

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

**Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Friday, 8 March 2019 at 9.30 am.**

**Committee Members Present:** Councillors: P Hardy (Chairman), L Dale, T Lewis, T Palmer and G Wheatley

**Apologies:** Councillor: W Kemp

**Officers in Attendance:** The Director of Growth and Business Development (D Lorimer), the Head of Governance (E Hodds), the Head of Internal Audit (S Storm), the Internal Audit Manager (F Haywood) and the Group Accountant (J Brown)

**Also in Attendance:** Tony Poynton - Ernst & Young (EY)

### **193 MINUTES**

The minutes of the meeting held on 23 November 2018 were confirmed as a correct record and signed by the Chairman.

### **194 CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT 17/18**

Tony Poynton from Ernst & Young (EY) presented his report, which detailed the certification work for the Housing Benefit subsidy claim for the financial year 2017/18. Members were pleased to note that although the certification work had covered £25.4m, only one error had been identified from the extended testing, resulting in an extrapolated impact of £3.

In response to a member's question regarding how South Norfolk Council fared in comparison with other councils, Mr Poynton confirmed that the Council was in a good position compared to others.

Mr Poynton advised that the procedure for certification would be changing for the next year, but EY had not yet finalised an agreement on the new process.

It was:

**RESOLVED:** To note the report.

**195 VERBAL UPDATE ON EXTERNAL AUDIT PLAN 18/19**

Tony Poynton informed members that various unavoidable events had resulted in the external audit plan not being ready for circulation. He explained that the overall scope would be similar to last year, where Ernst & Young (EY) would be required to provide an opinion and check that the Council had adequate arrangements to secure value for money in the use of its resources.

Mr Poynton informed members that there would be particular focus on the risk of management override, linked to inappropriate capitalisation of revenue expenditure. He also listed the valuation of land and buildings; and the valuation of the Council's pension liability as higher inherent risks. New areas for review would be the Finance Team capacity, Brexit and the Broadland collaboration.

Officers assured the Committee that the delay by EY in producing the Plan would not have any adverse impact on the Council, as the arrangements remained the same.

The Chairman thanked Mr Poynton, who then left the meeting.

**196 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The Internal Audit Manager presented the Committee with a report to advise the progress in relation to delivery of the Annual Internal Audit Plan for 2018/19, and summarised the five completed audits undertaken during this period.

Officers highlighted one change to the Audit Plan where Risk Management had been deferred until 2019/20. Differences in approach to Risk Management between Broadland and South Norfolk Councils had been identified and a risk maturity assessment had therefore been scheduled to take place at both Councils.

Members were pleased to note that 87% of programmed work had been completed.

Responding to a member's question regarding how the collaboration with Broadland District Council would change the way Internal Audit worked, officers advised members that the 2019/20 Audit Plan would cover the intended approach to auditing both Councils.

In response to a member's question on whether daily snapshots were taken for reconciliation purposes in order to rectify problems arising in the future, officers confirmed that this was controlled monthly.<sup>[FH1]</sup>

In response to a query regarding asset management, the Group Accountant explained that the Council had intended to switch its fixed asset management from a spreadsheet to a management system, but that officers had identified errors in the software. The issue had been reported to the external supplier, but had not yet been resolved, resulting in the need for officers to run both processes simultaneously.

Officers explained the risk regarding authorising transfers and the measures put in place to mitigate the risk. The Internal Audit Manager confirmed that the recommendation would be retained for awareness purposes, but management's acceptance of the risk was accepted.

It was:

**RESOLVED:** To note the outcomes of the five completed audits in the period covered by this report, and the position of the Internal Audit Plan for 2018/19

## **197 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20**

The Head of Internal Audit presented her report, which provided members with the Internal Audit Plans for 2019/20, which would ensure that assurance was provided by Internal Audit on the management of key business risks.

Responding to a member's question regarding the collaboration with Broadland District Council (BDC), officers informed members that following detailed discussions with management, five areas had been identified within the 2019/20 internal audit plan where joint reviews could be undertaken. This would enable Internal Audit to identify areas where similarities existed and provide assurance over service delivery whilst promoting efficient internal audit working practices. Internal Audit would also use their experience of managing internal audit at other councils that were already sharing services.

In response to a concern raised regarding the way in which Big Sky Developments (BSD) was operated, the Internal Audit Manager confirmed that an evaluation of governance arrangements from the Council's perspective would be included within the scope of the Big Sky internal audit.

It was:

**RESOLVED:** To approve:

- a) The Internal Audit Charter;
- b) The Strategic Internal Audit Plans 2019/20 to 2021/22; and
- c) The Annual Internal Audit Plan 2019/20.

## **198 FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT**

The Internal Audit Manager introduced the report, which detailed the self-assessment undertaken by the Finance, Resources, Audit & Governance Committee, advising the Committee that, in consultation with the Chairman prior to the meeting, no changes had been made to the scoring. Additional commentary had been added to appendix 1 of the report to reflect FRAG activity throughout the year.

A score of three has been given again in relation to supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk. The Head of Governance reported that, in conjunction with the collaboration work, FRAG terms of reference would be reviewed next year.

It was:

**RESOLVED:** To note the checklist at appendix 1 to the report and confirm that full compliance had been recognised in relation to each of the areas subject to scrutiny.

## **199 ANNUAL REPORT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE**

The Internal Audit Manager presented the report, which outlined the work of the Finance, Resources, Audit and Governance Committee for 2018, highlighting the high member and officer attendance.

As there were no questions, it was:

**RESOLVED:** To recommend that Council approves the Annual Report of the Finance, Resources, Audit and Governance Committee.

## **200 WORK PROGRAMME**

Members referred to the Finance, Resources, Audit & Governance Committee's Work Programme.

The Chairman thanked members and officers for their efforts over the last year.

The meeting concluded at 10.25 am.

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Chairman