

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, 21 June 2019 at 9.30am.

Committee Members Present:	Councillors: P Hardy (Chairman), V Clifford-Jackson, A Dearnley, B Duffin, D Elmer, N Legg, S Ridley and R Savage
Apologies:	Councillor: T Laidlaw
Substitutes:	Councillor: S Blundell for T Laidlaw
Cabinet Member in Attendance:	Councillor: A Thomas
Officers in Attendance:	The Director of Resources (D Lorimer), the Assistant Director of Governance & Business Support (E Hodds), the Head of Internal Audit (S Storm), the Internal Audit Manager (F Haywood), the Group Accountant (J Brown) and the Capital and Management Accountant (H Craske)
Also in Attendance:	Mark Hodgson - Ernst & Young (EY)

201 MINUTES

The minutes of the meeting held on 8 March 2019 were confirmed as a correct record and signed by the Chairman.

202 EXCLUSION OF THE PUBLIC AND PRESS

It was;

RESOLVED: To exclude the public and press from the meeting under Section 100A of the Local Government Act 1972 for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Act (as amended)

203 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager updated members with her report which examined the progress made between 14 November 2018 and 16 April 2019 in relation to the Annual Internal Audit Plan for 2018/19. The Committee was provided with a summary of the three completed audits that had been finalised and was pleased to note that two of these audits, for Building Control and Payroll & Human Resources, had concluded in positive opinions being awarded. The third area, Cyber Crime, had been awarded a limited assurance, as detailed in the *exempt* report.

Officers responded to a number of queries regarding the reconciliation and checking of building control fees, and members were pleased to note that the aged debt figures were not substantial and did not indicate any significant issues.

In response to a member's query regarding changes to payroll, the Internal Audit Manager advised that she had spoken to the Human Resources team, who had agreed that reports were now being generated by Suffolk County Council on a monthly basis, as recommended.

After a brief discussion, it was;

RESOLVED: to note the outcomes of the three completed audits in the period covered by the report, and the position of the internal audit plan for 2018/19.

The Chairman announced that the meeting had now returned to public session.

204 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Manager presented her report which sought to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

A member raised concerns regarding the rejected recommendation that investment reconciliations should be checked by a staff member who is not able to authorise investment account transfers. Officers explained that measures had been put in place to mitigate this issue but that, due to the difficulties and impracticalities of implementing this process, managers had accepted this risk.

In response to a query regarding the fixed asset management system, as discussed in the previous meeting of the Committee, officers advised that they were still awaiting a resolution from the external supplier, and were still running a manual system alongside the software to ensure that any errors would be picked up.

Regarding the outstanding recommendations around disaster recovery and the service desk, members were advised that, if needed, the ICT Manager could be present at the next meeting of the Committee to clarify the position.

It was then;

RESOLVED: to note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2019.

205 ANNUAL REPORT AND OPINION 2018/19

The Head of Internal Audit summarised her annual report which detailed the outcomes of the Internal Audit work undertaken in 2018/19. Members were advised that the report also sought to inform members of the Effectiveness of Internal Audit and to provide key information for the Annual Governance Statement.

In response to a member's query regarding the performance indicator set for 90% of recommendations to be accepted by management, the Director of Resources explained that this was not a management target but was a mechanism to ensure that Internal Audit was raising recommendations which were achievable and reasonable. She reassured members that, where management did not accept audit recommendations, reasons to justify these decisions were reported to the Committee.

Officers clarified the process for determining the strategic three-year audit work plan, explaining that some areas, such as the Early Help Hub, were in the process of undergoing significant changes due to the collaboration with Broadland District Council and that it was felt there would be little value in reviewing these areas until changes had been implemented. The Director of Resources assured members that the process would be further explained when the work plan was presented to the Committee.

It was then;

- RESOLVED:**
1. to note the contents of the Annual Report and Opinion of the Head of Internal Audit;
 2. to note that a reasonable audit opinion had been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to the framework for the year ended 31 March 2019;
 3. to note that the opinions expressed, together with significant matters arising from internal audit work and contained within the report, would be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2018/19;
- and
4. to note the conclusions of the Review of the Effectiveness of Internal Audit.

206 ANNUAL GOVERNANCE STATEMENT 2018/19

Members considered the report of the Director of Governance and Business Support, which presented the Committee with the Annual Governance Statement for 2018/19.

In response to a member's query regarding confidentiality within whistleblowing, the Head of Governance reassured the Committee that the Council's Whistleblowing Policy was clear on confidentiality and advised that a review of the Policy would be brought to a future meeting of the Finance, Resources, Audit and Governance Committee.

Regarding compliance with data protection, members were reassured that although a risk had previously been highlighted that some managers were only able to offer partial compliance with the new GDPR legislation as they had not completed training, the Council had now fully met these requirements, as detailed within the report.

It was then;

RESOLVED: to approve the Annual Governance Statement for 2018/19.

207 EXTERNAL AUDIT PLAN 2018/19

Mark Hodgson presented the External Audit Plan for the year ending March 2019, advising the Committee of the key risks identified and the planned audit strategy. Members were advised of two new areas of focus, as detailed in the report. It was noted that the new accounting standards, IFRS 9 – Financial Instruments and IFRS 15 – Revenue for Contracts with Customers, would usually have minimal impact on Local Government but there could be some impact on South Norfolk Council due to its commercial ventures and ambitions.

In response to a question from the Chairman regarding the delay in the audit process, Mark Hodgson apologised to the Committee, explaining that, due to resource issues, it had not been possible for EY to undertake the audit in time to meet the deadline to sign off the Council's accounts by 31 July 2019. Members were advised that, as officers had anticipated an earlier audit and booked annual leave during the summer, the audit would now take place during a three-week period commencing in early August 2019 and completing by mid-September. The auditor stressed that his responsibility was for the audit to be accurate and was not prepared to start the process until he was confident that he had sufficient resource to complete the audit.

Members raised concerns that South Norfolk Council's audit had been delayed but other authorities, such as Broadland District Council, had not been affected. In response, the Committee was advised that South Norfolk Council's audit for the previous year had been lengthy and complicated, due to issues around the Build Insight group restructuring, which had resulted in delays. EY advised that a decision had been made to utilise their limited resources to complete audit work for those whose accounts had been more straightforward to ensure that more companies met their deadlines. The Director of Resources clarified that, although South Norfolk Council had not met its deadline in 2018, this was a 'one off' due to extreme complications and stressed that South Norfolk Council had an excellent track record of producing its accounts on time and often early.

In response to a concern regarding any reputational damage to the Council, Mark Hodgson reassured members that South Norfolk Council will have met its statutory deadlines and that a statement would be issued on the Council's website which would admit that the delay was due to auditor responsibility. Cllr Thomas raised a query regarding the fee payable and questioned whether this would be reduced due to the delays in service. In response, the auditor advised that audit fees had reduced nationally which had contributed to the lack of resources. He assured the Committee that, although the timing was poor, the quality and service of the audit would not be affected so, regretfully, the fee could not be reduced.

The Chairman thanked Mark Hodgson for his report, and it was then;

RESOLVED: to note the External Audit Plan for the year ending March 2019.

208 WORK PROGRAMME

Members considered the Finance, Resources, Audit & Governance Committee's Work Programme, and noted that, due to the delayed audit, the meeting scheduled for 26 July 2019 would be postponed until 27 September 2019.

It was suggested and agreed that an interim update on the issue of Cyber Crime should be brought for consideration to the 27 September 2019 meeting.

The meeting concluded at 10.55 am.

Chairman