted Accounting Practice* – this provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)

**IAS** – *International Accounting Standards* – these were the precursors for international financial reporting standards (see below).

**IFRS** – *International Financial Reporting Standards* – the underlying standards for the Council's accounting policies and treatment of balances

**IPSAS** – *International Public-Sector Accounting Standards* – these set out the accounting standards for public sector bodies and are based on the international financial reporting standards.

**MRP** – *Minimum Revenue Provision* – the amount of money the Council needs to set aside each year to fund activities from revenue balances

**Non-current assets** – assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)

**RSG** – *Revenue Support Grant* - one source of Council funding from Central Government

**SeRCOP** – *Service Reporting Code of Practice* – outlines how Council should classify income and expenditure across different services

**SSAP** – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK

**The Code** – *Code of Practice on Local Authority Accounting in the UK* – main guidance on accounting treatment required for the statement of accounts

**Virement** – The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval.

**WGA** – *Whole of Government Accounts* – an exercise undertaken to consolidate all the accounting records of government bodies

### **International Accounting and Financial Reporting Standards Reference Numbers**

**IAS1** – *Presentation of Financial Statements* – sets out the prescribed format for statements of accounts

**IAS19** – *Employee Benefits* – essentially provides the basis for accounting for the pension fund

**IAS20** – *Accounting for Government Grants* – establishes the accounting treatment for receiving government grants

**IAS40** – *Investment Property* – how organisations should account for properties held as an investment

**IPSAS16** – *Investment Property* – how public-sector organisations should account for properties held as an investment

**IPSAS23** – *Revenue from non-exchange transactions (taxes and transfers)* – this determines how monies from taxes should be treated in the accounts

### **Council Systems**

**ALBACS CS** – The Council's system to make payments to other organisations

**AXIS** - Income receiving system which interacts directly with Integra

**Clubrunner** – System used to manage bookings and activities at the leisure centres

**eXpress** – the electoral registration system

**FAM** – the system used by the accountancy team to record the Council's assets and associated transactions

**IBS** – the Revenues system, maintains all Council Tax, Business Rates and Benefits records

**IDOX Uniform** – IT platform covering Planning, Building Control, Environmental Services, Land Charges, Licensing, Estates, Street Naming and Numbering and Address Gazetteer.

**Integra** – general ledger used to record all accounting transactions, including purchases made by the Council and income received by the Council

**LALPAC** – system used to record licensing details

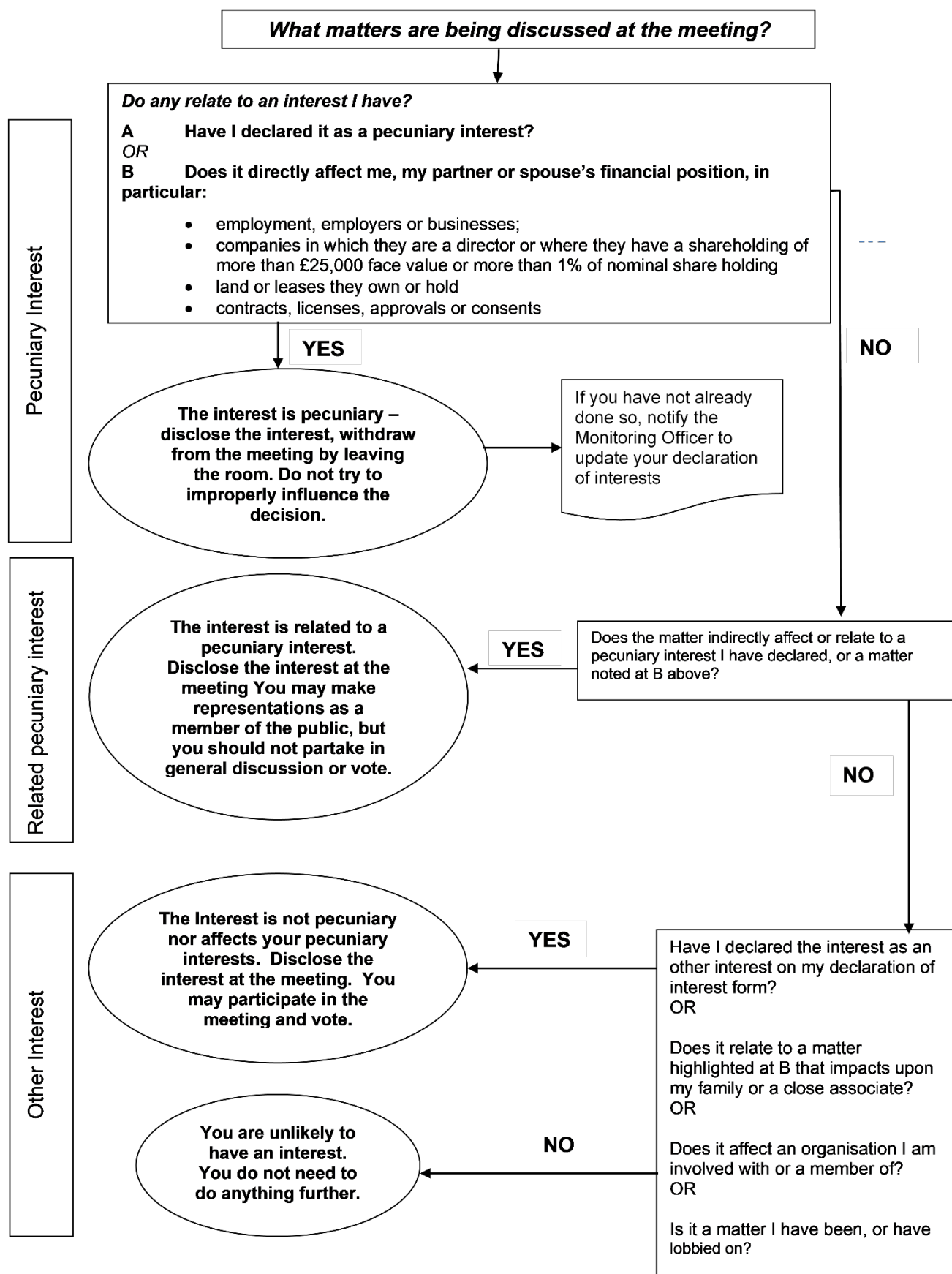
## DECLARATIONS OF INTEREST AT MEETINGS

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"> <li>1. affect yours, or your spouse / partner's financial position?</li> <li>2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?</li> <li>3. Relate to a contract you, or your spouse / partner have with the Council</li> <li>4. Affect land you or your spouse / partner own</li> <li>5. Affect a company that you or your partner own, or have a shareholding in</li> </ol> <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: 4**

## **FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE**

**Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk District Council, held on Friday 25 March 2022 at 9.30am.**

**Committee Members Present:** Councillors: P Hardy (Chairman), C Brown, D Elmer, T Laidlaw, N Legg, S Ridley and J Worley

**Apologies:** Councillors: B Duffin and K Kiddie

**Substitute:** Councillor: J Worley for B Duffin

**Cabinet Member in Attendance:** Councillor: A Dearnley

**Officers in Attendance:** The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Internal Audit Trainee (E Voinic) and the Democratic Services Officer (J Hammond)

### **286 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr Duffin and Cllr Kiddie

### **287 DECLARATIONS OF INTEREST**

No declaration of interests were received.

### **288 MINUTES**

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 4 February 2022 were confirmed as a correct record.

## **289 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2022/23**

Members considered the report, which provided an overview of the stages followed prior to the formation of the Strategic Internal Audit Plan for 2022/23 to 2025/26 and the Annual Internal Audit Plan for 2022/23, which would then serve as the work programme for the Council's Internal Audit Services contractor; TIAA Ltd. The report also provided the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of South Norfolk Council's framework of governance, risk management and control.

The Head of Internal Audit explained that meetings had been held with all Assistant Directors to discuss service area risks and scheduled projects.

She also informed the Committee that the Risk Management Audit work would be carried out by herself and the Internal Audit Trainee, it was expected that the work would coincide with the Risk Management Policy Review suggested by the Committee at its last meeting.

Members were informed that 17 of the planned audits would be carried out jointly with Broadland District Council, which would provide significant time and resource savings, she assured members that despite the shared audit work, the two Council's Audit Plans would remain separate.

The discussion turned to the FOI's Complaints Audit and members queried whether this new audit area arose from an increase in complaints. The Head of Internal Audit advised that the area previously formed part of the Corporate Governance audit but would now be considered separately.

In response to a question, the Head of Internal Audit explained that the Elections and Electoral Registration Audit was a proactive piece of work which would assess potential risks in advance of the elections due in May 2023, she added that any recommendations from the audit would form the Follow Up Report on Internal Audit Recommendations.

After further discussion it was

### **RESOLVED**

To approve:

- a) The Internal Audit Strategy;
- b) The Strategic Internal Audit Plans 2022/23 to 2025/26; and
- c) The Annual Internal Audit Plan 2022/23

## **290 ANNUAL REPORT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE 2021/22**

The Chairman introduced the item and informed Members of the terms of reference for the Committee.

The Internal Audit Trainee then presented the report, which summarised the work undertaken by the Committee during 2021/22, 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
- Strategic Risk Register
- Opting into PSAA External Auditor Appointment
- Review of Local Government Ombudsman 2021

The report also confirmed that the Committee had operated in accordance with its Terms of Reference, had sought to comply with best practice and had demonstrated effective challenge during its meetings.

One member queried the role of the Committee with regard to the Strategic Risk Register, the Head of Internal Audit explained that the Committee were responsible for the review of the Risk Management Policy and its Framework, she added that only Cabinet could determine whether an item should be added or removed from the register. Members were then advised that the Assistant Director for ICT, Digital and Transformation was committed to reviewing how the Strategic Risk Register was presented and its ability to clearly indicate which risks had been de-escalated to the Directorate Risk Register.

The Committee requested that amendments be made to the report to reflect the role of the Committee in terms of the Strategic Risk Register and to clarify that no decision had been made in terms of the number of times it would be presented to the Committee.

It was then

### **RESOLVED**

TO RECOMMEND TO COUNCIL that it approves the content of the Annual Report of the Finance, Resources, Audit and Governance Committee, subject to the requested amendments outlined above.

## 291    **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 during the period 27 January 2022 to 14 March 2022.

The Head of Internal Audit explained that 107 days of programmed work had been completed, which equated to 70% of the Audit Plan for 2021/22. She further advised that all audits were due to be finalised in advance of the Internal Audit Opinion.

Members were advised that three Internal Audits had been finalised between 27 January 2022 - 14 March 2022.

- Performance Management and Business Planning – Reasonable Assurance
- Counter Fraud and Corruption – Limited Assurance
- Annual Governance Statement – Substantial Assurance

With regard to the Counter Fraud and Corruption executive summary, the Head of Internal Audit explained that the review had been carried out consortium-wide using the latest Fighting Fraud and Corruption Strategy. The seven 'important' and two 'needs attention' recommendations were highlighted to members.

Discussion moved to the two recommendations rejected by management. Members were advised that one of the recommendations was marked as 'Important' and had requested that the assessment process for allegations of fraud and corruption be documented centrally rather than on local records, with evidence retained on file. This was rejected by management on the basis that records of cases were kept and the notes held on the systems.

The second recommendation was marked as 'Needs Attention' and had requested that evidence of fraud risks be considered in the development of new policies, strategies, and initiatives across the Council. This was rejected by management on the basis that appropriate policies were reviewed by the Fraud Officer and all policies reviewed by CMLT as they arose.

The Assistant Director of Finance stressed that CMLT supported the recommendations in principle, however, the current resource level within the fraud team would make it impossible to implement the recommendation. Members noted that the decision had been made to prioritise the most important recommendations at this time. In response to further questions, he explained that the Fraud Officer had changed roles with the Council but had agreed to continue in the role one day a week, whilst a review of the service took place.

After further discussion, a vote was then taken and it was

## **RESOLVED**

To note the progress made so far in completing the Internal Audit Plan for 2021/22

### **292 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS**

The Head of Internal Audit presented her report, which informed members on the progress made in relation to management's implementation of agreed internal audit recommendations which were due by 14 March 2022.

With regard to the Council Tax and NNDR recommendation, the Head of Internal Audit advised the Committee that this recommendation had been resolved and that focus would be placed on resolving the two outstanding recommendations from 2019/20.

A vote was taken and it was

## **RESOLVED**

To note the position in relation to the completion of agreed internal audit recommendations as at 14 March 2022

### **293 SELF-ASSESSMENT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE**

The Chairman introduced the item and referred members to the previous year's self-assessment included within the agenda.

Members discussed the good practice questions and agreed that both questions seven and eight should be graded 'Yes', and that the skills and knowledge matrix should be recirculated to Members before question fifteen was regraded.

Discussion turned to the self-assessment evaluating the effectiveness of the FRAG Committee. Attention was drawn to the section "*Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks*" and members suggested that the grading should be upgraded to 4 as a Risk Management Policy had been established and the necessary training provided.

## **294 WORK PROGRAMME**

Members considered and noted the Finance, Resources, Audit and Governance Committee's Work Programme.

The Chairman reminded member that an informal presentation by representatives from Big Sky would follow the formal meeting.

(The meeting concluded at 10.29am)

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Chairman

## Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 15 March 2022 to 7 July 2022

Responsible Officer: Faye Haywood – Head of Internal Audit for South Norfolk 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 audits; and
  - Performance Indicator outcomes to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 Since the plan's approval on 25<sup>th</sup> June 2021, one significant change to the plan has been made. At the request of senior management, a position statement has been completed over 10 days covering Council Tax Discounts and Exemptions.

## 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 158 days has now been completed. The 2021/22 plan of work is now complete, with two reports in the quality assurance process and four in draft.

## 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, four Internal Audit reports have been finalised; four reports have been issued in draft.

Audit	Assurance	P1	P2	P3
Accountancy Services	Reasonable	0	2	1
Disaster Recovery	Limited	3	4	1
Homelessness and Housing Options	Reasonable	0	4	1
Corporate Health and Safety	Substantial	0	0	3
Food Safety and Licencing (Draft)	Reasonable	0	2	2
Accounts Receivable (Draft)	Limited	1	2	2
Income (Draft)	Reasonable	0	3	3
Key Controls and Assurance (Draft)	Reasonable	0	3	4
<b>Total</b>		<b>4</b>	<b>20</b>	<b>17</b>

The Executive Summaries of these reports are attached at **Appendix 2**, full copies can be requested by Members.

- 4.5 As can be seen in the table above as a result of these audits 41 recommendations have been raised and agreed by management.
- 4.6 One operational effectiveness matter has been raised for management consideration within the Accounts Receivable report.
- 4.7 In addition, an additional position statement has been completed for Council Tax and Discounts and Exemptions. This work has resulted in a number of suggested actions for management consideration. The key findings from this work are referenced below;
- Decisions on complex cases be recorded on accounts to show the outcome, reasons and decision makers.
  - Review the liabilities on the caravan accounts reviewed as part of the sample.
  - Review how caravans and similar properties are incorporated into the regular inspection programme, to help maintain up to date records.
  - Seek advice from the Department for Business, Energy and Industrial Strategy and/or National Anti-Fraud Network for guidance on how to proceed with

- the case of potential covid business grant fraud. Suggested action not agreed by management.
- Where investigations or updates are put on hold, the reason for action being put on hold to be added to the account and future work items be set on the account to ensure that it is picked up again in the future.

## **6 PROPOSAL**

- 6.1 The Finance, Resources, Audit and Governance Committee are requested to receive and note the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.

## **7. RECOMMENDATIONS**

- 7.1 That members note the progress made in completing the Internal Audit Plan for 2021/22.

## 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	
<b>Quarter 2</b>											
Performance Management, Business Planning	SNC2202	10	10	10	Final report issued on 2 February 2022.	Reasonable	0	2	1	0	March 2022
Corporate Health and Safety	SNC2205	8	8	8	Final report issued on 16 June 2022.	Substantial	0	0	3	0	July 2022
Counter Fraud and Corruption	SNC2206	8	8	8	Final report issued on 31 January 2022.	Limited	2	7	2	0	March 2022
COVID-19 Business Grants	SNC2210	8	8	8	Final report issued on 11 October 2021.	Reasonable	0	0	3	0	January 2022
<b>TOTAL</b>		<b>34</b>	<b>34</b>	<b>34</b>							
<b>Quarter 3</b>											
Annual Governance Statement	SNC2203	8	8	8	Final report issued on 4 February 2022.	Substantial	0	0	3	0	March 2022
Accounts Receivable	SNC2207	10	10	10	Draft report issued 5 July 2022	Limited	1	2	2	1	July 2022
Income	SNC2208	8	8	8	Draft report issued 7 July 2022	Reasonable	0	3	3	0	July 2022
Accountancy Services	SNC2209	15	15	15	Final report issued on 26 April 2022.	Reasonable	0	2	1	0	July 2022
<b>TOTAL</b>		<b>41</b>	<b>41</b>	<b>41</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	SNC2201	15	15	15	Draft report issued 5 July 2022	Reasonable	0	3	4	0	July 2022
Big Sky	SNC2204	10	10	8	Draft position statement	Position Statement					
Homelessness & Housing Options	SNC2211	10	10	10	Final report issued on 15 June 2022.	Reasonable	0	4	1	0	July 2022
Food Safety and Licencing	SNC2212	10	10	10	Draft report issued on 7 June 2022.	Reasonable	0	2	2	0	July 2022
Council Tax Discounts and Exemptions	SNC2215	0	10	10	Final position statement issued 7 June 2022	Position Statement					July 2022
<b>TOTAL</b>		<b>45</b>	<b>55</b>	<b>53</b>							
<b>IT Audits</b>											
Cyber Security	SNC2213	10	10	8	Draft report in preparation.						
Disaster Recovery	SNC2214	10	10	10	Final report issued on 19 April 2022.	Limited	3	4	1	0	July 2022
<b>TOTAL</b>		<b>20</b>	<b>20</b>	<b>18</b>							
<b>Follow Up</b>											
Follow Up	N/A	12	12	12							
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>12</b>							
<b>TOTAL</b>		<b>152</b>	<b>162</b>	<b>158</b>			<b>6</b>	<b>29</b>	<b>26</b>	<b>1</b>	
<b>Percentage of plan completed</b>				<b>98%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of SNC/BRD2209 Accountancy Services

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Treasury Management	0	0	1	0
Journal Entries, General Ledger Maintenance	0	2	0	0
Total	0	2	1	0

##### SCOPE

These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.

## RATIONALE

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- 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 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report on Accountancy Services for South Norfolk Council (SNC) was issued in February 2020 (SNC/20/07), with a 'Reasonable' assurance having raised two 'Important', five 'Needs attention', and one 'Operational' recommendations. The previous report on Accountancy Services for Broadland District Council (BRD) was issued in January 2020 (BRD/20/03), with a 'Reasonable' assurance having raised one 'Important', and three 'Needs attention' recommendations. This indicates a positive direction of travel since the previous audit in this area.

## POSITIVE FINDINGS

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

- The Treasury Management Strategy is sufficiently detailed and clearly identifies how it meets the requirements of the Code of Practice and the Prudential Code. This helps direct investment activities undertaken by the Council.
- All investments were approved and the transfer of funds were fully documented showing approval in line with delegated responsibility. This helps ensure that all investments have undergone due diligence and have been authorised prior to investment.
- Regular meetings are being undertaken with budget holders to monitor the budget position, with appropriate evidence maintained. This helps ensure budget holders maintain full awareness of the budget position, and execution in accordance with approved budgets.
- All virements tested were properly authorised and within limits set out in the standing orders. This provides assurance of separations of duties, reducing risk of loss to the council.
- The Payroll control accounts/payroll system is reconciled to the general ledger, with reconciling items identified, investigated and promptly resolved. These reconciliations are signed and dated by the preparer and by an independent reviewing officer. This provides effective control against any anomalies in the general ledger and payroll system and reduces the risk of the misappropriation of funds
- All items on the asset register have been appropriately valued by an independent company, ensuring the accuracy of the Council's assets. Evidence of the valuation is retained on file.

## ISSUES TO BE ADDRESSED

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The audit has also highlighted the following areas where two 'important' recommendations have been made.

### **Journal Entries, General Ledger Maintenance**

- System access review to be completed for both councils. Following completion, reviews to be undertaken at regular intervals.
- Broadland - The preparer and reviewer name and date to be recorded on each reconciliation. Reconciliations lacking these sign-offs to be completed retroactively.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

### **Treasury Management**

- Joint policies to be written for all main accountancy areas. These policies should include version control dates written, dates approved and who approved by. All policies should be reviewed to ensure that they are complete and subject to approval.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations, of which one remains outstanding. This recommendation has been superseded by recommendation 3 raised within this audit, the control issues are still present but the recommendations have been expanded and modified to reflect the testing results and current situation.

## Assurance Review of SNC/BRD2214 Disaster Recovery

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
DR Provision for New Systems	1	0	0	0
DR Plans and Testing	2	0	0	0
IT Risk Management	0	1	0	0
Sharing DR Services	0	1	0	0
DR staffing and Skills	0	1	0	0
Recovery Time Objectives	0	1	0	0
Room access control	0	0	1	0
Total	3	4	1	0

#### SCOPE

A limited assurance grading was issued in 2019/20 at SNC in relation to disaster recovery controls. At Broadland a reasonable was given. This review will confirm that the improvements suggested during these reviews have been embedded and provide assurance that investment to improve resilience at both Councils is on track and is being well managed.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'urgent', four 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work. A limited assurance grading was issued in 2019/20 at South Norfolk in relation to disaster recovery controls. At Broadland a reasonable was given. A recent disruptive incident and subsequent delayed recovery at Broadland highlighted this area as remaining at a high risk. The 2019/20 audit recommended improvements in DR testing, DR capabilities for new systems, Recovery Time Objectives (RTO) and physical access. The 2021/22 audit review focussed on measures in place for the mitigation of the risk of disruption incidents, and the current processes for disaster recovery arrangements and recovery testing.
- It should be noted that all recommendations and observations raised in this report apply equally to both Councils to help provide a way forward to delivering a successful outcome for Disaster Recovery support'. All references to Council or Councils should be assumed to mean both Councils.

## POSITIVE FINDINGS

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

- Senior Management have undertaken a post incident review and have identified a number of recommendation for implementation, including the need to ensure that an appropriately experienced member of the ICT & Digital team is overseeing/caretaking any third parties working in the Data Centre.
- It was noted that data centre sites have adequate physical security including CCTV.
- When 3rd Party Contractors visit data centre sites, they are accompanied and signed into a visitor log.
- It has been noted that support for Disaster Recovery processes is an explicit part of the infrastructure refresh programme.



## ISSUES TO BE ADDRESSED

---

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings three 'urgent' recommendations have been made.

### Disaster Recovery (DR) provision for New Systems

- DR provision to be considered for new systems.

### DR Plans

- Council DR Plans to be reviewed, updated, communicated and tested.

### DR Testing

- Both of the Councils' DR Plans to be tested and documented on a regular basis using a risk-based test plan.

The audit has also highlighted the following areas where four 'important' recommendations have been made.

### IT Risk Management

- A formal IT risk assessment to be conducted to assess potential DR scenarios at both Councils.

### Adequacy of DR Provision

- Sharing of DR services between the Councils to be formalised.
- A review needs to be undertaken to ensure that appropriate Council staff across both Councils have DR responsibilities and that relevant post holders are upskilled as needed.

### Alignment with Business Continuity Plans

- Recovery Time Objectives (RTO) need to be defined for the new systems across both Councils.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

### **Changing of the door lock code at Wymondham**

- There is a need to implement a process whereby the key code to the door lock to the DR suite located in Wymondham Leisure Centre is changed on a periodic basis, in particular after personnel with knowledge of the code leave either Council or take up a new role that does not require this knowledge.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations, of which one remains outstanding. It is a priority 3 recommendation relating to lessons learned documentation that has been superseded by the recommendations raised within this audit.

# Assurance Review of the SNC/BRD2211 Homelessness & Housing Options

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Housing Register	0	1	0	0
Public Sector & Temporary Accommodation	0	3	1	0
Total	0	4	1	0

### SCOPE

The audit covered strategies, policies and procedures; housing register; assessment of homelessness applications; public sector and temporary accommodation; Domestic Abuse Act; and Management and monitoring of the current SLA.

## RATIONALE

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- 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 four 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- Homelessness and Housing Options was last reviewed at South Norfolk Council in 2019/20, (SNC2005) where a reasonable assurance was concluded, with all three 'important' recommendations having been addressed by management.
- Homelessness and Housing Options was last reviewed at Broadland District Council in 2019/20, (BRD2006), where a limited assurance was concluded, with one 'urgent', five 'important' and one 'needs attention' recommendations having been addressed by management.

## POSITIVE FINDINGS

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

- The Greater Norwich Homelessness Strategy 2020-25 (Broadland, Norwich City and South Norfolk Councils) is available on the Broadland District Council (BDC) and South Norfolk Council's (SNC) joint website. The Strategy focuses on the determinants of homelessness and how the Councils can strengthen the prevention of homelessness duties.
- The BDC and SNC Allocation Schemes aim to reduce the use of temporary accommodation for homeless applicants and to assist with prevention by making customers aware of their potential housing choices and the alternative options available to them.
- Applicants on the BDC and SNC housing registers are assessed in accordance with the Allocation Schemes to ensure their eligibility and priority need prior to being added to the BDC and SNC housing registers.
- Available properties are awarded to successful bidders to ensure fair distribution of limited available accommodation.
- Homelessness Decision Reports are reviewed by another Housing officer other than the one who carried out the initial assessment to ensure fairness and accuracy of the assessment.
- Housing benefit claims are processed for applicants in a timely manner and accounted for within the service to ensure appropriate allocation of BDC and SNC's resources.
- Monthly meetings are held with the BDC and SNC's four largest landlords where cases that could result in homelessness are discussed to ensure actions to prevent homelessness are put in place as appropriate.

- BDC and SNC follow guidelines set out in the Homelessness Code of Guidance to ensure adequate assessment, advice and support is provided to Domestic Abuse (DA) victims.

## ISSUES TO BE ADDRESSED

---

The audit has highlighted the following areas where four 'important' recommendations have been made.

### Housing Register

- A dashboard of the caseload management, including the backlogs and progress towards reducing them, along with the competing priorities of the team to be produced and monitored on a monthly basis.

### Public Sector and Temporary Accommodation

- As part of the quality checking of case management, the completion and recording of temporary accommodation tenant visits to be included, with outcomes to form part of the staff one to one meetings.
- The Council to use electronic web forms for signing temporary accommodation consent forms. These could be issued at the time of assigning accommodation and would filter into the team's electronic caseload system, prompting follow up and action to be taken.
- The Council to use electronic web forms for temporary accommodation tenancy agreements. These could be issued at the time of assigning accommodation and would filter into the team's electronic caseload system, prompting follow up and action to be taken. Existing tenants without an agreement to be identified and included within this process.

The audit has also highlighted the following area where one 'needs attention' recommendation has been made.

### Public Sector and Temporary Accommodation

- Invoices received from temporary accommodation landlords should be checked against the tenancy agreement for accuracy to prevent loss of income to the Council.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

### Previous audit recommendations

The previous internal audit reports for Homelessness and Housing Options (SNC2005 and BRD2006) were issued in 2019, which concluded in 'Reasonable' and 'Limited' assurance opinions respectively. Three 'important' recommendations were raised for the SNC review while one 'urgent', five 'important' and one 'needs attention' recommendations were raised for the BDC review. All of the previous recommendations have been addressed by management.

# Assurance Review of the SNC/BRD 2205 - Corporate Health and Safety

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Roles and Responsibilities	0	0	1	0
Inspection programme	0	0	1	0
Engagement with Specialist Support	0	0	1	0
Corporate Health and Safety Training	0	0	0	0
Total	0	0	3	0

### SCOPE

Scope: This review was deferred from 2020/21 to respond to Covid-19. A Medium High risk has been raised in the strategic register in relation to the risk of a major incident occurring. Norfolk County Council currently provides health and safety related advice and support. Our review provides independent assurance over the controls in place to mitigate this risk such as; key roles and responsibilities, inspections and reporting to provide assurance that the service is operating effectively. Our review also examined the adequacy of procedures in relation to lone working and the dangerous persons register.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial 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 across the two Councils and the performance system have not previously been subject to an internal audit review.

## POSITIVE FINDINGS

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

### Roles and Responsibilities

- The Health and Safety Committee is well attended with representation across key areas. Meeting minutes are recorded and displayed on the Councils website for 12 months. Meetings are held quarterly or when necessary to fulfil function demands.

### Inspection Programme

- Corporate Covid-19 assessments have been undertaken across the councils and are available centrally on the intranet. Comprehensive guidance notes and pro forma are also available.
- A review of the Thorpe Lodge and South Norfolk House risk assessment records confirmed appropriate cyclical testing.

## ISSUES TO BE ADDRESSED

---

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

### Roles and Responsibilities

- The Health and Safety Committee Terms of Reference to be updated in line with current practices and add a reference to the individual roles and responsibilities in the job descriptions for transparency.

### Inspection Programme

- Management to ensure that Fire Risk Assessments are recorded and actions required as a result are monitored until completion.



### **Engagement with Specialist Support**

- The Council to notify the contractor that the SLA in place with Norfolk County Council is not appropriately signed and ensure that contractual agreements of this nature are signed by the Director of Resources.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations**

No previous audit recommendations to review.

### **Additional Finding**

- Audit investigations confirmed that there is no centrally governed programme for inspections/assessments for all Council offices maintained. It is understood that health and safety is delegated and managed locally which is reasonable therefore a recommendation has not been raised. A programme of work with a rolling action list that includes locally managed inspections and assessments is reported to the Health and Safety Committee quarterly and reviewed annually to provide oversight of health and safety progress. The appointed consultant submits the Health and Safety Monitoring Report to track and monitor compliance.
- Discussions with staff and audit fieldwork confirmed that whilst a Council wide assessment has been undertaken, there has been no service-based risk assessment during the Covid-19 pandemic. Management has identified the need for this and are incorporating this into their workplan and therefore a recommendation has not been made but notice must be given that the risk assessments have not yet been carried out.

# DRAFT Assurance Review of SNC/BRD2212 Food Safety and Licencing

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy and Procedures	0	0	1	0
Licensing	0	2*	0	0
Food Safety	0	1*	0	0
Health and Safety	0	1*	1	0
Total	0	2	2	0

\*One recommendation applies to all of these areas.

### SCOPE

This area was deferred from the 2020/21 Plan to allow for urgent Covid-19 audit coverage. This area was last reviewed in 2016/17 at SNC and 2018/19 at BDC and focused on licensing and food safety, where a reasonable assurance grading was given to both Councils. This audit revisited these controls at both Councils now that this area has come together as one team to provide assurance that licensing and Food Health and Safety at work regulation and enforcement controls are operating effectively.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audits of this area at both Councils, undertaken in September 2016 at South Norfolk and September 2017 at Broadland, each concluded in a 'Reasonable' assurance opinion, indicating that the level of control has been maintained.

## POSITIVE FINDINGS

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

- Licensing complaints are investigated promptly with appropriate action taken, to ensure licence conditions are being adhered to.
- Licence fees are reviewed every year to ensure that they are set on a cost recovery basis.
- Licence fees payments are recorded on the application, to ensure that licences are not issued until the correct fee has been received.
- Food hygiene work is being prioritised in accordance with the FSA's Recovery Plan, to ensure that the highest risk businesses are targeted first.
- All food hygiene inspections are conducted in accordance with the food hygiene rating scheme and the FSA's Brand Standard, with outcomes notified to businesses, to ensure consistency and transparency in inspections.
- Food businesses that are rated 3 or below (not 'broadly compliant') are reinspected and followed up, to ensure that issues are satisfactorily addressed.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas where two 'important' recommendations have been made.

### Licensing

- Licence registers and licence fees be published on the Councils' website.

### **Licensing, Food Safety and Health and Safety**

- All relevant documents be uploaded and linked to records on Uniform and Flare.

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

### **Licensing, Food Safety and Health and Safety**

- Procedure notes and work instructions be updated to reflect new processes as these are agreed.

### **Health and Safety**

- All RIDDOR reports to be recorded on the Councils' systems.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations**

The previous audits of this area at Broadland and South Norfolk were undertaken in 2016/17 and 2017/18 respectively. Three recommendations were raised in each of these audits, all of which have since been confirmed as implemented.

### **Other points noted**

- There is currently a backlog of work for animal licensing due to other priorities during the Covid-19 response. A dedicated Animal Licensing Officer joined the team in October 2021 and is working through this backlog. This includes undertaking planned inspections and responding to reports of potential unlicensed premises, which have been prioritised on a risk basis.

The service was significantly disrupted by the Covid-19 pandemic, particularly in terms of food safety, as businesses were closed at times and officers were required to undertake additional Covid-focused work. This caused delays with both routine programmed inspections and inspections of new businesses. This is a national issue and the Food Standards Agency published a Recovery Plan, which the Councils are working to. The Recovery Plan requires prioritisation of interventions and has milestones for when inspections of businesses in various risk categories need to be brought up to date. The Councils achieved the first milestone by the deadline of 31st March 2022 and is on track to meet the remaining deadlines.

### **Risks**

As part of the audit, the key risks facing the service, and the controls in place to reduce these risks, were considered.

- Failure to deliver statutory services. The Councils have statutory responsibilities for food, safety and licensing in the districts and there is a significant reputational risk if these are not delivered. The Councils are prioritising work accordingly, to ensure that the focus is on delivering essential services. As noted in the previous section, the Councils are working to the FSA's Recovery Plan to clear the backlog of work caused by Covid-19 in a risk-based order. No issues in relation to the delivery of statutory responsibilities were noted during the audit.
- Consistency. Due to the formation of the single officer team for the two Councils, there is a risk of inconsistency of approach between the two districts. No consistency issues in terms of approach or outcomes were noted during the audit.
- Staffing. The team consists mostly of experienced officers who know their districts well. This poses a risk of loss of institutional knowledge and difficulty in replacing officers if any were to leave, although this risk is difficult to mitigate. The team currently has two apprentice Environmental Health Officers, to provide a pathway for training and recruitment of new officers. An additional staffing risk relates to the capacity of the team, which currently includes one fixed term Environmental Health Officer and a contractor in Licensing. When these officers leave, there is a risk that the team will not have sufficient capacity to deliver statutory work or resume proactive work, which is not currently happening. This risk has been recorded in the Place directorate risk register, with current controls being staff secondment, use of contractors and the planned service review.
- System migration. The service is in the process of transitioning from using two computer systems to one. There is a plan in place for ensuring that all the data from Flare is migrated to Uniform and resources for this are accounted for. However, there is a significant amount of data for Broadland in hard copy files and it has not currently been decided what is going to happen with these, for example whether they will be scanned or retained in their current form. If they are to be scanned, there is currently no capacity within the team to undertake this work which could result in a proportion of the records used to manage the service being held in paper form, undermining the efficiency of the service and objectives of the project.

# Draft Assurance Review of Accounts Receivable Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures & security of the system	0	0	1	0
Raising of sundry debtors	0	1	1	0
Credits, refunds, and transfers	0	0	0	1
Recovery and write-off of outstanding debt	1	1	0	0
<b>Total</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>

### SCOPE

These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'urgent', two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter 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.
- The previous report on Accounts Receivable for South Norfolk Council (SNC) was issued in March 2020 (SNC/20/08), with a 'Reasonable' assurance having raised two 'important' and one 'needs attention' recommendations. The previous report on Accounts Receivable for Broadland District Council (BDC) was issued in 2019, with a 'Substantial' assurance having raised no recommendations. This indicates a negative direction of travel since the previous audit in this area.

## POSITIVE FINDINGS

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

- The invoice requisition process is built into the finance system, minimising the risk of incorrectly raised invoices. Testing showed 100% compliance.
- All invoices are generated on Council headed paper and include payment instructions as well as terms and conditions.
- SNC- The finance system requires that separation of duties in set up, and it also requires approval of both invoice and credit notes. 100% check was undertaken, and no issues were identified.
- Customer Numbers and ID were tested for possible duplication and there were no issues raised.
- Sample testing verified that credit notes were accurately raised against the initial request, and appropriately authorised.

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'urgent' recommendation has been made.

### Recovery and write off of outstanding debt

- Sundry Debt reports to be run and reviewed regularly, with action taken as appropriate. Additionally, a plan should be developed to address the backlog of aged debts that has accrued (over £716,000 in debt aged greater than 150 days between both Councils, as of 31<sup>st</sup> March 2022), with progress against the plan monitored.

The audit has also highlighted the following areas where two 'important' recommendations have been made.

### **Credits, refunds and transfers**

- Review of system controls to be completed to verify if there is a means of preventing duplicate Invoice/Credit Note document numbers being raised automatically.

### **Recovery and write off of outstanding debt**

- Both Councils to take all steps to recover outstanding debts, including legal action, with documented decisions and rationale maintained for individual debts.

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

### **Policies and Procedures & security of the system**

- Corporate Debt Collection Policy, Principles and Procedure to be revised to include date written, who it was approved by, and specific details in relation to recovery of debts for example when specific recovery action should be taken/escalated, and who is responsible for the recovery actions.

### **Raising of sundry debtors**

- BDC only- Management to implement controls to ensure separation of duties in the raising and approving of invoices.

### **Operational Effectiveness Matters**

The operational effectiveness matters, for management to consider relates to the following:

- Management to consider adding credit note approval to system controls in the same way as invoice approval.

### **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

### **Other Points Noted**

While not implemented for consideration in our audit, Management have stated that a post for a Financial Transactions Supervisor is being created. Debt recovery is anticipated to be one of the key responsibilities of this post, in order to address the aged debt that has accumulated while recovery actions have been paused.



## Draft Assurance Review of Key Controls and Assurance

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Accounts Payable	0	1	2	0
Payroll	0	0	2	0
CTAX and NNDR	0	2	0	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>0</b>

No recommendations have been raised in respect of Housing Benefit.

#### 2COPE

This audit covers an annual review of key controls that feed into the Statement of Accounts, for those systems that are not subject to an audit review within the 2021/2022 audit plan.

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audits of Key Controls for both Councils in 2021 (SNC and BRD 21/08) also concluded in a 'Reasonable' assurance opinion, indicating that the level of control has not changed.

## KEY FINDINGS

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### Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by Internal Audit each year, in order to support the Annual Governance Statement and the Head of Internal Audit's Annual Report and Opinion.

The following areas were subject to full sample testing as part of this key controls audit:

- Accounts Payable
- Payroll and Human Resources
- Housing Benefit and Council Tax Support
- Council Tax and National Non-Domestic Rates

This audit will refer to the conclusions drawn from the following systems, where full year testing was applied in separate audits:

- Accountancy Services (SNC2209 / BRD2209)
- Accounts Receivable (SNC2207 / BRD2207)
- Income (SNC2208 / BRD2208)

## ISSUES TO BE ADDRESSED

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The audit has highlighted the following areas where three 'important' recommendations have been made.

### **Accounts Payable**

- Reconciliations of purchase order authorisers against the signatory list be undertaken on a quarterly basis. Any purchase orders authorised outside of the authorisation list to be validated and either the list updated or further investigation into the individual authoriser. (Both Councils)

### **CTAX and NNDR**

- The NNDR rural settlement relief biannual review to be undertaken for 2020-2022. (South Norfolk)
- The CTAX and NNDR System to be reconciled to the general ledger on a monthly basis, documented and subject to independent review. (Broadland)

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

### **Accounts Payable**

- Copies of all supporting information, such as invoices, to be retained within the audit trail. (Broadland)
- To ensure all information provided on new supplier forms are included on the system. (Both Councils)

### **Payroll**

- A review of the pay run to payslip variance exception to be undertaken, to ascertain the root cause for the highlighted discrepancy. All such discrepancies to be checked, amended where relevant and recorded. (South Norfolk)
- Salary sacrifice agreements must be obtained and retained on file for the duration of the salary sacrifice, or positive returns agreed and provided from the payroll provider that they have signed agreements on file. (Both Councils)

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations**

The previous audit of Key Controls at Broadland District Council and South Norfolk Council (BRD and SNC/20/08) was undertaken in March, to May 2021, providing a Reasonable assurance rating. The audit raised two important and four needs attention priority recommendations relating to the general ledger, accounts receivable and income. All have been confirmed as implemented.

### **Other Points Noted**

Debt Recovery following the automated processes within the Finance team for Broadland District Council and South Norfolk Council was restarted after Covid-19 in January 2021 and ceased again throughout the financial year 2021/22.

## Draft Assurance Review of Income Arrangements

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Documented Procedures	0	0	1	0
Receipting	0	0	2	0
Income	0	1	0	0
Banking	0	1	0	0
Reconciling Income	0	1	0	0
Total	0	3	3	0

#### SCOPE

Scope: These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.

## RATIONALE

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- 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 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report on Accounts Receivable and Income for South Norfolk Council (SNC), was issued in March 2020 (SNC/20/09). The audit was awarded 'Reasonable' assurance and raised two important and one needs attention recommendations. The recommendations do not relate to income. The previous report on Income for Broadland District Council (BDC) was issued in January 2020, with a 'Substantial' assurance having raised one 'needs attention' recommendation. This indicates a negative direction of travel since the previous audit in this area.

## POSITIVE FINDINGS

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

- Clear payment guidance is available to the public to make payment for services. A number of different payment methods are available including online and by phone.
- Insurance cover is in place with Protector Insurance for monies held and transported, to ensure both councils are covered, thereby preventing the risk of financial loss.
- A sample of 10 payments were reviewed from SNC and BDC to verify that each had been provided a unique reference number, a receipt was in place, the audit trail was adequate and that amounts were promptly banked. All cases were found to be satisfactory
- Sample testing of cheque payments verified that the sampled cheques were entered into the income system and appeared on the cheque log.
- Sample testing determined that daily reconciliations of bank statements and income accounts are undertaken, with any discrepancies documented and addressed.
- SNC- Monthly bank reconciliations were completed timely, reconciled, and independently signed and reviewed by management.

## ISSUES TO BE ADDRESSED

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

### Banking

- BDC- Bank charge reconciliations to be completed within the month end accounting cycle and reviewed no later than 30 days following month-end shut down.

## **Income**

- Both Councils- Management to implement controls to ensure exception/suspense account reports are run daily and promptly investigated, with evidence of their completion maintained.

## **Reconciling Income**

- BDC- Management to implement controls to ensure that monthly bank reconciliations are completed, independently prepared, and authorised within 30 days of month end.

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

## **Documented Procedures**

- Both Councils- Procedures to be produced to reflect the fact both councils are working as one team with a new income system to ensure that all staff are aware of the correct processes to follow.

## **Receipting**

- Both Councils- Management to implement controls to ensure daily receipts are reviewed in a timely manner, with the reports being produced and reviewed by separate members of staff to maintain separation of duties.
- SNC- Suspense Cheque Log to be reviewed at defined intervals to ensure banked cheques have been removed accordingly.

## **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

## **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Annual Report and Opinion 2021/22

Responsible Officer: Faye Haywood Head of Internal Audit for South Norfolk Council

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the Finance, Resources, Audit and Governance Committee (FRAG) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2021/22, together with reasons if the opinion is unfavourable;
  - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the AGS.
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s AGS, but there are also a number of other important sources to which the FRAG Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 5**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Managing Director that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Management and Leadership Team and key stakeholders and then approved by FRAG Committee.

The Internal Audit plan was approved at the meeting held on 25 June 2021.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS.



FRAG Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

## 2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and controls at South Norfolk Council is **reasonable**.

It is encouraging to note that of the 13 assurance audits completed within the year, nine have resulted in a positive assurance grading.

Substantial assurance was concluded in the following areas:

- Corporate Health and Safety
- Annual Governance Statement

A total of three assurance reports (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable) have received a Limited assurance grading.

We recommend that the urgent and important priority findings raised within these reports are referenced within the Council's Annual Governance Statement, until such time that verification work to demonstrate improvements are embedded is undertaken. A summary of those actions is provided in section 3.5 of this report.

The work for Cyber Security is now complete however the report is currently undergoing quality assurance processes. Four draft reports (Food Safety and Licencing, Key Controls and Assurance and Income, Accounts Receivable) have been issued in draft and require finalisation however their opinions as indicated have been relied upon for the purposes of this opinion.

Two position statement have been completed, one for Council Tax Discounts and Exemptions, and one for Big Sky which is currently in the final stages of completion, this work will suggest improvement actions for management consideration.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified have been taken into account.

The opinion has been discussed with the Corporate Management and Leadership Team prior to publication.

## 3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories:

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;

- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.

### 3.3 **Summary of the internal audit work**

A total of 152 days were originally included within the 2021/22 internal audit plan. A position statement on Council Tax Discounts and Exemptions was added to the plan taking the total to 158 delivered to date. Two reports (Cyber Security and Big Sky) are currently in their final stages.

The 2021/22 plan has resulted in a total of 13 assurance reviews and two position statements being carried out. Nine of the 13 assurance reviews have received a positive assurance grading, a total of three have received a limited assurance grading.

The Executive Summaries of all assurance reports have been presented to FRAG, ensuring open and transparent reporting, and enabling the Committee to review key service area controls and the conclusions reached.

### 3.4 **Follow up of management action**

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 39 recommendations agreed so far for 2021/22, 11 have been completed; three are outstanding; 25 are within deadline; and two have been rejected by management.

Two 'needs attention' recommendations are outstanding from 2019/20; and a total of five (two 'important' and three 'needs attention') recommendations are outstanding from 2020/21.

Please refer to **Appendix 3**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations, and **Appendix 4**, which provides an update from management regarding important outstanding recommendations.

### 3.5 **Issues for inclusion in the Annual Governance Statement**

As stated in the opinion itself, three assurance reports have resulted in 'Limited' assurance (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable). We therefore recommend that the recommendations (four urgent and 12 important) raised in these reports are referenced within the Annual Governance Statement until such time that they can be verified as complete. The recommendations are summarised as follows:

#### **Disaster Recovery (DR) - Urgent**

1. DR provision be considered for new systems.
2. Council DR Plans be reviewed, updated, communicated and tested.
3. Regular DR tests be scheduled and undertaken.

#### **Disaster Recovery (DR) - Important**

1. A formal IT risk management process be developed to assess potential DR scenarios.
2. Increasing the DR resilience at both Broadland and South Norfolk Councils by sharing DR services be formalised.
3. Ensure that appropriate staff have DR responsibilities and skills/knowledge is refreshed.

4. Recovery time objectives be reviewed for existing systems and defined for new systems.

Counter Fraud and Corruption – Important (please note the two urgent recommendations raised have now been reported as complete)

1. A Counter Fraud and Corruption Strategy be devised, applying to all aspects of the Councils' business.
2. Proactive work be undertaken to raise awareness of potential fraud.
3. A programme of work be introduced to improve staff awareness and responsiveness to fraud across the Council.
4. An annual fraud plan be devised, agreed by committee and reflect resources mapped to risks and arrangements for reporting outcomes.
5. The Councils to introduce an official programme to publicise fraud and corruption cases internally and externally.
6. A fraud and corruption response plan should be devised to cover all areas of counter fraud work.

Accounts Receivable - Urgent

1. Sundry Debt reports to be run and reviewed regularly, with action taken as appropriate. Additionally, a plan should be developed to address the backlog of aged debts that has accrued with progress against the plan monitored.

Accounts Receivable – Important

2. Review of system controls to be completed to verify if there is a means of preventing duplicate Invoice/Credit Note document numbers being raised automatically.
3. The council take all steps to recover outstanding debts, including legal action, with documented decisions and rationale maintained for individual debts.

**4. THIRD PARTY ASSURANCES**

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

**5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

**5.1 Quality Assurance and Improvement Programme (QAIP)**

**5.1.1 Internal Assessment**

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2021/22. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular, Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular, Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

#### 5.1.2 External Assessment

In relation to the Attribute Standards, it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017 and the next is due for October 2022.

The external assessment was undertaken by the Institute of Internal Auditors in 2017 and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

### 5.2 Performance Indicator outcomes

5.2.1 Actual performance against these targets is outlined within the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	TBC	Requested
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	7%	Not achieved. One report issued within target.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	0%	Not achieved
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	None raised
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Adequate	Achieved
9. Percentage of recommendations accepted by management		90%	95%	Exceeded
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	88%	Exceeded
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 Performance has not been in line within the boundaries of our agreed targets in some areas during 2021/22 such as the issuing of draft reports 10 day after quarter end and performance reports being provided within a 15 working day window after quarter end.

As reported to FRAG throughout the year, Internal Audit performance has continued to be impacted in 2021/22 by the Covid-19 pandemic. The development and approval of the 2021/22 internal audit plan in quarter two had an impact on the profiling and resourcing of the internal audit plan. A period of adjustment was also required in response to prolonged remote working practices. Contractor resourcing and sickness were also a key challenge throughout the year.

This performance result has been experienced across the internal audit consortium in 2021/22. Resourcing levels did settle in time to ensure the 2021/22 plan of work could be completed.

In response to the challenges faced this year, the Head of Internal Audit has enhanced communication and monitoring arrangements. The contractor has also committed to reviewing resource planning processes by allocating resources and booking in audits well in advance of the proposed start date.

The 2021/22 procurement exercise has now concluded which will see the current contractor continue to provide the Internal Audit service. The Head of Internal Audit has used this opportunity strengthen the key performance measures around timeliness included within the contract.

### **5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA**

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Director of Resources for independent scrutiny and verification.

## **6. PROPOSAL**

6.1 The Finance, Resources, Audit and Governance Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note this report, and the reasonable assurance opinion awarded, and confirms that key information provided is carried across to the Council's Annual Governance Statement, which is also considered on the agenda.

## **7. RECOMMENDATIONS**

- 7.1
- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
  - b) Note that a reasonable audit opinion has been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2022.
  - c) Note that the opinions expressed together with any significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2021/22.
  - d) Note the conclusions of the Review of the Effectiveness of Internal Audit.

## APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22

Audit Area	Assurance	No of Recs	Resolved	Urgent OS	Important OS	Needs Attention OS	Not yet due
<b>Annual Opinion Audits</b>							
Key Controls and Assurance (DRAFT)	Reasonable	7	0	0	0	0	7
Performance Management, Business Planning	Reasonable	3	2	0	0	1	0
Annual Governance Statement	Substantial	3	2	0	0	0	1
Big Sky	Position Statement						
Corporate Health and Safety	Substantial	3	0	0	0	0	3
Counter Fraud and Corruption	Limited	11	5	0	0	0	6
Accounts Receivable (DRAFT)	Limited	5	0	0	0	0	5
Income (DRAFT)	Reasonable	6	0	0	0	0	6
Accountancy Services	Reasonable	3	0	0	0	0	3
Covid-19 Business Grants	Reasonable	3	2	0	0	1	0
Homelessness & Housing Options	Reasonable	5	0	0	0	0	5
Food Safety and Licencing (DRAFT)	Reasonable	4	0	0	0	0	4
<b>IT audits</b>							
Cyber Security	TBC						
Disaster Recovery	Limited	8	0	1	0	0	7
<b>Total</b>		<b>61</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>47</b>

<b>Assurance level definitions</b>		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed 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 audit review were being consistently applied.	2
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations 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.	7
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.	3
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.	0

## APPENDIX 2 - ASSURANCE CHART

	2017-18	2018-19	2019-20	2020/21	2021/22	2022/23
<b>Annual Opinion Audits</b>						
Corporate Governance	Reasonable		Reasonable	Reasonable		
Risk Management			Maturity Assessment			X
Corporate Governance - Big Sky			Reasonable		Position Statement	
Key Controls and Assurance	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	X
Annual Governance Statement					Substantial	
Counter Fraud and Corruption					Limited	
Procurement and Contract Management		Reasonable		Position Statement		X
Business Continuity and Emergency Planning						X
Performance Management, Business Planning	Reasonable				Reasonable	
Corporate Health and Safety	Reasonable				Substantial	
<b>Fundamental Financial Systems</b>						
Local Council Tax Support and Housing Benefit		Reasonable		Reasonable		X
Council Tax and National Non Domestic Rates		Reasonable		Reasonable		X
Accounts Receivable	Reasonable		Reasonable		Limited	



	2017-18	2018-19	2019-20	2020/21	2021/22	2022/23
<b>Fundamental Financial Systems</b>						
Accountancy Services	Reasonable		Reasonable		Reasonable	
Budgetary Control						
Accounts Payable		Reasonable		Reasonable		X
Income / Remittances	Reasonable				Reasonable	
Payroll and Human Resources		Substantial		Reasonable		X
<b>Service Area Reviews</b>						
Economic Development				Position Statement		X
FOI and Data Protection						
Committee Services						
Elections		Substantial				X
GDPR		Reasonable				
Leisure	Reasonable		Reasonable			X
Building Control		Reasonable				
Housing Strategy and Affordable Housing						X
Home Options						
Car Parks		Reasonable				
Waste Management			Reasonable			
Food Safety and Licencing					Reasonable	

	2017-18	2018-19	2019-20	2020/21	2021/22	2022/23
<b>Service Area Reviews</b>						
Housing Standards including Disabled Facilities Grants & Discretionary grants	Reasonable		Reasonable			
Early Help Hub						
Development Management			Reasonable			
Homelessness and Housing Options	Reasonable		Reasonable		Reasonable	
Community Activity						X
Community Assets						X
<b>IT Audits</b>						
Network Security and Infrastructure Management						X
Cyber Security		Limited			TBC	
Remote Access (Supplier and User)		Reasonable		Reasonable		
Disaster Recovery	Reasonable		Limited		Limited	
Cash Receipting Application	Reasonable					
Data Centre			Position Statement			
Post-implementation Finance System						X
Service Desk	Limited			Reasonable		X

### APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 15 March 2022 and 31 March 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
<b>2019/20 Internal Audit Reviews</b>															
SNC2006	Corporate Governance	Reasonable						1				1			
SNC2009	Income	Reasonable						1				1			
<b>2020/21 Internal Audit Reviews</b>															
SNC2102	Corporate Governance	Reasonable						1				1			
SNC2108	Key Controls and Assurance	Reasonable						1				1			
SNC2105	Housing Benefit and Ctax Support	Reasonable			1							0			
SNC2104	HR and Payroll	Reasonable						1				1			
SNC2106	Council Tax and NNDR	Reasonable		1								0			
SNC2112	Remote Access	Reasonable						1	1			2			
<b>2021/22 Internal Audit Reviews</b>															
SNC2206	Counter Fraud and Corruption	Limited	2									0		6	
SNC2203	Annual Governance Statement	Substantial			1							0			1
SNC2209	Accountancy Services	Reasonable										0		2	1
SNC2202	Performance Management, Business Planning	Reasonable		2				1				1			
SNC2214	Disaster Recovery	Limited							1			1	2	4	1
SNC2211	Homelessness and Housing Options	Reasonable										0	0	4	1
SNC2205	Corporate Health and Safety	Substantial										0			3
SNC2210	Covid-19 Business Grants	Reasonable			1			1				1			
<b>TOTALS</b>			<b>2</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>2</b>	<b>16</b>	<b>7</b>

## APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

**2020/21**

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2104 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	31/12/2022	3	Outstanding	The Oracle implementation has been delayed by Suffolk County Council. It is now looking like the move over will take place in the autumn, although a firm date is still to be confirmed. With this in mind, it is requested that this recommendation is extended to December 2022.
SNC2112 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	30/09/2022	3	Outstanding	Our approach to governing transformation has changed and although SPARK brand still exists we have moved to a portfolio approach of governing projects and programmes. As we recruit to the vacant posts this will become one of their key objectives to implement as part of the new approach and the project framework. Based on the above a revised due date of end of Q3 is requested.

**2021/22**

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2214 Disaster Recovery	Recommendation 3. Regular DR tests be scheduled and undertaken.	Urgent	AD Transformation, Innovation and IT	01/02/2022	30/09/2022	1	Outstanding	New Infrastructure project is ongoing with a completion timeline anticipated for July 2022. The implementation of the new infrastructure will provide the platform for this can only be completed in line with the delivery and closure of this project. Recommend revised due date of end of Q2 to allow for any unforeseen potential project slippage.

## **APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES**

### **Limitations inherent to the Internal Auditor's work**

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2021/22 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

### **Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future Periods**

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

**Agenda Item: 7**  
**Finance, Resources, Audit and Governance Committee**  
**15 July 2022**

## **Annual Governance Statement 2021/22**

**Report Author(s):** Emma Hodds  
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**Portfolio:** Governance & Efficiency

**Ward(s) Affected:** All

**Purpose of the Report:**

The Committee is requested to review the Annual Governance Statement for 2021/22 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance arrangements.

**Recommendations:**

1. To approve the Annual Governance Statement for 2021/22.

## **1. Summary**

- 1.1 The Council is required to gather evidence that the governance arrangements are adequate and to support the production of an Annual Governance Statement. Evidence, through assurance statements, has been submitted by key officers, and the Head of Internal Audit has provided an annual audit opinion.

## **2. Background**

- 2.1 The CIPFA/SOLACE framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation. CIPFA has assigned proper practice to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.
- 2.2 The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. Furthermore, it is not simply about evidencing compliance, but to highlight what arrangements are in place and the improvements that are necessary to inform stakeholders.
- 2.3 The key sources of assurance which have been used to prepare the Annual Governance Statement are:
- Performance management information
  - Risk management
  - Legal and regulatory assurances
  - Members’ assurances
  - Assurance Statements for key senior officers, reviewed and approved by Directors
  - Financial control assurance
  - Internal audit
  - External audit

The regulations state that the Annual Governance Statement needs to be approved in advance of the relevant authority approving the Statement of Accounts.

## **3. Current position/findings**

- 3.1 The Committee receives regular reports from Internal Audit in relation to the framework of governance, risk management and control through review of:
- The Annual Report and Opinion of the Head of Internal Audit;

- Internal Audit Progress Reports, which contains the findings and associated recommendations agreed with management to address weaknesses and risks;
  - Reports on the progress made in addressing the findings and recommendations; and
  - Strategic and Annual Internal Audit Plans.
- 3.2 At the time of writing this report the work on Internal Audit on the 2021/22 internal audit plan is being finalised and the opinion on the framework of governance, risk management and control will be confirmed at the meeting.
- 3.3 During the year, Cabinet received regular reports on performance and financial monitoring in relation to both the capital and revenue budgets, and quarterly reports on Risk Management were taken to the Cabinet, alongside the performance and financial reports.
- 3.4 Assistant Directors (ADs) have again this year completed an Assurance Statement which covers key areas of responsibility as follows:
- Procedures;
  - Effectiveness of key controls;
  - Alignment of Services with Business Plan;
  - Human Resources and Finance;
  - Risks and Controls;
  - Health and Safety;
  - Procurement;
  - Insurance;
  - Information Technology;
  - Data Protection and Freedom of Information;
  - Business Continuity;
  - Partnerships; and
  - Equalities.
- 3.5 In addition, the Chief of Staff, the Head of Internal Audit, and the AD - Regulatory have also provided statements in relation to specific role queries.
- 3.6 The responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. However, ADs have highlighted some development areas which are service specific in relation to *risk and control*; *business continuity*; and *procurement*, which will be reviewed over the forthcoming months.

#### **4. Proposed action**

- 4.1 The Committee is requested to review the Annual Governance Statement for 2021/22 to ensure that it reflects the reports that have been considered over the



past year and that it supports the Committees general understanding of the Council's governance arrangements.

## **5. Issues and risks**

- 5.1 **Resource Implications** – any resource requirements are picked up through the completion of the assurance statements.
- 5.2 **Legal Implications** – the Annual Governance Statement is required to be completed as part of the Annual Statement of Accounts and is reported to this Committee for review and sign off.
- 5.3 **Equality Implications** – none
- 5.4 **Environmental Impact** – none
- 5.5 **Crime and Disorder** – none
- 5.6 **Risks** – the risks are assessed by the senior managers as part of the supporting assurance statements that are completed at year end and reviewed every six months. The statements then feed into this Annual Governance Statement.

## **6 Recommendations**

- 6.1 To approve the Annual Governance Statement for 2021/22.

# **SOUTH NORFOLK COUNCIL ANNUAL GOVERNANCE STATEMENT 2021/22**

## **Scope of Responsibility**

South Norfolk Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. South Norfolk Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Norfolk Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and making proper arrangements for the management of risk.

As part of its Constitution, South Norfolk Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

A copy of the Code is available on our website, within the Constitution, and can be downloaded [here](#).

This statement explains how South Norfolk Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control, and accompanies the 2021/22 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Finance, Resources, Audit and Governance Committee.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South Norfolk Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Norfolk Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

An annual review of the Governance Framework at South Norfolk Council was completed prior to the preparation of the Annual Governance Statement, with key officers completing full assurance statements for their area of responsibility, and these being signed off by the relevant member of the Corporate Management Leadership Team (CMLT). These are in place to ensure the governance arrangements across the Council are adequate, and to also recognise where any further work needs to be done.

The code of corporate governance was in place for the 2021/22 financial year. This Code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

### The Council's Vision and Priorities:

The Council works in collaboration with Broadland District Council and as a result we share a Strategic Plan (2020 – 2024) and Delivery Plan (2021/22). These set out our shared Vision and Priorities:

**THE VISION:** Working together to create the best place and environment for everyone, now and for future generations

### **OUR PRIORITIES, OUR PEOPLE, OUR APPROACH:**

1. Growing the economy;
2. Supporting individuals and empowering communities;
3. Protecting and improving the natural and built environment, whilst maximising quality of life; and
4. Moving with the times, working smartly and collaboratively.

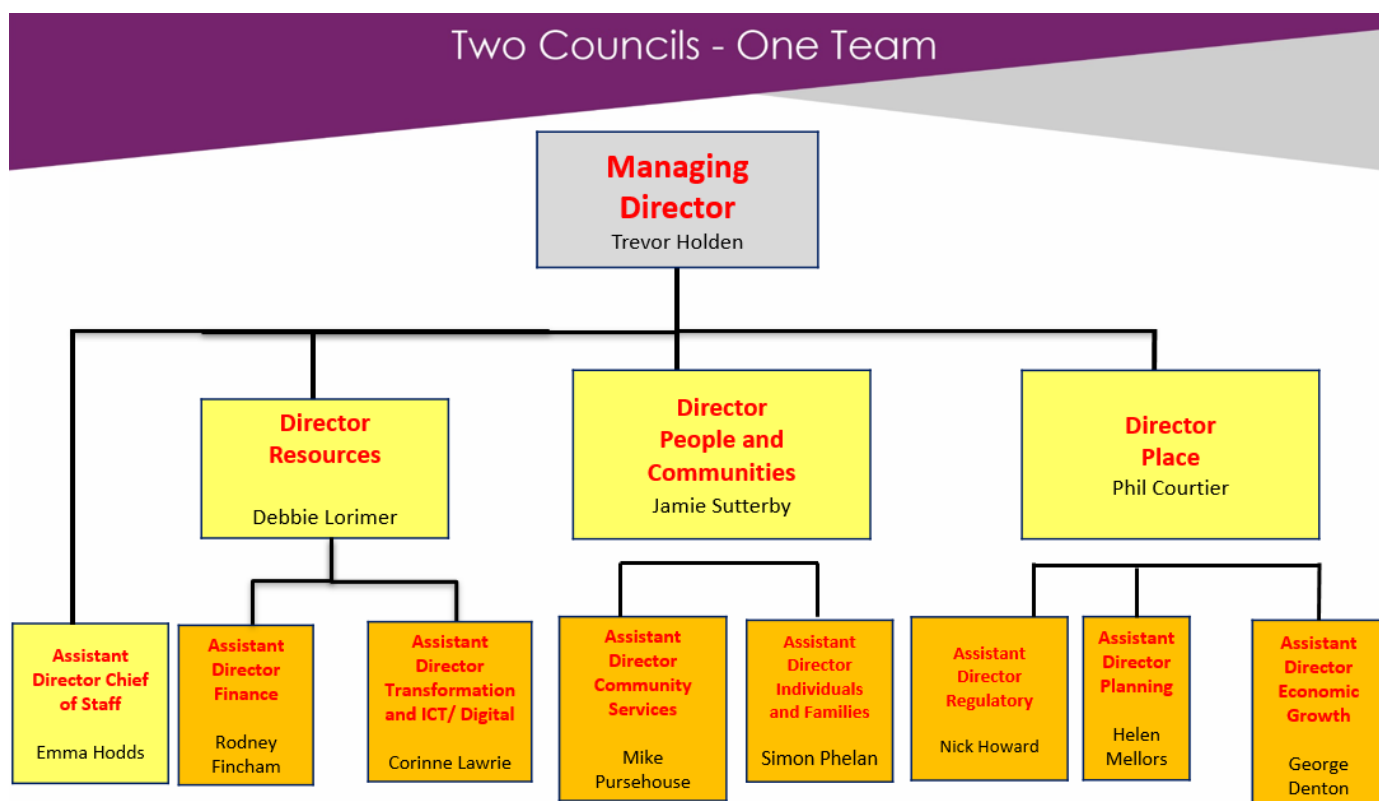
The Strategic Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

The vision and priorities are communicated through the Strategic Plan, plus regular briefings, press releases, website and the Link magazine, which is delivered 3 times a year to every household and business in the District.

To underpin the Strategic Plan, a detailed Delivery Plan is produced annually. This describes our intended activities for the 12 months from April to March each year to support the priorities set out in the Strategic Plan. This plan is produced as an integrated process with the Council's annual budget setting and Medium-Term Financial Plan revision. The 2021/22 Plan can be accessed [here](#).

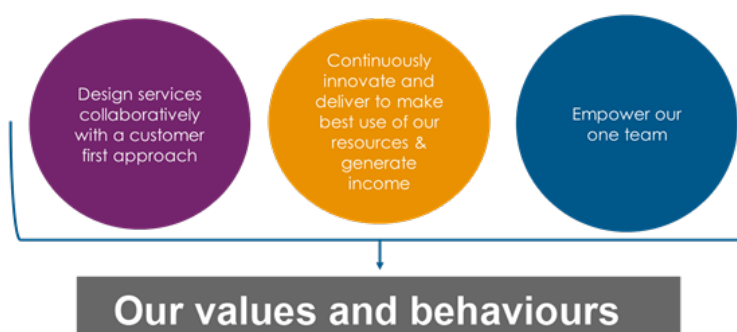
## Review of the Council's Governance Arrangements:

The Council regularly reviews its organisational structure as part of aligning resources with demand to deliver the priorities above. The Council's collaboration with Broadland District Council established one officer team across the two Councils, which includes a Corporate Management Leadership Team (CMLT), consisting of the Managing Director, three Directors, the Monitoring Officer (Chief of Staff) and the Section 151 Officer (Assistant Director Finance). CMLT is also supported by six Assistant Directors, as follows:



The SPARK transformation programme has continued through the past year, with key transformational programmes being delivered across the Council. The “One Team” of officers across both councils has internal consultants in place throughout the organisation to lead on changes and work with the service areas to drive forwards efficiencies. The transformational approach is designed around the three key philosophies outlined below.

### **The Spark philosophy**



Measuring the Quality of Services for Users and ensuring they are delivered in accordance with the Council's objectives and best use of resources:

The 4-year Strategic Plan sets out our Priorities together with targets for success over this time. The 2021/22 Delivery Plan uses these priorities and shows the 'Delivery Measures' which aim to track the performance of our services and how well we are achieving our key ambitions. The Delivery Measures are tracked and reported each quarter to Cabinet as part of our Performance Framework.

The Delivery Plan sets out the proposed activities and 'business as usual' operational services that will be undertaken for the financial year ahead commencing 1 April. Between February and April staff personal objectives are set for the year and reflect the proposed activities they will be working on from the Delivery Plan. These personal objectives are reviewed regularly during the year and are normally assessed as part of annual staff performance reviews in March/April each year.

Defining and Documenting Roles and Responsibilities of Councillors and Officers and how decisions are taken:

The Council's constitution, scheme of delegation, Local Member Protocol, contract standing orders, rules of financial governance and rule of procedure set the framework in which the organisation makes decisions.

Codes of Conduct Defining Standards of Behaviour for Councillors and Officers:

The Council operates Codes of Conduct for Councillors and Officers, with clear processes embedded to respond to any concerns raised regarding the standards of behaviour.

The Council conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

The Rules of Financial Governance explain the statutory duties of the Section 151 Officer including the responsibility under direction of the Cabinet for the proper administration of the Council's financial affairs. The Council's governance arrangements allow the Section 151 Officer to bring influence to bear on all material business decisions. The Section 151 Officer supports the CMLT and has the authority to bring matters directly to the attention of the Managing Director if required. Regular specific meetings are also held to discuss matters relating to the Section 151 role.

The Finance, Resources, Audit and Governance Committee

The Committee met regularly during the year. Its key tasks are to monitor the work of Internal and External Audit, support risk management, to approve the statutory accounts, and to oversee the work in supporting the production of this Annual Governance Statement.

Ensuring Compliance with Laws and Regulations, Internal Policies and Procedures:

Responsibilities for statutory obligations are formally established. The Head of Paid Service disseminates statutory instruments to Managers responsible for acting on them. The relevant professional officers are tasked with ensuring compliance with appropriate policies and procedures to ensure all Officers work within them.

Decisions to be taken by Councillors as part of the Council's Committee processes are subject to a rigorous scrutiny process by the Monitoring Officer, Section 151 Officer and in most cases CMLT before they are considered by Cabinet or Full Council.

Assistant Directors have completed an Assurance Statement covering key governance aspects with their area of responsibility. The outcomes of these Assurance Statements are described under *Managers' Assurance within Governance Issues*.

#### Whistle-blowing Policies and Investigating Complaints:

As employees, councillors and others who deal with the Council are often the first to spot things that may be wrong or inappropriate at the Council, a Whistle-blowing Policy is in place to provide help and assistance with such matters. There is also a formal complaints procedure operated as part of the Council's performance management framework. The Council's Whistleblowing Policy and Procedure were reviewed and updated during 2020/21 and formally approved at the beginning of 2021/22.

#### Tackling Fraud and Corruption:

The Council has a Counter Fraud, Corruption and Bribery Strategy in place to ensure that we can deliver against our priorities whilst minimising losses to fraud, corruption and bribery. This was last reviewed in 202/21 and updated versions were formally approved at the beginning of 2021/22.

Each Internal Audit undertaken recognises fraud risks and assesses the adequacy and effectiveness of the controls in place to mitigate such risks and an Annual Fraud Return is provided to the External Auditor which summarises the Head of Internal Audit's views on risk of fraud at the Authority. In addition, the Monitoring Officer, the Section 151 Officer and the Chair of the Finance, Resources, Audit and Governance Committee also complete such statements on an annual basis.

#### Development Needs of Councillors and Officers:

There is a training programme in place for officers and Councillors. This is drawn up from new risks or legislation, in response to known and emerging key areas of focus and from the Delivery Plan and staff Performance Reviews. The Council has made extensive investment in training in line with its Learning and Development Strategy for staff, which also includes an online platform that allows staff to undertake learning remotely, at a time that is convenient for them, a Management & Leadership Development Programme and the roll out of MBTI assessments for all managers, with individual feedback provided and group sessions also held to better understand team dynamics. The online platform has been extremely useful during the COVID-19 pandemic, whilst the majority of officers worked from home, and ensured that we can

continue to provide training and development as required in an agile working environment moving forwards. This has also included more informal sessions on stress awareness etc.

In relation to Members, they undertook a rigorous training schedule in 2019/20 after they were elected, which began with a general induction programme and continued throughout the year on more specific topics to ensure Members can take on all aspects of their role confidently and legally. The majority of training undertaken by members during 2021/22 has often been centred on regulatory matters that are required for accreditation purposes (planning and licensing) to allow members to sit on specific Committees. Councillors on Scrutiny Committee have also received specialist training during 2021/22. Members also have access to the online training platform referred to above.

#### Establishing Communication with all Sections of the Community and Other Stakeholders:

The Council works with the County Council, other Norfolk District Councils, the Police, NHS, Central Government departments, businesses, and voluntary and community groups. This has increased in recent years due to the need for various agencies to work together during the COVID-19 pandemic and more recently in regard to supporting refugees from Ukraine.

The Council consults with members of the public through a number of avenues from workshops, telephone calls, social media channels and the website, to gauge public opinion on a number of issues such as shaping the budget, the development of the Local Plan and the Council Tax Support Scheme. The Council, alongside Broadland District Council, is currently looking to establish a 'Customer Panel', which will be made up of residents and those who work in the districts. This Panel will provide valuable feedback on services with a view to ensure continued improvement and a first-class customer experience. We aim to start recruiting to the Panel in June 2022.

#### Good Governance Arrangements with Partnerships:

Partnership arrangements take the form of Service Level Agreements. These are reviewed as part of the budget setting process and in advance of the date of cessation. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations.

The CIPFA Framework for Corporate Governance places a high degree of emphasis on partnership working. In practice, the Council takes a collaborative approach to working, recognising that there are a variety of means to engage with third parties.

As the collaboration with Broadland District Council has progressed appropriate governance has been put in place such as Joint Committees and Joint Informal Cabinet.

## **Review of Effectiveness**

### The Role of the Council

South Norfolk Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Managers and Councillors within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and by comments made by the External Auditors and other review agencies. Full Council approve the Revenue and Capital Budget and the Treasury Management Strategy annually.

### The Role of the Cabinet

The Cabinet approved the Strategic Plan and Delivery Plan and agreed a range of strategies and policies during the year, including the Treasury Management Strategy, the Medium-Term Financial Strategy and the Revenue and Capital Budget. Cabinet received quarterly combined performance, risk and finance reports and delegates policy development to its policy committees.

### The Role of the Finance, Resources, Audit and Governance Committee

The activity of the Committee in the financial year is described above. It has also ensured that it is satisfied that the control, governance and risk management arrangements have operated effectively. The work of the Finance, Resources, Audit and Governance Committee is summarised in an Annual Report to Council.

### The Role of the Scrutiny Committee

The Scrutiny Committee can undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to account (Call-In of Reports before final decision)
- Performance management
- Assist policy reviews
- Internal/external scrutiny

As referred elsewhere in this report, members of the Scrutiny Committee have undergone specific training this year. The work of the Scrutiny Committee is summarised to Full Council in an Annual Report.

### Role of the Monitoring Officer

The Chief of Staff is the Council's Monitoring Officer. The Monitoring Officer has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. The Monitoring Officer has three main roles:

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration (such a report has not been required).
- To be responsible for Matters relating to the conduct of Councillors and Officers.



- To be responsible for the operation of the Council's Constitution.

The Monitoring Officer is supported in their role by the Council's legal service, which is provided by Birketts and the Deputy Monitoring Officers.

### The Role of the Chief Financial Officer

The Assistant Director Finance is designated as the Section 151 Officer for the purposes of Section 151 of the Local Government Act 1972 and is responsible under the general direction of the Cabinet for the proper administration of the Council's affairs. This statutory responsibility cannot be overridden. Responsibilities include:

- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management

Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council, Cabinet and External Auditor if the authority or one of its Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- Is about to make an unlawful entry in the authority's accounts.

The Section 151 Officer has not been required to make such a report.

### The Role of Internal Audit

All audits are performed in accordance with the good practice contained within the Public Sector Internal Audit Standards (PSIAS) 2013. Internal Audit report to the Finance, Resources, Audit and Governance Committee and provides an opinion on the system of internal control, which is incorporated in the Head of Internal Audit's Annual Report and Opinion 2021/22.

Internal Audit is arranged through a consortium, Eastern Internal Audit Services, which comprises Breckland, Broadland, North Norfolk, South Norfolk and South Holland District Councils, Great Yarmouth Borough Council and the Broads Authority. The Head of Internal Audit is employed by South Norfolk Council and the operational and field management staff are employed by an external provider, TIAA Ltd.

During 2021/22 Norwich City Council expressed its wish to join the Consortium, with the Head of Internal Audit role only being provided during this financial year and the City becoming a full member of the Consortium from 2022/23.

In addition, the Head of Internal Audit role only is now provided to the Borough of Kings Lynn and West Norfolk.

The Internal Audit Service assesses itself annually to ensure conformance against the PSIAS, and are also required to have an external assessment every five years.

The most recent external assessment in January 2017, concluded that the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework. The next external assessment is planned to be undertaken at the end of 2022.

### The Role of External Review Bodies

Ernst and Young LLP review the Council's arrangements for:

- preparing accounts in accordance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- managing performance to secure economy, efficiency and effectiveness in the use of resources

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors. The auditors give their opinion on whether the financial statements of the Council give a true and fair view of the financial position as at the year end and of the income and expenditure for the year then ended; and they also provide an opinion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money). The Council takes appropriate action where improvements need to be made.

### Effectiveness of Other Organisations

The Council established a group structure in 2015/16 with all companies held by Big Sky Ventures Ltd. At the end of 2017, Big Sky Ventures Ltd transferred its shares in Build Insight Ventures Ltd to the Council and the Council proceeded to establish a joint venture with Norfolk Property Services (NPS) Limited for the Build Insight group of companies. The Build Insight Ventures Ltd consisted of Build Insight Ltd, an Approved Inspector for Building Control and Build Insight Consulting Ltd. As at 22nd March 2021, the Council transferred its sole share in Build Insight Ventures Ltd, to Norfolk Property Services (NPS) Limited in order to exit the group in advance of Norfolk Property Services (NPS) Limited transferring the whole group to Broste Rivers Limited.

Big Sky Ventures Ltd is the holding company for Big Sky Developments Ltd, a property development company, and Big Sky Property Management Ltd, a property rental company, both were actively trading during 2020/2021. the effectiveness of internal controls within the companies over the course of the year have continued to be controlled by the financial review group, supported by appropriate officers. There were no significant control weaknesses identified during the year that are required to be included in this statement. Training was organised for Directors in December 2019 which focused on the roles and responsibilities of Directors.

During the year a review was undertaken of the Governance arrangements relating to the Big Sky Group and following recommendations from the Council as the shareholder the Board of Big Sky Ventures Ltd was increased to three Directors of which two are drawn from Members of the Council. This change was in recognition of the increased scale of operation of Big Sky Developments Ltd and the increase in

investment in the Big Sky Group by the Council to deliver the ambitions of Big Sky Developments Ltd.

## **Governance Issues**

### Managers' Assurance Statements

On an annual basis, Assistant Directors (AD) across the Council complete an Assurance Statement relating to their service area. The Assurance Statements have remained consistent since 2019/20, which presents a broadened reflection compared to previous years. The statements are then signed off by either the Managing Director or Director responsible for the service area.

### Assurance Statements - looking back on the issues raised in 2020/21

A number of service areas highlighted the need for their Business Continuity Plans to be updated, which was also an issue of note in the previous year. We reported last year that work was ongoing in terms of a joint template, and this is now complete. The joint template has been rolled out and a handful of teams are still to complete their Plans (as highlighted below also).

A number of ADs referred to the need of further development of registers for operational risks within their Directorate. Further training took place during 2021/22 in this regard, which appears to have addressed the issues partially, which is further explored below.

### Assurance Statements for 2021/22

The Assurance Statement asked specific questions about: policy and procedure, effectiveness of key controls, alignment of services with the Delivery Plan, human resources, finance, risks and controls, health and safety, procurement, insurance, information technology, data protection, freedom of information, business continuity, partnerships and equalities. A yes / partial / no response was required, with evidence and action needed to be noted. Each AD also needed to note any issues that they felt represented a significant control item or governance issue.

In terms of emerging themes for the organisation, two areas have been highlighted as requiring further attention to become fully compliant for numerous teams:

#### **1. Risk and control**

As referred to above, a number of ADs highlighted issues with risk management. Due to work undertaken in the last year, this does appear to have been addressed to a degree, with only two ADs highlighting this as a governance issue for the current year. It is reported that work is underway to update and implement relevant risk registers to ensure compliance with the corporate risk management policy, therefore this should not be an issue next year.

## **2. Business Continuity**

Business Continuity remains an issue that is highlighted by a number of service areas as only reaching partial compliance. The joint templates have been agreed and rolled out to the business, therefore it is hoped that the small number of teams that are yet to develop their plans will do so by June 2022, at the latest.

## **3. Procurement**

A small number of ADs have reported that they are aware that the Council's contracts register is not up to date. This is a statutory register that requires review and publication on a quarterly basis. So we hope to see positive progress with this when ADs provide feedback later in the year with regard to progress to compliance.

Crucially, the responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Assistant Director of Governance and Business Support will review progress during 2021/22, with updates being sought from ADs in early Autumn 2022.

### Internal Audit

To be confirmed at the meeting of the Finance, Resources, Audit and Governance Committee in July 2022.

### Risk Management

A risk management framework is in place to ensure a consistent approach at the Council with regard to risks. The risk management strategy was reviewed during 2019/20, which resulted in a new Risk Strategy being finalised in 2020/21.

Reports on risk management were taken to the Cabinet on a regular basis during 2021/22. These reports cover strategic risks that the Council actively manages within a Risk Register that details actions to support risk mitigation. The Finance, Resources, Audit and Governance Committee also has regular oversight of the strategic risks.

The Register and mitigation action required is managed by Officers and is monitored by Councillors by way of the accompanied report.

## **Review and Approval of the Annual Governance Statement**

The annual review of governance is coordinated by the Assistant Director Governance and Business Support, involving senior managers across the Council and reviewed by the Corporate Management Leadership Team. This Annual

Governance Statement is considered in draft by the Finance, Resources, Audit and Governance Committee and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement forms part of the Council's annual accounts.

## **Certification**

We are satisfied that appropriate arrangements are in place to address improvements in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored through the year and considered at our next annual review.

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Trevor Holden, Managing Director

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Philip Hardy (Chairman of the Finance, Resources, Audit and Governance Committee) – Lead Councillor

## Agenda Item: 9

### FRAG Committee Work Programme

15 July 2022

Progress Report on Internal Audit Activity  
Head of Internal Audit's Annual Report and Opinion for 2021/22  
Annual Governance Statement 2021/22  
Report on Counter Fraud Activity (if anything to report)

Faye Haywood  
Faye Haywood  
Emma Hodds  
Rodney Fincham

6 September 2022

Progress Report on Internal Audit Activity  
Internal Audit Follow Up Report  
Review of Local Government Ombudsman 2022  
Strategic Risk Register  
Q1 Performance Report

Faye Haywood  
Faye Haywood  
Julia Tovee-Galey  
Sinead Carey  
Rodney Fincham/Sinead Carey

20 January 2023

Progress Report on Internal Audit Activity  
Internal Audit Follow Up Report  
Statement of Accounts 2021/22  
Audit Results Report 2021/22  
Strategic Risk Register  
Q2 Performance Report  
Rules of Financial Governance (tbc)

Faye Haywood  
Faye Haywood  
Rodney Fincham  
External Audit  
Sinead Carey  
Rodney Fincham/Sinead Carey  
Rodney Fincham

24 March 2023

Strategic and Annual Internal Audit Plans 2022/23  
Annual Report of Audit Committee  
Self Assessment of the Audit Committee  
Strategic Risk Register  
Q3 Performance Report

Faye Haywood  
Faye Haywood/Erika Voinic  
Faye Haywood  
Sinead Carey  
Rodney Fincham/Sinead Carey