

# Finance, Resources, Audit and Governance Committee

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

Mr P Hardy (Chairman)

Mr T Palmer (Vice Chairman)

Mr L Dale

Mr W Kemp

Mr T Lewis

Mr R Savage

Mr G Wheatley

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## Agenda

### Date

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Friday 8 March 2019

### Time

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9.30 am

### Place

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Colman Room  
South Norfolk House  
Cygnets Court  
Long Stratton  
Norwich  
NR15 2XE

### Contact

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

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# **A G E N D A**

1. **To report apologies for absence and identify substitute voting members (if any);**
2. **Any items of business the Chairman decides should be considered as matters 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. **Minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 23 November 2018;** (attached – page 9)
5. **Certification of Claims & Returns Annual Report 17/18;** (attached - page 12)
6. **Verbal Update on External Audit Plan 18/19;** (verbal update)
7. **Progress Report on Internal Audit Activity;** (attached - page 22)
8. **Strategic and Annual Internal Audit Plans 2019/20;** (attached - page 44)
9. **Finance, Resources, Audit and Governance Committee Self-Assessment;**  
(attached - page 66)
10. **Annual Report of the Finance, Resources, Audit and Governance Committee 2018;**  
(attached - page 74)
11. **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* – the Audit Commission 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.

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.

Does the interest directly:

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

If the answer is "yes" to any of the above, it is likely to be pecuniary.

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.

Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?

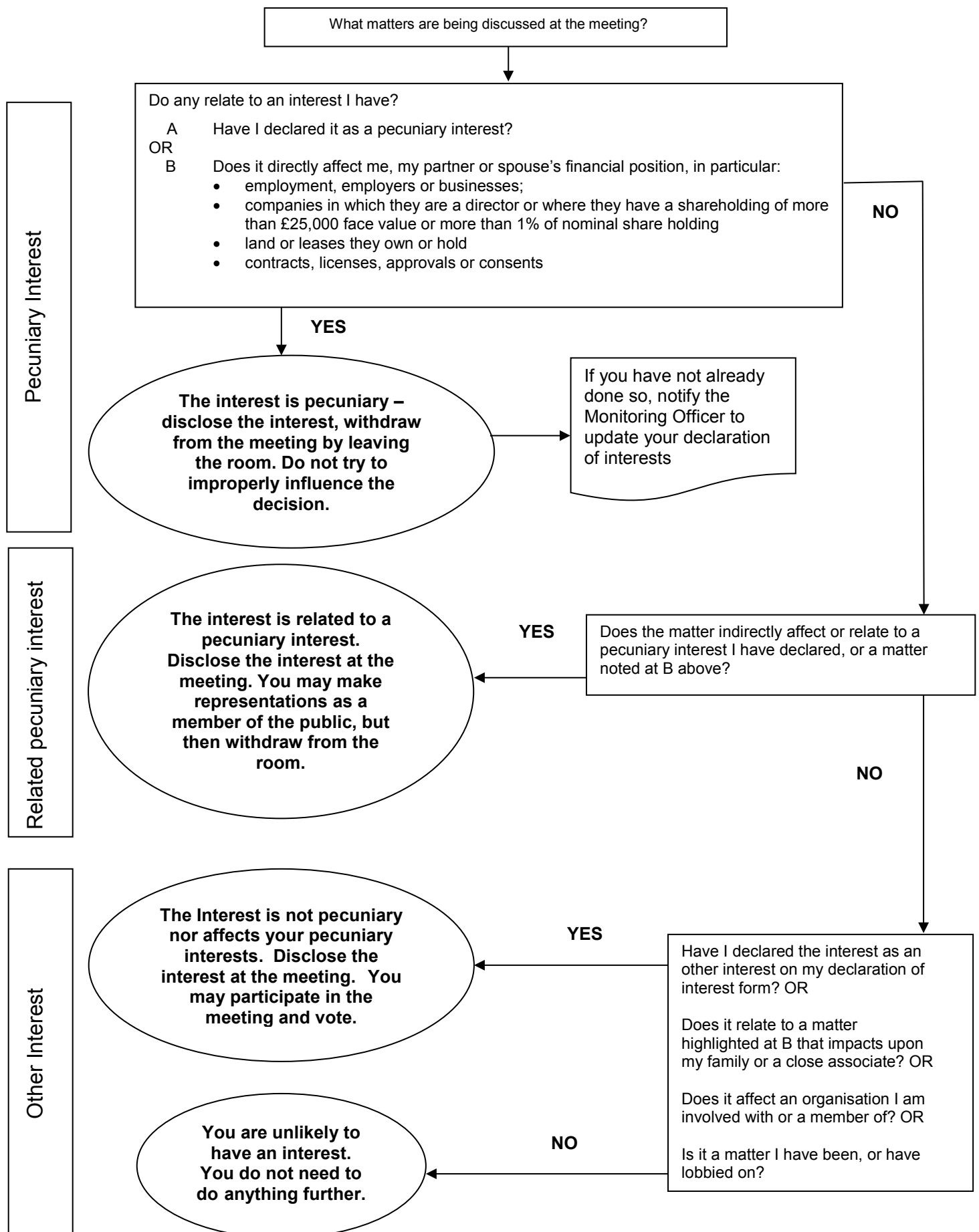
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.

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.

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.

**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







## **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, 23 November 2018 at 9.30 am.**

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

**Officers in Attendance:** The Assistant Director of Resources (P Catchpole), the Head of Governance (E Hodds), the Internal Audit Manager (F Haywood), the ICT Manager (C Balmer), the Finance Manager (S Bessey), the Group Accountant (J Brown) and the Executive Assistant to the Chief Executive (C Baldwin)

**Also in Attendance:** Kevin Suter - Ernst & Young (EY)

### **187 MINUTES**

The minutes of the meeting held on 27 July 2018 were confirmed as a correct record and signed by the Chairman, noting that it would be useful to defer the review of governance until after the new Managing Director commences in post.

### **188 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The Internal Audit Manager presented the progress report on Internal Audit activity during the period between 1 April and 14 November 2018, highlighting the changes made to the annual plan since the Audit Plan was approved in March 2018. Members noted that 42% of the Audit Plan had been completed and that all five areas covered had been awarded a reasonable assurance. It was also confirmed that the results for the key controls and assurance for elections, part 2, would be reported at the next meeting.

In response to a member's question regarding the auditing of elections, officers advised that, due to the Boundary Review Project, it was felt that this piece of work was necessary. In terms of the Boundary Review, the Head of Governance confirmed that letters would be sent to those residents affected and to the relevant members.

Following a brief discussion, it was:

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

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

The Internal Audit Manager presented her report which detailed the progress made in relation to the Council's implementation of the agreed audit recommendations due by 31 December 2018, drawing attention to the important priority recommendations outstanding and where revised deadlines had been set. She was pleased to report that all historic recommendations had been completed and that some progress had already been made on recommendations raised in the current year.

The ICT Manager outlined the position regarding the Service Desk, explaining that the revised deadlines were due to the team needing to give priority to Windows 10 integration, the telephony project, and the collaboration with Broadland District Council.

Responding to a member's question regarding the loss of staff in the ICT team, officers explained the ongoing situation and reassured members that extra resource might be brought in on a temporary basis to assist with the Broadland collaboration work.

It was;

**RESOLVED:** To note the position in relation to the completion of agreed internal audit recommendations as at 14 November 2018.

## **190 ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018**

Kevin Suter from Ernst & Young presented the Annual Audit Letter, explaining that it was a summary of all audit work carried out during the year. He advised members that an unqualified audit opinion on the financial statements and value for money conclusion had been awarded. Mr Suter explained that the delay in issuing the certificate had been due to complex accounting issues in respect of the Council's group accounts, resulting in increased fees. The Assistant Director of Resources asked members to note that Ernst & Young had had to pick up this additional work as a result of issues arising from the external accountants appointed to complete the limited companies work. He added that a decision had been made to re-tender for the accountancy work carried out in relation to the limited companies.

The Finance Manager explained that the certification of claims and returns had been finalised that morning and members were pleased to note that from sample testing only one single discrepancy of £0.08 had been discovered. When extrapolated across the entire population of these claims, the overall reportable error was £3.

Responding to a member's question regarding whether any audit issues were anticipated concerning the Council's collaboration with Broadland District Council, officers explained that the main issue would be deciding how to share and savings, but that audit review would be sought once more detailed proposals had been received. Officers clarified that the proposal would not be brought back to the Finance, Resources, Audit and Governance Committee, as it had been part of the feasibility report which would be signed off by the Section 151 Officer.

The Chairman thanked Mr Suter for presenting his comprehensive report.

It was;

**RESOLVED:** To note the Annual Audit Letter.

**191 REVIEW OF THE LOCAL GOVERNMENT OMBUDSMAN REPORT 2018**

The Executive Assistant to the Chief Executive presented her report which sought to advise members of the Council's approach to dealing with complaints, including those that had been referred to the Local Government Ombudsman (LGO) in 2018.

Members were pleased to note a reduction in the number of complaints received compared to the previous year, noting that only three had been subject to detailed investigation. Of these, just one had been upheld, which related to a technical point rather than maladministration.

It was:

**RESOLVED:** To note the contents of the Review of the Local Government Ombudsman Report.

**192 WORK PROGRAMME**

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

The meeting concluded at 10.35 am.

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Chairman

**South Norfolk District Council**

**Certification of claims and  
returns annual report 2017/18**

February 2019



Finance, Resources, Audit and Governance Committee  
South Norfolk District Council  
South Norfolk House  
Cygnet Court  
Long Stratton  
Norwich  
NR15 2XE

February 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on South Norfolk District Council's 2017/18 claims and returns.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

### **Summary**

Section 1 of this report outlines the results of our 2017/18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £25,414,332. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017/18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the March Finance, Resources, Audit and Governance Committee.

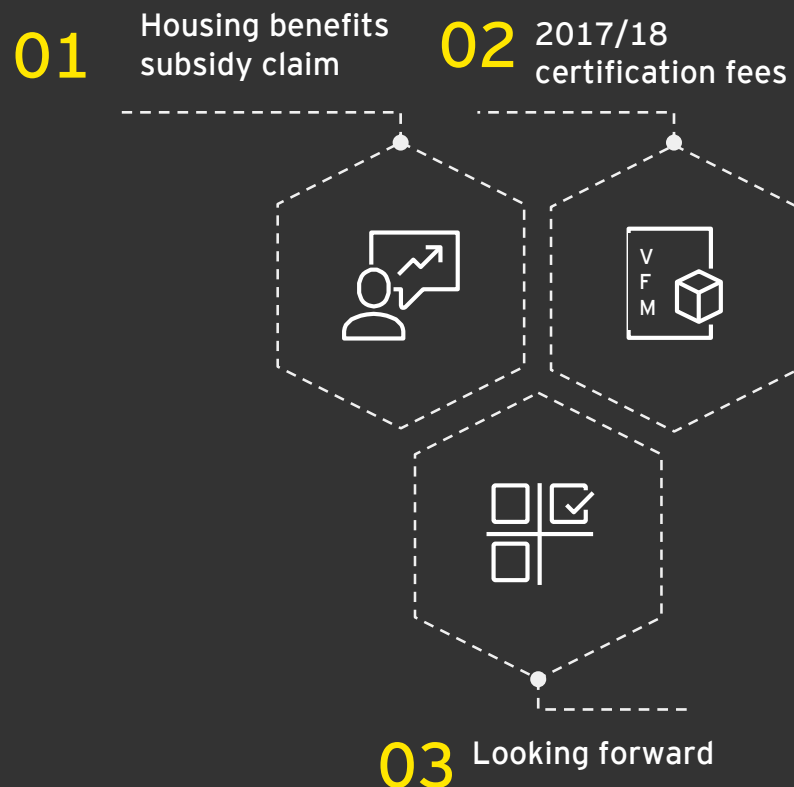
Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Finance, Resources, Audit and Governance Committee and management of South Norfolk District Council. Our work has been undertaken so that we might state to the Finance, Resources, Audit and Governance Committee and management of South Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Finance, Resources, Audit and Governance Committee and management of South Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£25,413,039
Amended/Not amended	Amended
Qualification letter	Yes
Fee - 2017/18	£14,236
Fee - 2016/17	£14,885

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete initial test of 20 cases per benefit type.

Extended testing of an additional 40 cases is required if the initial testing identifies errors in the calculation of benefit or compilation of the claim. Extended testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

We found errors in non-HRA Rent Rebates and Rent Allowances and carried out extended testing in these areas.

Extended and other testing identified errors which the Council amended and subsidy claimed increased by £1,293 as a result. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

The only issue we reported in our qualification letter is detailed below.

Description of Cell	Nature of Error
Cell 121: Overpaid Rent Allowances (Prior Years) - Eligible Overpayments	<p>In 2016/17 we identified errors where the Authority had incorrectly classified prior year overpayments as eligible overpayment. Testing of the initial sample in 2017-18 did not identify any similar errors.</p> <p>Our 2017-18 extended testing of Cell 121 identified 1 case where the Authority had misclassified LA Error as Eligible Overpayment.</p> <p>We reported an extrapolation in the Qualification Letter with an extrapolated impact of £3, following DWP's extrapolation methodology.</p>





02

## 2017/18 certification fees





## 2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2017/18	2017/18	2016/17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	14,236	14,236	14,885

The indicative fee for 2017/18 is based on the actual fee for 2015/16. For 2017/18 the level of error identified was comparable with that identified in 2015/16.



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## Looking forward



## Looking forward

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### **2018/19 and beyond**

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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## Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 14 November 2018 to 26 February 2019

Responsible Officer: Faye Haywood Internal Audit Manager

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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 those audits; and
  - Performance Indicator outcomes to date.

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

- 2.1 At the meeting on 9 March 2018, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Amendments to then plan were previously reported to the Committee in November, with there being one change to the plan for Committee to note:

Audit description	Nature of the change
Risk Management	A Risk Maturity assessment at Broadland and South Norfolk Council is being undertaken by the Internal Audit Manager, therefore the audit review has been postponed whilst this is finalised.

## 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** and progress to date is in line with expectations.
- 3.2 In summary 144 days of programmed work has been completed, equating to 87% of the (revised) Audit Plan for 2018/19.

## 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 Internal Audit Services have issued five final reports:

Audit	Assurance	P1	P2	P3
Accounts Payable	Reasonable	0	2	2
Council Tax and NNDR	Reasonable	0	2	6
Elections Part 2	Substantial	0	0	0
Housing Benefit and Council Tax	Reasonable	0	0	3
Key Controls and Assurance	Reasonable	0	5	2

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

- 4.5 As can be seen in the table above as a result of these audits 22 recommendations have been raised. Details of the two recommendations not accepted by management can be found in the Key Controls Report Executive Summary in **Appendix 2** of this report.

A total of 20 recommendations raised have been agreed by management. In addition, three Operational Effectiveness Matters have been proposed to management for consideration.

- 4.6 It is also pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to



be considered at year end and included in the Annual Governance Statement. Or raise issues that need considering and addressing.

## **5. PERFORMANCE MEASURES**

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:
- 9-11 KPIs have met target = Green Status.
  - 5-8 KPIs have met target = Amber Status.
  - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

- 5.3 The third quarters work has been completed and a report on performance measures provided to the Internal Audit Manager. Performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that progress is satisfactory.

## **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 outcomes of the five completed audits in the period covered by this report, and the position of the Internal Audit Plan for 2018/19.

## 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 1</b>											
Car Parks	SNC1904	10	10	10	Final Report issued 8 August 2018.	Reasonable	0	2	2	4	November 2018
Elections Part 1	SNC1902	10	6	6	Final Report issued 6 August 2018.	Reasonable	0	3	0	0	November 2018
<b>TOTAL</b>		<b>20</b>	<b>16</b>	<b>16</b>							
<b>Quarter 2</b>											
Corporate Governance - GDPR	SNC1903	5	5	5	Final report issued 3 September 2018	Reasonable	0	1	1	0	November 2018
Procurement	SNC1905	12	12	12	Final report issued 19 October 2018	Reasonable	0	5	2	0	November 2018
<b>TOTAL</b>		<b>17</b>	<b>17</b>	<b>17</b>							
<b>Quarter 3</b>											
Elections Part 2	SNC1902	0	6	6	Final report issued 18 December 2018	Substantial	0	0	0	0	March 2019
Key Controls and Assurance	SNC1907	10	10	10	Final report issued 26 February 2019	Reasonable	0	5	2	0	March 2019
Build Insight	SNC1908	10	0	0	Deferred to 2020/21						
Council Tax and NNDR	SNC1909	20	20	20	Final report 11 December 2018	Reasonable	0	2	6	1	March 2019
Housing Benefits	SNC1910	20	20	20	Final report issued 1 February 2019	Reasonable	0	0	3	0	March 2019
Accounts Payable	SNC1911	12	12	12	Final report issued 10 December 2018	Reasonable	0	2	2	2	March 2019
<b>TOTAL</b>		<b>72</b>	<b>68</b>	<b>68</b>							

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 4</b>											
Risk Management	SNC1901	10	0	0	Audit deferred 2019/20						
Payroll and Human Resources	SNC1912	15	15	10	Audit underway Draft report expected 17 March 2019.						
Building Control	SNC1913	12	12	9	Audit underway Draft report expected 28 February 2019						
<b>TOTAL</b>		<b>37</b>	<b>27</b>	<b>19</b>							
<b>IT Audits</b>											
Remote Access	SNC1906	10	10	10	Final report issued 13 August 2018	Reasonable	0	3	1	0	November 2018
Cyber Crime	SNC1914	15	15	5	APM issued 5 February 19 Draft report 4 April 2019						
<b>TOTAL</b>		<b>25</b>	<b>25</b>	<b>15</b>							
<b>Follow Up</b>											
Follow Up	NA	12	12	9							
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>9</b>							
<b>TOTAL</b>		<b>183</b>	<b>165</b>	<b>144</b>			0	23	19	7	
<b>Percentage of plan completed</b>				<b>87%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of Accounts Payable

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy, procedure and systems.	0	0	2	0
Creditor Masterfile creation, amendment and potential duplication.	0	2	0	1
Archiving hard copy supplier data.	0	0	0	1
<b>Total.</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>

No recommendations were raised in respect of ordering.

##### SCOPE

The objective of the audit was to review the systems and controls in place within the Accounts Payable, to help confirm that these are operating adequately, effectively and efficiently.

## **RATIONALE**

---

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 two 'important', two 'needs attention' recommendations and two 'operational effectiveness matters' being raised upon the conclusion of our work.

The previous audit of this area returned a 'Reasonable Assurance' opinion with two important, three needs attention and one operational recommendations being made, therefore the area has neither improved nor deteriorated.

## **POSITIVE FINDINGS**

---

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

- There are procedures available to all staff within Accounts Payable which provides guidance from invoice processing, through exception reporting to payment of creditors. This ensures the continuity and consistency of the service.
- Testing established that invoices paid matched to purchase orders, that the purchase order was authorised correctly and goods had been receipted prior to payment. This provides assurance that controls are working in accordance with laid down procedure thereby ensuring the accuracy and authenticity of orders raised and payments made.
- Controls around payments runs are being implemented consistently, with individual payments over £20k being subject to separate authorisation, segregation of duties between the preparer of the BACS run and the officer transmitting the payment. Audit trails are maintained to support payments being made. This ensures the accuracy of payments being prepared and transmitted and compliance with internal procedures.

## **ISSUES TO BE ADDRESSED**

---

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

### **Creditor Masterfile creation, amendment and potential duplication**

- Diary notes of checks undertaken on the validity of new suppliers are to be consistently recorded on Integra, since there is no confirmation of these checks having actually taken place. This increases the risk that fraudulent suppliers could be set up and paid, resulting in financial loss to the Council.
- To ensure all suppliers recorded on Integra as registered for the Construction Industry Scheme are checked with HMRC to ascertain responsibilities for the correct accounting of tax. This is to prevent the risk that tax deductions are not being correctly accounted under the HMRC Construction Industry Scheme.

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

### **Policy, procedures and systems**

- The control account reconciliations spreadsheet needs to be signed and dated by both the preparer and reviewer of each reconciliation to ensure that any discrepancies have been identified and resolved.
- There is currently no authorised signatory list for approving hard copy invoices for payment despite there are only being two signatories in such circumstances. This increases the risk of fraudulent payments being processed if payments staff are not aware of the correct authorised signatories and particularly where invoices are approved for payment by other officers who do not have the requisite authority to do so.

### **Operational Effectiveness Matters**

- There are two operational effectiveness matters for management to consider. The exercise on duplicate supplier data initiated by the Systems Support Officer be completed with duplicates deactivated on the system. Also, continuation of the work being undertaken to archive non-current hard copy supplier information.

### **Previous audit recommendations**

The previous audit on Accounts Payable (SNC/17/10) was undertaken in 2016/17, with a Reasonable assurance report issued in March 2017. The audit raised two important recommendations, three needs attention recommendations and one operational effectiveness matters, all of which have been confirmed as implemented as part of our cyclical follow up process.

Despite this, one of the issues, in particular controls around evidencing checks to new suppliers / changes to existing supplier details, has reoccurred with a new recommendation being raised in this report.

# Assurance Review of the Council Tax and NNDR Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	1	0
Information Security	0	0	1	0
Income Collection	0	1	1	0
Reconciliations	0	0	1	0
Refunds and Transfers	0	1	1	0
Other: Aged Debts and Quality Assurance	0	0	1	1
Total	0	2	6	1

No recommendations arose relating to system parameters and modules.

### SCOPE

The audit reviewed the adequacy, effectiveness and efficiency of the systems and controls in place over Council Tax and National Non-Domestic Rates (NNDR). The audit covered system parameters and modules, collection of income, reconciliations, refunds and transfers, and discounts, exemptions and reliefs.

## RATIONALE

---

- 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 two 'important' and six 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets 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.
- The previous report, issued in December 2016, also concluded in a 'Reasonable' assurance opinion, indicating that the assurance level is unchanged. It should be noted that previously two 'needs attention' recommendations were raised, indicating an increase in 'needs attention' recommendations within the assurance level.

## POSITIVE FINDINGS

---

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

- System parameters and modules are checked, tested and signed off at the beginning of the financial year, reducing the risk of inaccurate billing.
- The Council's website contains up-to-date information explaining Council Tax and NNDR, reducing the risk of under or overpayments due to tax payers not understanding their liabilities.
- A multi-service form on the website allows tax payers to easily and automatically set up payment methods, reducing the risk of payment delays.
- Testing found that systems are in place to ensure rejected and returned payments are correctly dealt with, reducing the risk of debts being cleared in relation to rejected payments.
- In year collection rate spreadsheets show that collection rates are on target for Council Tax and NNDR. This demonstrates that income is being received in line with expectations.
- Testing confirmed that reconciliations are carried out to ensure the numbers of dwellings or total rateable value are correct, that all cash is receipted, and that Civica matches the Integra general ledger, reducing the risk of tax due not being received and accounted for.



## ISSUES TO BE ADDRESSED

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

### Income Collection

- A regular review of credit balances to be undertaken and refunds to be issued where appropriate, to reduce the risk of issues and disputes arising.

### Refunds and Transfers

- All write-off forms be signed and counter-signed to reduce the risk of write-offs being made inappropriately.

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

### Policies and Procedures

- Operational written procedures to be updated, reducing the risk of controls being overlooked.

### Information Security

- Civica access permissions to be reviewed, reducing the risk of excessive system privileges compromising internal controls.

### Income Collection

- All daily income postings to be signed off by a second person, reducing the risk of omissions or mistakes not being detected.

### Reconciliations

- Monthly Civica to Integra reconciliations to be checked and signed off by a second member of staff to reduce the risk of errors being undetected.

### Refunds and Transfers

- All refund batch headers to be counter-signed to reduce the risk of refunds being made inappropriately.

### Aged Debts

- Aged debts reports to be routinely monitored and reported as an operational target to reduce the risk of bad debts and overstated accounts.

### Operational Effectiveness Matters

An operational effectiveness matter for management to consider relates to the introduction of additional Quality Assurance (QA) checks over processing.

### Previous audit recommendations

The audit reviewed the previous internal audit recommendations, both of which have now been closed. While the number of recommendations has increased compared to the previous audit, the new recommendations are all 'needs attention' level and so the audit is able to provide reasonable assurance.

# Assurance Review of Boundary Review Part 2

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

No recommendations have been made in the areas of Boundary Register, Communications with departments and residents, and live system readiness.

### SCOPE

The objective of the audit was to review the systems and controls in place within the Boundary Review, to help confirm that these are operating adequately, effectively and efficiently.

## 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 no recommendations being raised upon the conclusion of our work.
- The previous audit report, issued in August 2018, concluded in a 'Reasonable' assurance opinion, raising three 'Important' recommendations that have since been implemented, this indicates that the assurance level has improved since the previous audit.

## POSITIVE FINDINGS

---

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

- The Boundary Maintenance Register has been prepared, which records all the properties in South Norfolk in accordance with the Boundary Review outcomes and is running in parallel with the current Boundary Register. This ensures adequate checks and changes can be made to the register without affecting the current Boundary Register.
- The Boundary Maintenance Register has been reconciled to the Geographical Information System (GIS), which contains all the Parish Boundaries in accordance with the documents published on the Council website. This ensures that the systems accurately reflect the new boundary maps.
- The Boundary review has been publicised on the Council's website and intranet site ensuring staff and residents are aware of the forthcoming changes. In addition letters have been prepared to issue to those residents affected, also meetings have been held with key departments within the Council to ensure efficient transition.
- The new Boundary Register went live on the 1<sup>st</sup> December 2018, and it was confirmed that systems were ready for this to take place.

## ISSUES TO BE ADDRESSED

---

No issues to be addressed have been raised within this review.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

### Previous audit recommendations

The previous audit on Elections (SNC/1902) was undertaken in July 2018, with a Reasonable assurance report issued in August 2018. The audit raised three important recommendations, all of which have been confirmed as implemented as part of our cyclical follow up process.

# Assurance Review of Housing Benefits and Council Tax Support

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Overpayments, arrears and write offs	0	0	3	0
<b>Total.</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>

No recommendations were raised in respect of:

- Procedures and legislation
- Assessment of applications – including backdated claims, upper threshold authorisation and QA process
- Universal credit
- Awarding CTS discounts
- Reconciliation process

### SCOPE

The objective of the audit was to review the systems and controls in place within Housing Benefits and Council Tax Support, to help confirm that these are operating adequately, effectively and efficiently.

## **RATIONALE**

---

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 'needs attention' recommendations being raised upon the conclusion of our work.

The previous audit of this area returned a 'Reasonable Assurance' opinion with one important, three needs attention and one operational recommendations being made, therefore representing an improvement in the control environment.

## **POSITIVE FINDINGS**

---

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

- Guidance and training is provided to all relevant staff on all areas of Housing Benefits and Council Tax Support. The work of each Housing Benefits Officer is also subject to quality assurance and any training issues arising from this process are addressed. This ensures the continuity and consistency of the service.
- Testing established that housing benefits were stopped promptly when notified that the claimant has moved onto Universal Credit, thereby reducing the risk of overpayments of benefits being made.
- Backdated claims, and claims above the monthly threshold, are supported by an appropriate form and checking is undertaken to ensure consistent application of parameters for awarding and maintaining fairness and accuracy for claimants.
- The Department of Work and Pensions requires that a minimum of 4% of all claims processed are quality assessed for accuracy. Testing in this area confirmed that this requirement is being met.
- Testing of a sample of new housing benefit claims, new council tax support claims, changes to housing benefit claims and council tax support claims proved satisfactory, providing assurance that internal controls are operating effectively.

## **ISSUES TO BE ADDRESSED**

---

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

### **Overpayments, arrears and write offs**

- Negative balances on Civica to be reviewed to ensure that write offs have been correctly accounted for. Failure to complete this will lead to the aged debt figure being reported inaccurately.
- Aged debt reports to be produced and reviewed quarterly, providing assurance that the recovery of long outstanding debts is effective and covers all debts.
- Reports supporting the write off of housing benefit debt to be consistently signed and held as evidence. Without documentation to substantiate the amount written off there is no evidence to suggest that authorisation has been given in line with the scheme of delegation.

### **Operational Effectiveness Matters**

- There are no operational effectiveness matters for management to consider.

### **Previous audit recommendations.**

The previous audit on Procurement (SNC/17/11) was undertaken in October 2016, providing a 'reasonable' assurance opinion. As a result one important, three needs attention and one operational recommendations were raised. All recommendations have been confirmed as implemented as part of the cyclical review of recommendations.

### **Other points noted**

It was noted during the audit that upgrades to the Civica system had experienced delays due to IT issues. At the end of the audit, the Finance Manager stated that the upgrades are planned to take place on 10th December 2018.

It was also noted from reports presented to the Cabinet that the average number of days for housing benefit applications was 12 days in quarter two, which is longer than the target average of nine days. The Head of Housing Benefit stated that quarter two is usually their slowest processing period due to competing priorities and staff absences in the summer, and is reviewing the target for the quarter on that basis.

## Assurance Review of Key Controls

### Executive Summary

#### OVERALL ASSURANCE ASSESSMENT



#### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Asset Management	0	2	0	0
General Ledger	0	1	0	0
Control Accounts	0	0	1	0
Treasury Management	0	1	1	0
Budgetary Control	0	1	0	0
<b>Total.</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>0</b>

No recommendations have been made in the areas of Accounts Receivable, Income, and Assurance Framework

#### SCOPE

The objective of the audit was to review the key controls operating within the systems and controls identified, to help confirm that these are operating adequately, effectively and efficiently.



## RATIONALE

---

- 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 five 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report, issued in January 2018, also concluded in a 'Reasonable' assurance opinion, raising one 'important' recommendation, indicating that whilst the overall assurance level is unchanged since the previous audit, there is movement within the key financial areas.

## 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 (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2018/19 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Payable (SNC1911),
- Payroll (SNC1912),
- Housing Benefit and Council Tax Support (SNC1910),
- Council Tax and National Non-Domestic Rates (SNC1909)

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2018/19 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Receivable;
- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control);
- Income and Receipt; and

- Assurance Framework.

During the internal audit of the above areas within this review, the audit has highlighted the following areas where five 'important' recommendations have been made.

### **Asset Management**

- A decision to be made on the future use of the fixed asset management module of Integra, to ensure there is a clear process for recording fixed assets and posting to the general ledger. Without clarity, there is a risk that ledger balances are not being regularly updated and a backlog of entries could lead to mistakes being made in posting. Management are awaiting further information around the development of a fix to be provided by the software provider, Capita. Management considers the risk of mistakes being made in posting to be minimal and is therefore willing to accept this risk. Internal Audit accepts managements view however the recommendation has been retained to raise awareness.
- Additions and disposal entries should be made on a regular basis to ensure the ledger is kept up to date and balance sheet totals are not misstated.

### **General Ledger**

- Journal processing to be reviewed, to ensure authorisation is undertaken in accordance with the £10,000 per line process, this reduces the risk of journals being processed incorrectly which may result in inaccurate financial accounts.

### **Treasury Management**

- Statements be sought for all investment accounts, to ensure amounts recorded within the Council agree to balances held at bank. There is a risk that the balances are not checked to statements regularly leaving the opportunity for funds to be misappropriated.

### **Budgetary Control**

- The process for authorising virements to budgets requires review, to ensure appropriate authorisation is obtained, to minimise the risk of invalid changes to budgets being processed.

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

### **Control Accounts**

- Barclays Bank Payments control account reconciliations spreadsheet needs to be signed and dated by both the reviewer of each reconciliation to minimise the risk of any delays or inaccuracies in the process not being identified and resolved.

## **Treasury Management**

- Investment reconciliations be reviewed by a member of staff that is not able to authorise transfers from Investment accounts. To minimise the risk of misappropriation of funds without detection. This recommendation has been agreed in principle however it is unlikely to be implemented given the limited number of senior/qualified members of staff within the team. Internal Audit acknowledges that the associated risks have been accepted but retains the recommendation to raise awareness.

## **Other points to note**

We recognise that up to September 2018 aged debts were not being routinely chased for recovery, however, evidence was presented of aged debt reviews and action being taken in September and November by the Financial Services Team Leader.

Responses to Assurance Framework action plans were received but not consistent in quality in 2018, however improvements are currently underway on the process for providing evidence and monitoring of action plans and the Senior Governance and Deputy Monitoring Officer is leading on an exercise to monitor these more effectively.

## **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

## **Previous audit recommendations**

The previous report was issued in January 2018 Key Controls (SNC1807), with a 'Reasonable' assurance rating. The audit raised one important recommendation relating to Accounts Payable. The audit also covers areas in the SNC Accountancy Services review (SNC 1808) which provided 'Reasonable' assurance with two important and five needs attention recommendations being raised, along with one operational effectiveness matter. The recommendation was confirmed as implemented as part of our separate cyclical follow up process. However, control has lapsed with respect to the authorisation of journals and virements and so these recommendations have been reaffirmed within this report.

## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Strategic and Annual Internal Audit Plans 2019/20

Responsible Officer: Head of Internal Audit and Internal Audit Manager

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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 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also taken into account when developing the internal audit plan:
  - Any declarations of interest so as to avoid conflicts of interest;
  - The requirements of the use of specialists e.g. IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
  - The relative risk maturity of the Council;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Finance, Resources, Audit and Governance Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Finance, Resources, Audit and Governance Committee should *‘review and assess the annual internal audit work plan’*.

## 2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, Senior Management and the Finance, Resources, Audit and Governance Committee every two years, or as required for review.
- 2.2 The latest version of the Charter included at **Appendix 1** of this report has been updated to reference the Internal Audit Manager role, reporting to the Head of Internal Audit and responsibilities for providing management oversight on the performance of the contractor.

- 2.3 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Internal Audit Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

### 3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy **Appendix 2** is to confirm:
- How internal audit services will be delivered;
  - How internal audit services will be developed in accordance with the internal audit charter;
  - How internal audit services links to organisational objectives and priorities; and
  - How the internal audit resource requirements have been assessed.

### 4. STRATEGIC INTERNAL AUDIT PLAN

- 4.1 The overarching objective of the Strategic Internal Audit Plan **Appendix 3** is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 The coverage over the forthcoming three years has been discussed with senior management to ensure audits are undertaken at the right time and at a time where value can be added.
- 4.3 The discussions also went into greater detail in relation to the scope of the audits for the forthcoming year, including where audits had been deferred from 2018/19 and where joint reporting will be required with Broadland to compliment the collaboration agenda. As the collaboration agenda progresses the ambition is for more audit reviews to be undertaken jointly, thus creating efficiencies and enabling comparisons to be made to ensure the best service is provided to all our residents.

### 5. ANNUAL INTERNAL AUDIT PLAN 2019/20

- 5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year **Appendix 4**. This details the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a summary relating to the purpose of the review.
- 5.2 The Annual Internal Audit Plan for 2019/20 totals 161 days, encompassing 14 assignments which will conclude in an audit opinion, two of which are IT audits
- 5.3 As mentioned above there are five joint audits being undertaken:
- Corporate Governance;
  - Risk Management;
  - Planning and Development Management;
  - Disaster Recovery and Business Continuity; and
  - Network Infrastructure and Security.

- 5.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

## **6. PROPOSAL**

- 6.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

## **7. RECOMMENDATIONS**

- 7.1 That the Committee 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.

## APPENDIX 1 – INTERNAL AUDIT CHARTER

### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT CHARTER FOR 2019/20

##### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
- Breckland District Council;
  - Broadland District Council;
  - Great Yarmouth Borough Council;
  - North Norfolk District Council
  - South Holland District Council;
  - South Norfolk Council; and
  - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter.

##### 1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

*“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”*

- 1.7 This charter:
- Establishes the position and reporting lines of internal audit;
  - Outlines provision for unrestricted access to information, officers, management and members as appropriate;
  - Sets the tone for internal audit activities;
  - Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
  - Sets out the nature and scope of assurance provided to other parties.
- 1.8 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. The charter will be reviewed annually by the Chief Audit Executive to confirm its



ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.

## **2 Purpose, Authority and Responsibility**

### **2.1 Purpose**

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

### **2.2 Authority**

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

### **2.3 Responsibility**

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

## **3 Key Relationships and Position in the Organisation**

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

### 3.2 Chief Audit Executive

- 3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members with the exception of South Norfolk Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Head of Governance role, administratively reporting to Corporate Management. Due to extra responsibilities undertaken and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role here is undertaken by a contractor to ensure that independence is safeguarded.

- 3.2.2 The Head of Internal Audit reports functionally to the Board and administratively to the Section 151 Officer or Section 17 Officer at all other members of the consortium.
- 3.2.3 The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority. The Head of Internal Audit is also supported by the Internal Audit Manager.
- 3.2.4 The delivery of the Annual Audit Plans and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Chief Audit Executive manages this contract with support from the Internal Audit Manager.

### 3.3 Board

- 3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.
- 3.3.2 This functional reporting includes;
- Approving the audit charter, audit strategy and risk based annual plans;
  - Receiving regular reports on the outcomes of internal audit activity and performance;
  - Receiving regular reports on management action in relation to agreed internal audit recommendations;
  - Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
  - Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- 3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

### 3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

- 3.4.2 The Head of Internal Audit or Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and also responds as required.

### 3.5 External Audit

- 3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

### 3.6 Other Internal Audit Service Providers

- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.
- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

## **4 Rights of Access**

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## **5 Objective and Scope**

- 5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.
- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.
- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.

- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit is either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

## **6 Independence and Objectivity**

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.3 The Head of Internal Audit has overall responsibility for the management and strategic direction of the Internal Audit Service. At South Norfolk Council there are additional responsibilities that fall outside of internal auditing. These include;
- Monitoring Officer
  - Democratic Services
  - Legal Services
  - Freedom of Information
  - General Data Protection Regulation
  - Risk Management
  - Procurement
  - Health and Safety

Safeguards exist to limit any impairments that may occur to the independence and objectivity at South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work carried out by the contractor and does not have any involvement in the above mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk Council will be provided by a contractor responsible for presenting the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.

- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

## **7 Professional Standards**

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

## **8 Internal Audit Resources**

- 8.1 The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Internal Audit Consortium Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

## **9 Audit Planning**

- 9.1 The Head of Internal Audit, supported by the Internal Audit Manager develops a strategy, alongside a strategic and annual internal audit plan, using a risk based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk based approach, discussed with Senior Management and approved by the Audit Committee. The Head of Internal Audit is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

## **10 Audit Reporting**

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.

- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The Annual Opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

## **10 Quality Assurance and Improvement Programme**

- 11.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Head of Internal Audit or Internal Audit Manager will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

### **11.3 Internal Assessment**

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Internal Audit Manager for review.
- 11.3.2 On conclusion of audit reviews a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

### **11.4 External Assessment**

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.
- 11.4.2 An external assessment will:
  - Provide an assessment on the internal audit function's conformance to the standards;

- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

*The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"*

## **APPENDIX 2 – INTERNAL AUDIT STRATEGY**

### **EASTERN INTERNAL AUDIT SERVICES SOUTH NORFOLK COUNCIL**

#### **INTERNAL AUDIT STRATEGY FOR 2019/20**

#### **1. Introduction**

- 1.1 The Internal Audit Strategy is a high-level statement of:
- how the internal audit service will be delivered;
  - how internal audit services will be developed in accordance with the internal audit charter;
  - how internal audit services links to the organisational objectives and priorities; and
  - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

#### **2. How the internal audit service will be delivered**

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

#### **3. How internal audit services will be developed in accordance with the internal audit charter**

##### **3.1 Internal Audit objective and outcomes**

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report.



The Finance, Resources, Audit and Governance Committee and the Section 151 Officer also receive:

- The Audit Plans Report, which is risk based and forms the next financial year's plan of work;
- The Progress Reports which provide summaries of the work achieved throughout the year and the individual opinions awarded on conclusion of reviews;
- The Follow Up Reports which detail the level of management action taken in respect of agreed internal audit recommendations; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

## 3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
  - Objectives set in the strategic plan and business plans;
  - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
  - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
  - Legal and regulatory requirements;
  - The audit universe – all the audits that could be performed; and
  - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 151 Officer and Senior Management takes place through specific meetings during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates a strategic internal audit plan, and the resulting annual internal audit plan, which are discussed with and approved by the Senior Leadership Team prior to these being brought to the Finance, Resources, Audit and Governance Committee. In addition, External Audit is also provided with early sight of the plans.

### 3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Finance, Resources, Audit and Governance Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
  - A statement on conformance with the standards 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.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk-based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

## **4. How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk-based approach adds value, internal audit also ensure an awareness is maintained of local and national issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with, all help to ensure developments are noted and incorporated where appropriate.

## **5. How internal audit resource requirements have been assessed**

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public-sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

### APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk & Reference	2018/19	2019/20	2020/21	2021/22
<b>Annual Opinion / Governance audits</b>						
Corporate Governance	2017/18 - Reasonable	High		6		6
Performance Management, Corporate Planning.	2017/18 - Reasonable	High S4, S7			10	
Company Audits	2016/17 - Reasonable 2018/19 - Audit Deferred	Medium			10	
Big Sky	2016/17 - Reasonable	High S5		10	10	
Risk Management	2016/17 - Substantial	High		5		5
Key Controls and Assurance	2017/18 - Reasonable 2018/19 Audit Due	High	10	15	10	15
Corporate Health and Safety	2017/18 - Reasonable	Medium			6	
GDPR	2018/19 - Reasonable	Medium	5		5	
<b>Fundamental Financial Systems</b>						
Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management	2017/18 - Reasonable	High S4		15		15
Accounts Payable	2016/17 - Reasonable 2018/19 - Reasonable	Medium	12		12	
Accounts Receivable	2017/18 - Reasonable	Medium		10		10
Income (remittances)	2017/18 - Reasonable	Medium		8		8
Local Council Tax Support and Housing Benefit	2016/17 - Reasonable 2018/19 - Reasonable	Medium	20		20	
Council Tax and National Non-Domestic Rates	2016/17 - Reasonable 2018/19 Reasonable	Medium	20		20	
Payroll and Human Resources	2016/17 Substantial 2018/19 - Audit Due	Medium	15		15	

Audit Area	Last review & assurance	Associated Risk & Reference	2018/19	2019/20	2020/21	2021/22
<b>Service area audits</b>						
Elections and Electoral Registration	2013/14 - Reasonable 2018/19 Substantial December 18	Medium	12			8
Procurement	2016/17 - Reasonable 2018/19 - Reasonable	Medium	12			10
Property Valuation, management, investment and development (please see Big Sky)	2014/15 - Reasonable	High				
Leisure	2017/18 - Reasonable	<b>High S5</b>		<b>10</b>		
Democratic Services - members services, training, allowances and expenses	2015/16 - Reasonable	Low				8
NPLaw Arrangements	2014/15 - Reasonable	Medium			8	
Planning & Development Management	2014/15 - Reasonable, 17/18 deferred	<b>High S3, S4</b>		<b>20</b>		
CNC - Building Control	2016/17 - Reasonable 2018/19 - Audit Due	High	12		12	
Economic Development	Deferred from 2015/16	<b>Medium S1</b>			10	
Licensing, Food Safety and Health and Safety	2016/17 - Reasonable	Medium			8	
Car Parks	2015/16 - Reasonable, 18/19 Reasonable	Medium	10			10
Early Help Hub	2016/17 - Limited	Medium				10
Waste Management includes refuse collection, street cleansing, recycling, clinical waster, abandoned vehicles and grounds maintenance	2014/15 - Reasonable 2016/17 - Reasonable	High		<b>10</b>		
Emergency Planning, Environmental Protection, Pest Control, Dog Warden & Pollution Control	2015/16 - Reasonable	Medium				10
Housing Standards includes DFGs and discretionary grants	2017/18 - Reasonable	Medium		<b>10</b>		
Homelessness & Housing Options	Homelessness 2017/18 - Reasonable	<b>High S4</b>		<b>12</b>		
Housing Strategy and Affordable Housing	2016/17 - Reasonable	Medium			10	

Audit Area	Last review & assurance	Associated Risk & Reference	2018/19	2019/20	2020/21	2021/22
ICT Audits						
Cyber crime	2018/19 - Audit Due	High	15			
Remote Access	2014/15 - Reasonable 2018/19 - Reasonable	Medium	10			
Business Continuity & Disaster Recovery	2017/18 - Reasonable	High S7		10		
Network Management	2013/14 Reasonable	Medium S7		10		
Service Desk	2017/18 Limited	Medium				
Audits to be confirmed					30	30
Follow Up of audit recommendations						
All agreed internal audit recommendations			12	12	12	12
Total number of days			165	163	208	157

## APPENDIX 4 – ANNUAL INTENAL AUDIT PLAN

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Annual Opinion Governance Audits</b>							
Corporate Governance	6			6		v	Our annual review of corporate governance arrangements will focus on the design and operational effectiveness of processes in place to manage governance at Both Councils. This will include a follow up on GDPR recommendations raised in the 2018/19 audit and will cover assurance over complaint handling.
Key Controls and Assurance	15				15		This is an annual review of key controls and feeds into the Statement of Accounts, for those systems not subject to an audit review within the year. This will cover; Accounts Payable, Payroll & Human Resources, Local Council Tax Support & Housing Benefits, Council Tax & NNDR and the assurance framework.
Risk Management	5				5	v	The Risk Management review was deferred in 2018/19. The Internal Audit Manager is currently undertaking an exercise to assess the maturity of the Risk Management framework at both Councils which will feed into the audit review due to be carried out Q4. Risk Management is considered an integral part of the governance framework and a review of this area is periodically required to feed into the annual opinion. This audit will involve as assessment of the risk management framework at both councils. Areas such as risk appetite, staff training, risk identification and analysis, and monitoring will be evaluated.
Big Sky	10	10					The ongoing significant development project at the Cringleford site exposes the Council to significant financial risk. This audit will focus on providing assurance that governance arrangements in place are robust, that the SLA and Delegated Matters Schedule between Big Sky and the Council is being upheld. This report will be made available to both South Norfolk Council and Big Sky Board.
<b>Fundamental Financial Systems</b>							
Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management	15			15			These audits involve key financial systems control testing and results feed into the Statement of Accounts. These areas require regular review to confirm the adequacy and effectiveness of controls.
Accounts Receivable	10			10			
Income	8			8			

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Service area audits</b>							
Leisure	10		10				The Long Stratton Leisure Centre refurbishment is due for completion in March 2019 and 3G artificial pitch project has recently completed. An audit will be carried out in Q2 of 2019/20 covering post implementation to give assurance that objectives relating to cost and delivery have been achieved. This audit will also look at the arrangements for the management of the both sites going forward. Results of the Business Improvement Team review of Long Stratton Leisure Centre will be considered during this audit.
Planning and Development Management	20				20	√	This area was deferred from the 2018/19 internal audit plan. The planning and development management function is one of the first functions to collaborate. Therefore a joint review will be undertaken to provide assurance that new arrangements are enabling the department to deliver consistent and efficient service to its customers. This area is very much still in transition and structure/processes have not yet been defined and the audit should reflect this. The review is scheduled in for Q4 to allow the changes to embed and will focus on areas of processing of planning applications, enforcement, the management of Section 106 Agreements and Community Infrastructure Levy's.
Waste Management includes refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance.	10			10			Waste management was last reviewed in 2016/17. This audit will provide assurance that controls in relation to operations, staff training, charges and performance are being effectively managed. In addition, the internal audit team will provide assurance that recommendations made during the recent (Association for Public Service Excellence) APSY audit have been resolved and are operating as expected.
Housing Standards and DFGs	10		10				Housing Standard obligations have not been recently audited and changes to 'Houses in Multiple Occupancy' (HMO) licencing have prompted a review to provide assurance that the Council is adequately complying with all related statutory obligations.
Homelessness and Housing Options	12		12				The Homelessness Act Legislation changed in 2018 with criteria for individuals assessed as 'threatened with homelessness' now having been extended from 28 to 56 days. A review has been added to the plan for Q3 to evaluate the impact that this has had on the Council's statutory obligations for preventing homelessness and whether earlier intervention is now being achieved as a result. In addition to above government funding totalling 192k has now ceased. This was expected but the team are now required to deliver this service with less resources. This review will also focus on the impact that this may have had on the department, how housing options is being managed as a result and evaluate the effectiveness of controls in place to monitor and mitigate the potential risk of homelessness increasing.



Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>ICT Audits</b>							
Business Continuity & Disaster Recovery	10		10			√	This area was last reviewed in 2017/18 and was given reasonable assurance. This area is viewed as a high risk due to infrastructure capabilities. There is a long- term aspiration to increase the DR resilience at both Broadland and South Norfolk by sharing these services. This review will therefore be joint and focus on the similarities of the DR offering at both Councils, provide assurance that DR plans are closely linked with Business Continuity Arrangements and are regularly tested to check their adequacy.
Network Infrastructure and Security	10			10		√	This area has not been reviewed since 2013/14. South Norfolk and Broadland plan to start understanding how assets are deployed and utilised at both sites. This review will therefore focus on firstly network security controls. The audit will also review the availability of asset management information used to identify redundant kit and to provide assurance that going forward the two teams can work together on systematically decommissioning and purchasing kit based on reliable data.
<b>Follow Up of audit recommendations</b>							
All agree internal audit recommendations	12	3	3	3	3		Bi-monthly follow up of agreed recommendations and evidence of closure verified.
<b>Total number of days</b>	<b>163</b>	<b>13</b>	<b>45</b>	<b>62</b>	<b>43</b>		

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

**Report Author(s):** Faye Haywood  
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**Portfolio:** Growth and Resources

**Ward(s) Affected:** All

### **Recommendation:**

The committee is requested to note the attached checklist at **Appendix 1** to this report, and either (a) confirm that full compliance has been recognised in relation to each of the areas subject to scrutiny or (b) note action required to ensure full compliance.

## **1. Introduction**

- 1.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) advocates that it is good practice for Audit Committees, or their equivalent, to undertake regular assessments. Thus, enabling members to gain an appreciation of what affords best practice, to confirm the level of compliance being achieved, and to identify any potential areas for enhancements to be made to arrangements.

## **2. Background**

- 2.1** The CIPFA document “audit committees – practical guidance for local authorities and police” sets out the guidance in the function and operations of audit committees. It represents CIPFA’s view of best practice and incorporates the position statement previously issued.
- 2.2** The guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.
- 2.3** The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide support and challenge.
- 2.4** Good audit committees are characterised by;
- balanced, objective, independent, knowledgeable and properly trained members;
  - a membership that is supportive of good governance principles;
  - a strong independently minded Chair;
  - and unbiased attitude; and
  - ability to challenge when required.
- 2.5** It is therefore good practice to complete a regular self-assessment exercise against a checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards (PSIAS) also call for the committee to assess their remit and effectiveness in relation to; “Purpose, Authority and Responsibility”, to facilitate the work of this committee.
- 2.6** This is the fourth time that the Finance, Resources, Audit and Governance Committee has undertaken a self-assessment. At an informal session in November 2017 the committee reviewed the two assessment tools, and this was finalised by the Head of Governance and the Chair of the Committee following this discussion. The conclusion of which was circulated to all members of the committee.
- 2.7** The first part of the assessment is a yes / no response and covers:
- Purpose and Governance;
  - Functions of the Committee;

- Membership and Support; and
- Effective of the Committee.

**2.8** The second part of the assessment requires an assessment as to how the committee displays it is effective through the reports it receives, and is broken down into the following key areas:

- Promoting the principles of good governance and their application to decision making;
- Contributing to the development of an effective audit committee;
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
- Aiding the achievement of the authority's goals and objective through helping to ensure appropriate governance, risk, controls and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money; and
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

### **3. Current Position/Findings**

**3.1** The self-assessment checklist has been reviewed and updated with the Chair prior to this meeting; and was circulated to members, the conclusions of which can be seen at **Appendix 1** to this report.

### **4. Proposals**

**4.1** The committee are requested to review the checklist at **Appendix 1** to ensure that this is an accurate reflection of the operations of the committee and to note any action that needs to be taken as a result of the conclusions.

### **5. Risks and implications arising**

**5.1** Not applicable to this report.

### **6. Recommendation**

**6.1** The committee is requested to note the attached checklist at **Appendix 1** to this report, and either (a) confirm that full compliance has been recognised in relation to each of the areas subject to scrutiny or (b) note action required to ensure full compliance.

### **Appendix 1 – FRAG Self-Assessment**

## Appendix 1

### Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
	Audit Committee purpose and governance			
1	Does the authority have a dedicated audit committee?	Y		
2	Does the audit committee report directly to full council?	Y		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	Y		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y		
	Functions of the committee			
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> <li>- Good governance</li> <li>- Assurance framework</li> <li>- Internal audit</li> <li>- External audit</li> <li>- Financial reporting</li> <li>- Risk management</li> <li>- Value for money or best value</li> <li>- Counter fraud and corruption</li> </ul>		Y	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y		
9	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?	Y		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	NA		

## Appendix 1

<b>11</b>	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		
	Membership and support			
<b>12</b>	Has an effective audit committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	Y		
<b>13</b>	Does the chair of the committee have appropriate knowledge and skills?	Y		
<b>14</b>	Are arrangements in place to support the committee with briefings and training?	Y		
<b>15</b>	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y		
<b>16</b>	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	Y		
<b>17</b>	Is adequate secretariat and administrative support to the committee provided?	Y		
	Effectiveness of the committee			
<b>18</b>	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			N
<b>19</b>	Has the committee evaluated whether and how it is adding value to the organisation?	Y		
<b>20</b>	Does the committee have an action plan to improve any areas of weakness?	Y		

### Notes:

7 – responsibility for risk management oversight rests with Cabinet – however internal audits are risk based.

## Appendix 1

### Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making	<p>Robust review of the Annual Governance Statement, with a lead in from the informal session so there are no surprises.</p> <p>Cabinet Member for Finance attends the FRAG meetings on a regular basis.</p> <p>Internal Audit reviews regularly received on Governance arrangements – last one at the November meeting of FRAG.</p>	4

## Appendix 1

	<p>Self-assessment undertaken annually – with a training session provided by CIPFA and the Chair attends EY briefings.</p> <p>Following attendance at the CIPFA conference at Westminster the Chair of the audit committee gave a presentation in July 2018 to members on optimising the effectiveness of FRAG by seeking assurance on high level and strategic areas of the Council's operations such as the transformation agenda.</p>	
Contributing to the development of an effective control environment	Regular follow up reports provided by the Head of Internal Audit as to progress made with internal audit recommendations. Where recommendations are not completed within agreed timeframes by officers, the audit committee requests their attendance. The IT manager was called to FRAG during the November 18 meeting to report on progress against overdue Service Desk recommendations.	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	Responsibility for oversight of risk management rests with Cabinet, however the Committee do have an oversight of the Council risks through the reports received from the auditors and internal audit reports from the risk based internal audit plan. It is acknowledged that there is room for improvement in this area and this will therefore be considered during any review of the FRAG terms of reference.	3
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>Assurance is provided through the internal audit reports and through the Value for Money statement provided by the External Auditors.</p> <p>Reports are also received on an annual basis in relation to the "Review of Local Government Ombudsman Report".</p>	4



## Appendix 1

Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Audit Charter covers reporting requirements in terms of reporting functionally to FRAG and administratively to the Corporate Management team.</p> <p>The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Authority and the Chair of the Committee.</p> <p>Effectiveness of the internal audit service is assessed as part of the year end reporting through the Annual Opinion, in particular the Quality Assurance &amp; Improvement Programme (internal and external assessment).</p>	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	This is covered in the scopes of audit reviews as required and the audit ensures that objectives are met for the Council.	4
Supporting the development of robust arrangements for ensuring value for money	<p>The External Auditor reports on this objectively and provides a conclusion on value for money.</p> <p>This is also displayed through the Annual Governance Statement that the Committee receives.</p>	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	Receive regular reports on the fraud arrangement and these are effectively scrutinised by the Committee i.e. Anti-Fraud arrangements.	4

## **ANNUAL REPORT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE 2018**

**Report Author(s):** Faye Haywood  
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**Portfolio:** Growth and Resources

**Ward(s) Affected:** All

### **Purpose of the Report:**

This report is to update Members of the work of the Finance, Resources, Audit and Governance Committee during 2018.

### **Recommendation:**

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

## **1 SUMMARY**

- 1.1 This report is to update Members of the work of the Finance, Resources, Audit and Governance Committee during 2018 and will also go forward to Full Council.

## **2 BACKGROUND**

- 2.1 South Norfolk Council's Finance, Resources, Audit and Governance Committee has been in operation since 2012, and this is the fifth annual report of the Committee.
- 2.2 The annual report will look back at the meetings held during 2018, and the activity of the Committee during this time.

## **3 CURRENT POSITION**

- 3.1 The Terms of Reference of the Committee are well established in the Council's Constitution, and the key features include reviewing:
- The draft and final statement of accounts;
  - The external auditors report on the statement of accounts; and
  - The external auditors plan of work.

The Committee is also required to approve:

- The statement of accounts;
  - The annual governance statement;
  - The internal audit plan of work; and
  - The Head of Internal Audit's annual report and opinion.
- 3.2 The Committee has met formally on four occasions in 2018 and Member attendance is high. There is a consistent strong officer attendance throughout the year, with regular representation from Accounts, Internal Audit and the Council's External Auditors.
- 3.3 The Committee also ensures that it operates to the highest standards, and with that in mind a self-assessment is undertaken against best practice. The Chairman of the Committee held an informal session with the Internal Audit Manager to assess its performance following the meeting in November 2018. The conclusion of the assessment is reported elsewhere on this agenda.
- 3.4 In addition, a work programme is in place which is reviewed and discussed at each formal meeting and in line with good practice a pre-agenda meeting is also held between the Chairman and key officers.

### Overview of the key items considered over the year

- 3.5 Statement of Accounts and Annual Governance Statement

The draft statement of accounts was considered by the Committee at the meeting in June 2018, this provided Members the opportunity to go through the accounts in detail and refer to the current position ahead of the audit being concluded. The draft annual governance statement was also considered at the meeting and

Members considered the current governance position of the Council. The final statement of accounts was approved at the meeting in July 2018.

### 3.6 Internal Audit

On an annual basis the Committee reviews and approves the Strategic and Annual Internal Audit Plan for the forthcoming year. The Committee then regularly receives updates on the progress of the completion of the plan of work and the position with the action taken by management to progress the audit recommendations. Finally, at the end of the financial year the Annual Report and Opinion of the Head of Internal Audit is considered by the Committee in terms of the conclusions made in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control.

### 3.7 External Audit

Throughout the year the Committee has received reports from the Council's External Auditors; Ernst Young. The Committee are provided with the plan of work for the audit of the accounts, the results of which are reported through in the summer – the Audit Results Report and Opinion. Finally, the Annual Audit Letter is provided to the Committee which summarised the work carried out and confirms the conclusions reached.

The outcome from the certification of claims and returns (Housing Benefit Subsidy) is also reported through to the Committee on an annual basis.

### 3.8 Corporate Debt Collection Policy, Procedure and Guidelines

The Committee received the updated documentation and the Financial Services Manager outlined the changes to the document, with Members noting the changes reflected in the realignment of staff and the updates to the delegations. Members noted that the policy had been amended with the individual needs of the customer in mind, balanced with the need to safeguard Council finances. Members raised questions regarding bad debts and cost of debt recovery.

### 3.9 Review of the Local Government Ombudsman Report 2018

The report advised Members of the Council's approach to dealing with complaints, including those which had been referred to the Local Government Ombudsman. Members noted the reduction in the number of complaints.

## 4 PROPOSED ACTION

- 4.1 This report looks back over the 2018 year and has reported on the range of reports that have been brought to Committee's attention. The report highlights the breadth of information that is received by the Committee in ensuring the Terms of Reference are met.

## 5 OTHER OPTIONS

- 5.1 Not applicable to this report.

## **6 ISSUES AND RISKS**

6.1 **Resource Implications** – not applicable to this report.

6.2 **Legal Implications** – not applicable to this report.

6.3 **Equality Implications** – not applicable to this report.

6.4 **Environmental Impact** – not applicable to this report.

6.5 **Crime and Disorder** – not applicable to this report.

6.6 **Risks** – not applicable to this report.

## **7 CONCLUSION**

7.1 The report ensures that best practice is followed and that the Committee reflect on the work of the year.

## **8 RECOMMENDATION**

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

## **FRAG Work Programme**

<b>21/06/2019</b>	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Head of Internal Audit's Annual Report and Opinion for 2018/19, including Review of the Effectiveness of Internal Audit	Faye Haywood	FORMAL
	Annual Governance Statement 2018-19	Debbie Lorimer/Julie Brown	FORMAL
	External Audit Plan 18/19	External Audit	FORMAL
	Annual Report on Counter Fraud Activity 2018/19 (if anything to report)		FORMAL
	Draft Statement of Accounts	Debbie Lorimer/Julie Brown	INFORMAL
<b>26/07/2019</b>	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts 18/19	Debbie Lorimer/Julie Brown	FORMAL
<b>22/11/2019</b>	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Annual Audit Letter	External Audit	FORMAL
	Review of the Local Government Ombudsman Report 2019	Christine Baldwin	FORMAL
	Draft Longer-term Capital Strategy	Helena Craske	FORMAL
	Training Session for members to complete their Self Assessment	Faye Haywood	INFORMAL
<b>Mar-20</b>	Certification of Claims & Returns Annual Report 18/19	External Audit	FORMAL
	Internal Audit Activity Report	Faye Haywood	FORMAL
	Strategic and Annual Internal Audit Plans 2020/21	Faye Haywood	FORMAL
	Annual Report of FRAG Committee	Faye Haywood	FORMAL
	External Audit Plan 19/20	External Audit	FORMAL
	Self Assessment of the FRAG Committee	Faye Haywood	FORMAL