

Finance, Resources, Audit and Governance Committee

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

Mr P Hardy (Chairman)
Mr S Ridley (Vice Chairman)
Ms V Clifford-Jackson
Mr A Dearnley
Mr B Duffin
Mr D Elmer
Mr T Laidlaw
Dr N Legg
Mr R Savage

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Agenda

Date

Friday 22 November 2019

Time

9.30 am

Place

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

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

Large print version can be made available

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 27 September 2019;** (attached – page 9)
- 5. Progress Report on Internal Audit Activity;** (attached – page 12)
- 6. Follow-up Report on Internal Audit Recommendations;** (attached – page 34)
- 7. Annual Audit Letter;** (attached – page 41)
- 8. Update on the Longer-term Capital Strategy;** (attached - page 67)
- 9. Risk Maturity Assessment Results;** (attached – page 70)
- 10. Joint Commercialisation Strategy;** (attached – page 77)
- 11. Review of the Local Government Ombudsman 2019;** (attached – page 86)
- 12. Finance, Resources, Audit & Governance Committee Work Programme;**
(attached – page 90)

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?

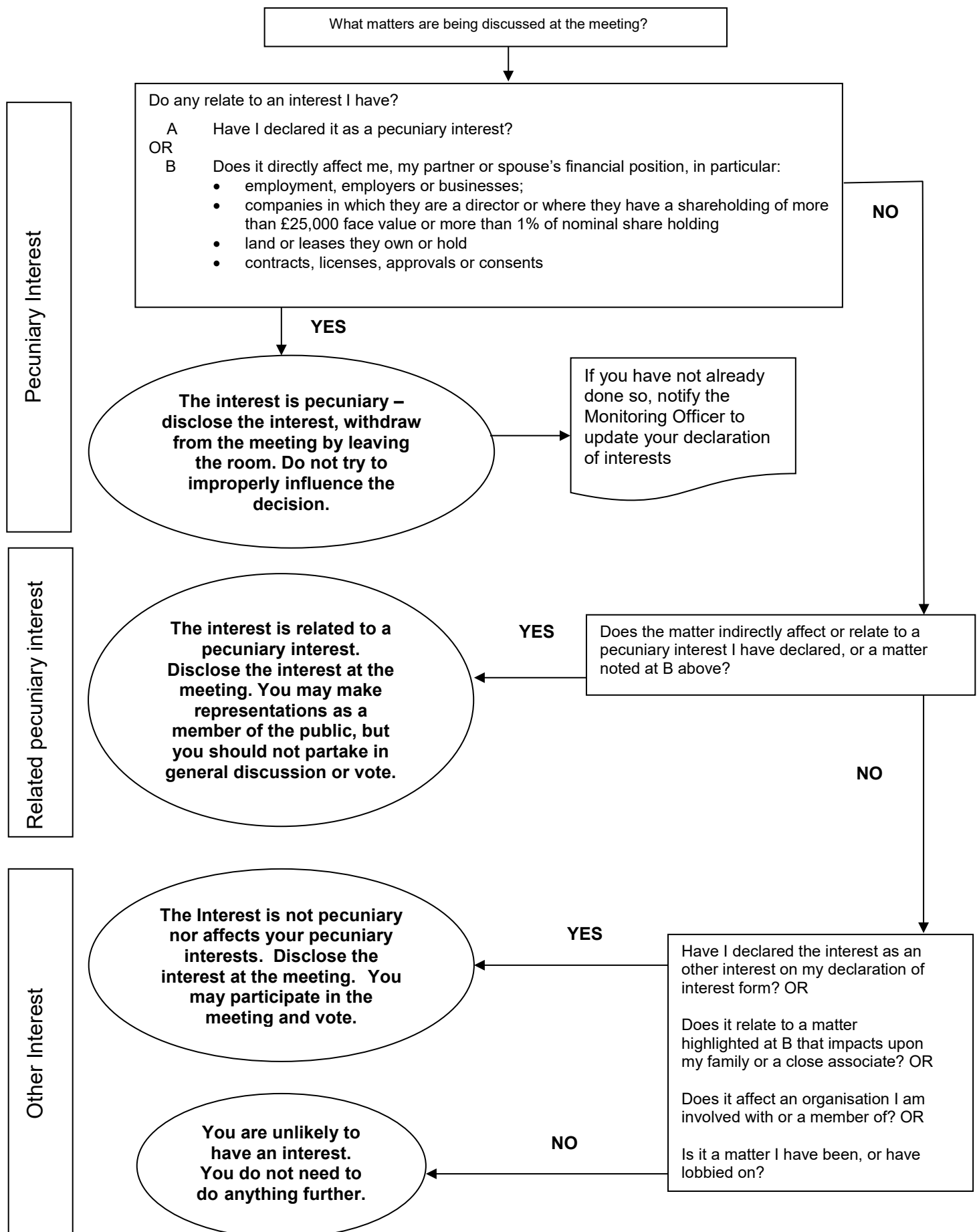
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but you should not partake in general discussion or vote.

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, 27 September 2019 at 9.30am.

Committee Members Present: Councillors: P Hardy (Chairman), V Clifford-Jackson, A Dearnley, B Duffin, D Elmer, T Laidlaw, N Legg, S Ridley and R Savage

Cabinet Member in Attendance: Councillor: A Thomas

Officers in Attendance: The Director of Resources (D Lorimer), the Assistant Director of Governance & Business Support (E Hodds), the Group Accountant (J Brown) and the Capital and Management Accountant (H Craske)

Also in Attendance: Mark Hodgson - Ernst & Young (EY)

209 MINUTES

The minutes of the meeting held on 21 June 2019 were confirmed as a correct record and signed by the Chairman.

Officers gave an update on two outstanding audit recommendations for IT and informed members that a detailed report would be available for consideration at the meeting in November.

Regarding the IT Service Desk, officers advised members that the priority in relation to implementing the design framework had instigated audit trials and advised members that this would not be closed down until a formal board was in place, to which members agreed.

210 STATEMENT OF ACCOUNTS 2018/19

The Group Accountant presented her report, which updated members on progress on finalising the Council's Statement of Accounts for 2018/19 and provided a high-level commentary on significant changes since the draft report was published.

Members were advised that two further adjustments had been identified since the report had been issued relating to the treatment of capital receipts in advance and the reversal of prior year accruals in relation to CIL and CNC Building Control.

Officers explained that the pilot scheme for business rates was run nationally to trial proposed changes to the scheme and, although no formal feedback had been given, it was identified that the Council would receive £483k in additional income for 2019 as a one-off increase.

Responding to a member's query regarding the fair funding formula, officers informed members that they were awaiting a more detailed consultation.

Referring to the major risks related to the new homes bonus, officers confirmed the matter was being closely monitored.

Discussion took place around the Council's wholly or part-owned companies and members raised concerns around their lack of understanding of Big Sky and Build Insight. It was agreed that officers would arrange a training session with a focus on governance arrangements for Big Sky Ventures Ltd and subsidiary companies in early November.

After officers had responded to a number of queries on points of detail, the Chairman thanked officers for their hard work and it was;

- RESOLVED:** To:
1. Note the adjustments to the Statement of Accounts 2018/19 identified to date.
 2. Delegate to the Group Accountant to make any necessary adjustments to the Statement of accounts for sign-off and publication.
 3. Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Director of Resources.

211 AUDIT RESULTS REPORT

Mark Hodgson from Ernst & Young (EY) presented his report, which summarised the preliminary audit conclusion in relation to the audit for 2018/19 and informed members that there were no outstanding matters, other than the ones identified regarding treatment of capital receipts in advance and reversal of prior year accruals.

Mr Hodgson drew members' attention to the added risk around non-domestic rates and confirmed that he was comfortable that the risk was prudent. He added that he expected to issue an unqualified audit opinion imminently.

Mr Hodgson reassured members that the resource issues at EY resulting in a delay in completing the audit, had been resolved and informed members that, although a consultation regarding the movability of the due date of 31 July was live, EY would continue to work to that date in any event.

Members thanked officers and Mr Hodgson for their professionalism and work throughout the audit.

It was then;

RESOLVED: to note the report.

212 CONTRACT STANDING ORDERS

The Procurement Consortium Manager presented his report, which detailed the review undertaken to align the framework within which both South Norfolk and Broadland Councils operated in terms of spending on goods and services, drawing attention to the key major changes.

Responding to members' questions around ensuring compliance during the process of receiving quotes, members were assured that officers would need to demonstrate value for money and that directors would have overall responsibility. He added that there was a code of conduct and a transparency code, and officers were obliged to publish the contract register for all procurement exceeding £500.

Members were advised that the Council was active in encouraging clients in the use of Fair Trade products.

In response to a number of queries on the minimum contracts procedures, the Procurement Consortium Manager agreed to amend the report accordingly and members suggested a review should be added to the work programme for July 2020.

it was then;

RESOLVED: To recommend that Council approves the Contract Standing Orders.

213 WORK PROGRAMME

Members referred to the Finance, Resources, Audit & Governance Committee's Work Programme and agreed to add Governance, Risk and the Joint Commercialisation Strategy to the work programme for November.

The meeting concluded at 11.20 am.

Chairman

Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 1 April 2019 to 11 November 2019

Responsible Officer: Faye Haywood – Internal Audit Manager for South Norfolk Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 8 March 2019, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the progress report presented to the Committee in March 2019, there have been no significant changes to that plan.

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 73 days of programmed work has been completed, equating to 45% of the Audit Plan for 2019/20.

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, five final reports have been issued by Internal Audit:

Audit	Assurance	P1	P2	P3
Big Sky	Reasonable	0	1	6
Leisure	Reasonable	0	2	0
Waste Management	Reasonable	0	5	1
Housing Standards and DFG Arrangements	Reasonable	0	3	2
Homelessness and Housing Options	Reasonable	0	3	0

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 23 recommendations have been raised and agreed by management.

In addition, two Operational Effectiveness Matters have been proposed to management for consideration.

- 4.6 All of the Internal Audit reports issued this period have concluded with a positive opinion being given, indicating a strong and stable control environment in those areas to date.

5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the new 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 Consortium Manager to ensure that appropriate action is taken.

- 5.3 The first and second quarters work has been completed and a report on the performance measures provided to the Head of Internal Audit. Performance is currently at green status with targets having been satisfactorily met so far this year.
- 5.4 In addition to 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 confirms that the 2019/20 Internal Audit Plan has been delivered in line with expectations.

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 three completed audits in the period covered by this report, and the position of the internal audit plan for 2019/20.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Notes	Date to Committee
							Urgent	Important	Needs Attention	Op		
Quarter 1												
Big Sky	SNC2001	10	10	10	Final report issued 19 July 2019	Reasonable	0	1	6	0		November 19
TOTAL		10	10	10								
Quarter 2												
Leisure	SNC2002	10	10	10	Final report issued 31 October 2019	Reasonable	0	2	0	1		November 19
Waste Management	SNC2003	10	10	10	Final report issued 27 August 2019	Reasonable	0	5	1	0		November 19
Housing Standards and DFGs	SNC2004	10	10	10	Final report issued 12 September 2019	Reasonable	0	3	2	1		November 19
Homelessness and Housing Options	SNC2005	12	12	12	Final report issued 7 October 2019	Reasonable	0	3	0	0		November 19
TOTAL		42	42	42								
Quarter 3												
Corporate Governance	SNC2006	6	6	3	Audit in progress						Joint	
Accountancy Services	SNC2007	15	15	1	APM issued							
Accounts Receivable	SNC2008	10	10	1	APM issued							
Income	SNC2009	8	8	1	APM issued							
TOTAL		39	39	6								
Quarter 4												
Key Controls and Assurance	SNC2010	15	15	0								
Risk Management	SNC2011	5	5	0							Joint	
Planning and Development	SNC2012	20	20	0							Joint	
TOTAL		40	40	0								
IT Audits												
Disaster Recovery & Business Continuity	SNC2013	10	10	9	Draft report issued 13 September 2019						Joint	
Network Infrastructure and Security	SNC2014	10	10	0							Joint	
TOTAL		20	20	9								
Follow Up												
Follow Up	NA	12	12	6								
TOTAL		12	12	6								
TOTAL		163	163	73			0	14	9	2		
Percentage of plan completed				45%								

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Big Sky

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance	0	1	4	0
Accounting and financial arrangements	0	0	1	0
Performance Management including VFM	0	0	1	0
Total	0	1	6	0

SCOPE

The objective of the audit was to review the systems and controls in place over Big Sky 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 one 'important' and six 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Big Sky (SNC/17/08) also concluded in a 'Reasonable' assurance opinion, indicating that there is no overall change in the level of control. However, the number of recommendations has increased albeit these are at a 'needs attention' priority level.

POSITIVE FINDINGS

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

Governance

- The Big Sky Group Five Year Strategy clearly outlines how the Big Sky Group is operating in accordance with and supporting Council's priorities. It states that projects will only be progressed which receive backing and funding from South Norfolk Council, where they are conducive to the long-term viability of Big Sky Developments and financially worthwhile to the Council.

Accounting and financial arrangements

- A quarterly Executive Summary is reported to the Board which details the financial position of the company incorporating an overall summary including profit and gross profit margin; Profit and Loss Account and Balance Sheet; and Cash Flow statement. This provides transparent management accounts for the board to base decisions on.

Performance Management

- In addition to the financial management provided to the board, a performance dashboard is produced for each development detailing progress, key milestones, activities completed, key issues and top risks. This facilitates an easily accessible overview of the performance and progress of each development.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'important' recommendation has been made.

Governance

- To ensure the combined Big Sky Development Board and Big Sky Property Management (BSPM) risk log are included, they need to be added as a standing item to the BSPM agenda, and discussions and outcomes are recorded in the respective minutes. In addition, the BSPM inability to repay Council loans is included within the companies' combined risk register, scored appropriately and mitigation recorded to reflect that this risk has materialised. The Councils' risk register should also be reviewed to ensure this is appropriately picked up in terms of cash flow risk and financial loss if loans are not repaid. Without effective risk management, the Companies and Council may not be able to achieve its priorities.

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

Governance

- To ensure the company's articles of association are consistent with each other, taking into account the reference to the shareholder representative. This will help mitigate the risk that the companies are governed in contrary to the correct governance system.
- Board minutes should be circulated to the board within one month of meeting date and minutes to be reviewed by the Company Secretary prior to circulation. This assists in mitigating the risk that there is an inaccurate record of actions agreed and decisions made.
- Progress against the Big Sky Group 5 Year Strategy objectives/priorities and annual business plan objectives/priorities be included as a board standing agenda item at each Annual General Meeting (AGM). This should assist in reducing the risk that some objectives are not on track and required action is not taken to address inadequate performance.
- The board be requested to revise the risk log to clearly show the current risk score for each risk, to reduce the chances of risks levels being misunderstood and potentially not properly mitigated.

Accounting and Financial Arrangements

- A variation to the loan agreements be made to have the interest term changed from being payable monthly or quarterly, to annually, in line with what is happening in practice. This helps mitigate the risk that there is ambiguity over when interest payments should be made leading to potential disputes and detrimental effect to financial planning.

Performance Management

- The priorities/objectives of the 5 Year Strategy and 19/20 business plan be assessed to ascertain if they are supported by Specific, Measurable, Agreed Upon, Realistic, Time Based (SMART) measures, so that achievement of these can be evidenced. This helps mitigate the risk that the Big Sky group is not providing Value for Money (VFM) leading to the objectives of the company not being achieved effectively.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, all of which had been closed as completed. One of these recommendations related to regular reporting of risks to the Board, which has lapsed, and a new recommendation has been raised in relation to this – see Recommendation 1.

Assurance Review of the Waste Management Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures, Income and Performance	0	2	0	0
Refuse Collection	0	1	0	0
Commercial Waste	0	2	0	0
Recycling	0	0	1	0
Total	0	5	1	0

No action points arose in respect of bulky waste.

SCOPE

The objective of the audit was to review the systems and controls in place within waste management, to help confirm that these are operating adequately, effectively and efficiently. The scope of the review excluded all areas covered by the Road Haulage Association's inspection in July 2019, which were as follows: Operator Licence; Fleet Policies, Procedures and Management Systems; Employee Induction, Qualifications, Licences and Training; Maintenance Documentation and Procedures; Drivers' Hours, Tachographs, Speeding and Working Time.

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 four 'important' and one '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.

POSITIVE FINDINGS

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

- There is a comprehensive suite of internal work instructions in place, reducing the risk of errors due to staff not understanding the systems and processes.
- Access to the R2C system is restricted to current staff based on their job roles, reducing the risk of inaccurate vehicle data being input which could lead to poor vehicle maintenance.
- Complaints processes are clearly communicated to the public and testing found that complaints and missed bin collections are promptly handled, reducing the risk of reputational damage.
- The Operations Manager meets with the Management Accountant on a monthly basis to discuss budget information in detail, reducing the risk of overspending due to poor financial management.

ISSUES TO BE ADDRESSED

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

Policies and Procedures, Income and Performance

- The draft 'South Norfolk Council Waste Collection Policies and Procedures' document be finalised and communicated, reducing the risk of a failure to provide an effective service or a failure to meet the required legal duty of care.
- A review of performance indicators be undertaken to ensure that the information provided in the new dashboard meets managements needs and leads to improvements in the service, reducing the risk of issues not being addressed or a failure to improve performance where necessary.

Commercial Waste

- Maintenance costs be included in the commercial waste information in order to provide a full picture of the costs to review whether the service is self-financing, and to feed into future price setting and negotiation. This reduces the risk of services being provided at a loss to the Council.
- A review of all commercial waste customers be carried out to ensure payment has been received for services provided, reducing the risk of future collections being made without payment.

Refuse Collection

- Health and Safety 'near misses' be formally recorded and investigated, so that lessons can be learned to reduce the risk of health and safety incidents occurring.

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

Recycling

- An occasional sample check be introduced to ensure that the weights on News invoices are correct as per the tip tickets / weighbridge data, reducing the risk of overcharging.

Operational Effectiveness Matters

No operational effectiveness matters arose during the audit.

Previous audit recommendations

All four recommendations made during the previous internal audit review on waste management (SNC/17/16) have been confirmed as implemented through internal audit's follow up checks, although compliance testing found one issue re-occurred in respect of a commercial bill not issued (recommendation 4 refers).

Assurance Review of the Housing Standards and DFGs Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Processing of applications	0	0	1	0
Contracted works	0	1	0	1
Financial management	0	1	0	0
HMO licensing	0	1	0	0
Total	0	3	2	1

SCOPE

The scope of this review included grant-funded housing adaptations, in particular processing of applications, contracted works and financial management. It also included a review of houses in multiple occupation (HMO) licensing in light of legislative changes that came into force in October 2018.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- The previous audit of Housing Standards (SNC/18/11) also concluded in a 'Reasonable' assurance opinion, having raised three 'important' and three 'needs attention' recommendations. This indicates that there is a positive direction of travel as, although the overall opinion is unchanged from the previous audit report, the number of recommendations raised has reduced.

POSITIVE FINDINGS

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

- The Council has an up to date strategy for the provision of grants, to ensure that grant funding is used consistently and effectively.
- All grants awarded are assessed in accordance with legislation and local policy and are authorised by two officers, to ensure that grants are awarded to eligible applicants.
- Grant applications are processed and applicants notified of outcomes in a timely manner and in accordance with statutory targets, to ensure that grants are provided promptly to those in need.
- Grant expenditure per the housing system is reconciled to the general ledger on a quarterly basis, to ensure that all expenditure has been accurately recorded.
- The Council has updated its policies and procedures relating to HMOs and publicised the changes to ensure that landlords in the district are aware of the new requirements, to ensure compliance with new legislative requirements since 1st October 2018.

ISSUES TO BE ADDRESSED

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

Contracted works

- Building control completion certificates to be received and retained for all grant funded works, to reduce the risk of non-compliance with building regulations.

Financial management

- Responsibilities for completing and submitting the DFG annual return be clearly assigned, to reduce the risk of the return not being submitted by the deadline.

HMO licensing

- The Council's charging scheme for HMO licences to be amended so that it has two stages, to reduce the risk of non-compliance with regulations.

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

Policies and procedures

- Procedure notes on the use of the Uniform system be updated, to reduce the risk of outdated or inconsistent practices being followed.

Processing of applications

- Signed copies of small works agreements be retained for all grants, to reduce the risk of disputes about responsibilities for the works.

Operational Effectiveness Matters

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

- Performance data about each contractor be collected, to enable assessment and comparison of their performance.

Previous audit recommendations

The previous audit of Housing Standards (SNC/18/11) concluded in a 'Reasonable' assurance opinion, with three 'important' and three 'needs attention' recommendations being raised. All six of these recommendations were confirmed as implemented through Internal Audit's cyclical follow up process.

Other points noted

If demand for DFGs and other grants exceeds the allocation received from Norfolk County Council, then the excess has historically been funded from an earmarked reserve. However, this reserve is nearly depleted and as a result there is an emerging risk that the Council is unable to meet the demand for grants in 2019/20. In this event, Cabinet will be consulted and a decision will be made about whether to reduce the number of discretionary grants paid or for the Council to provide additional funding.

Assurance Review of the Homelessness and Housing Options Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Assessment of homelessness applications	0	2	0	0
Public sector and temporary accommodation	0	1	0	0
Total	0	3	0	0

No recommendations have been raised in relation to strategies, policies and procedures, housing register or the deposit loan scheme.

SCOPE

This review focused on the impact on the Council's statutory obligations following the introduction of the Homelessness Reduction Act in April 2018. In particular, it included the assessment of homelessness applications, temporary accommodation, deposit loans and management of the housing register.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' recommendations being raised upon the conclusion of our work.
- Homelessness was last reviewed in 2017/18 (SNC/18/02) and Housing Options in 2016/17 (SNC/17/03). Both of these audits concluded in a 'reasonable' assurance opinion, although the number of recommendations raised in this audit has reduced, indicating a positive direction of travel.

POSITIVE FINDINGS

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

- The Council has produced detailed flow charts and guidance for officers for managing cases under the Homelessness Reduction Act, to ensure that the approach followed is consistent and in accordance with the legislation.
- The Council uses choice based lettings, to ensure that properties allocated through the housing register are appropriate for applicants.
- The Council creates a Personal Housing Plan with all homeless customers, to ensure that all parties are working towards the most effective solution.
- When temporary accommodation is provided to homeless customers, agreement to the conditions and charges for the accommodation is obtained, to ensure that customers are aware of their responsibilities.
- The Council offers Rent and Deposit Scheme loans to assist homeless applicants obtain housing in the private sector, to ensure that a range of options is considered to alleviate homelessness.

ISSUES TO BE ADDRESSED

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

Assessment of homelessness applications

- All applicants be formally notified when the Council accepts or ends a duty under the Homelessness Reduction Act, to reduce the risk that they do not receive the assistance to which they are entitled.

- Identity checks are recorded on the notes of each case, to reduce the risk that necessary checks are not completed or evidenced.

Public sector and temporary accommodation

- Temporary accommodation debts be reviewed in a timely manner and put forward for recovery or write off, to reduce of risk of debts not being recovered effectively.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

Homelessness was last subject to internal audit review in 2017/18 (SNC/18/02), where five recommendations were raised and have since been addressed by management. Housing Options was last reviewed in 2016/17 (SNC/17/03), where six recommendations were raised and have since been addressed by management. These recommendations were confirmed as completed as part of our follow up process.

Assurance Review of Leisure Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Project post implementation	0	0	0	0
Budget monitoring	0	0	0	1
Performance monitoring	0	2	0	0
Performance reporting	0	0	0	0
Total	0	2	0	1

SCOPE

The objective of the audit was to review the systems and controls in place 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' recommendations being raised upon the conclusion of our work.
- This assurance opinion indicates that the overall level of control has not changed since the previous audit of Leisure in 2017/18, which also concluded in a 'reasonable' assurance opinion. It is noted that the scope of the audit previously covered the QUEST accreditation, cash handling and stock management at the leisure centres, whilst the current audit focused on the refurbishment and management of Long Stratton leisure centre and the 3G pitches at Ketts Park.

POSITIVE FINDINGS

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

- A Leisure Strategy has been developed, covering the period 2018-21. The strategy sets out how the leisure service will continue to develop over the next three years, and will find the balance between providing a high quality and accessible service, with being commercially viable.
- Budget monitoring arrangements are in place for the service and accountability for the leisure budget is clearly defined, to effectively manage the budget and deliver the service as a whole.
- The total number of members for the Long Stratton leisure centre has significantly increased since re-opening, increasing monthly, indicating that the changes have had a positive impact on the centre.
- The soft play facility and café have been well received and are generating vital income for the centre.
- Proactive measures have been taken by the leisure team to increase usage and income for Ketts Park. Additional income streams have been identified at Ketts Park, with the college now hiring the facility to run a course during off-peak periods. Norfolk Constabulary are hiring car parking spaces, which provides an additional vital income stream.
- A post implementation review has been undertaken on the refurbishment of the leisure centre, to ensure that expectations of the refurbishment and delivery of the service have been met.

ISSUES TO BE ADDRESSED

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

Performance Monitoring

- KPIs to be developed for the leisure service that are in line with the Council's Leisure Strategy, to minimise the risk of not delivering the objectives of the Leisure Strategy.
- Qualitative performance measures to be developed for the service and monitored accordingly, to minimise the risk of service quality not meeting customer expectations and affecting the performance of the leisure centre.

Operational Effectiveness Matters

There is one operational effectiveness matter raised.

- The income budget for Ketts Park to be adjusted to reflect the seasonal peaks, to allow for more accurate budget monitoring across the year.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, when an audit within leisure was last undertaken. The last leisure audit undertaken was in 2017/18, (SNC1801) which focused on QUEST accreditation, cash management and stock control. A reasonable assurance was concluded, with all four recommendations having been addressed by management.

Eastern Internal Audit Services



SOUTH NORFOLK COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2019 to 11 November 2019

Responsible Officer: Head of Internal Audit for South Norfolk Council

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1. INTRODUCTION

- 1.1 This report is being 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 establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes the status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 In 2017/18 internal audit raised 59 recommendations; 54 of which have been implemented, five of which are outstanding (two important and three needs attention). The management responses in relation to the two outstanding important recommendations can be seen at **Appendix 2** to the report.

Number raised to date	59	
Complete	54	92%
Outstanding	5	8%

- 2.6 A total of 68 recommendations were raised in 2018/19, 52 of which have been implemented. 16 recommendations (six important and 10 needs attention) are outstanding.

Management responses in relation to the outstanding important recommendations can be seen at **Appendix 3** of the report.

Number raised to date	68	
Complete	52	76%
Outstanding	16	24%

- 2.7 A total of 23 recommendations have been raised so far in 2019/20, all of which are not yet due.

Number raised to date	23	
Complete	0	0%
Outstanding	0	0%
Not yet due	23	100%

3. PROPOSAL

- 3.1 The Finance, Resources, Audit and Governance Committee are asked to receive and note the year end position in relation to the completion of agreed audit recommendations.

4. RECOMMENDATION

- 4.1 That members note the position in relation to the completion of agreed internal audit recommendations as at 11 November 2019.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 01/04/2019 to 11/11/2019			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2017/18 Internal Audit Reviews															
SNC1808	Accountancy Services	Reasonable			1							0			
SNC1811	Housing Standards	Reasonable			1							0			
SNC1812	Business Continuity and Disaster Recovery	Reasonable			1		1					1			
SNC1816	Service Desk	Limited			4		1	3				4			
2018/19 Internal Audit Reviews															
SNC1904	Car Parks	Reasonable						1				1			
SNC1903	Corporate Governance GDPR	Reasonable		1	1							0			
SNC1906	Remote Access	Reasonable			1		1					1			
SNC1907	Key Controls and Assurance	Reasonable		3								0			
SNC1909	Council Tax and NNDR	Reasonable		1	1						2	2			
SNC1910	Housing Benefits	Reasonable			3							0			
SNC1912	Payroll and HR	Substantial			2							0			
SNC1913	Building Control	Reasonable		1	2					1	2	3			
SNC1914	Cyber Crime	Reasonable		4	5					4	5	9			
2019/20 Internal Audit Reviews															
SNC2001	Big Sky	Reasonable												1	6
SNC2005	Homelessness	Reasonable												3	
SNC2002	Leisure	Reasonable												2	
SNC2004	Housing Standards	Reasonable												3	2
SNC2003	Waste Management	Reasonable												5	1
TOTALS			0	10	22	0	3	4	0	5	9	21	0	0	0

APPENDIX 2 – OUTSTANDING IMPORTANT INTERNAL AUDIT RECOMMENDATIONS FROM 2017/18 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1812 Business Continuity and Disaster Recovery	Recommendation 1. The Council to develop, agree and implement an ongoing Disaster Recovery test plan once the Wymondham site has gone live.	2	Agreed.	ICT Manager	28/02/2018	01/12/2019	Outstanding	A complete review and rework of an appropriate testing plan is currently underway and will be completed by the revised deadline. This will be undertaken in conjunction with BDC although it is understood that BDC & SNC are at different stages of this process, but are endeavouring to synchronise these exercises in early 2020.
SNC1816 Service Desk	Recommendation 7. The Council to design and implement an appropriate formal Change Management framework. The following elements to be considered as part of this work: The scope of Change Management activity is established within the Council. Agree and assign formal Change Management roles and responsibilities. A schedule of approved changes is routinely issued. Change slippages to be reported; and Change is effectively monitored and reported, including the number of changes.	2	Agreed	ICT Manager	31/10/2018	3103/2020	Outstanding	The intended replacement of the SNC Service Desk has not taken place. This has been put off due to other work commitments over the last 12 months. A pseudo formal change control process that uses emails as advisories is in place and provides relevant and appropriate updates to staff involved. Dual implementation of this with Broadland is now anticipated for Q1 2020.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2018/19 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1906 Remote Access	Recommendation 2. The Council to formulate an appropriate Disaster Recovery testing plan that periodically tests the ability of the remote access service to support an increased number of users requiring access to internally-hosted applications and file shares.	2	Agreed.	ICT Manager	28/09/2018	01/12/2019	Outstanding	A complete review and rework of an appropriate testing plan is currently underway and will be completed by the revised deadline. This will be undertaken in conjunction with BDC although it is understood that BDC & SNC are at different stages of this process, but are endeavouring to synchronise these exercises in early 2020.
SNC1913 Building Control	Recommendation 1: Reconciliations between the building control system and the general ledger are to be brought up to date, kept up to date and independently reviewed. In addition, any discrepancies identified within these reconciliations to be investigated and resolved.	2	Agreed	Management Accountant	31/08/2019	31/03/2020	Outstanding	Because of a lack of staff resource this has not been progressed. A meeting to review the process carried out within Planning has been organised between the team leader who performs this, management accountant and our Reconciliations Accountant. We have then agreed to bring the reconciliation up to date between ourselves by the end of the financial year before handing over to the service.
SNC1914 Cyber Crime	A formal procedure/process must be in place that is applied to manage Cyber risks. This can be achieved by the inclusion of Cyber risk, or more general IT Service Delivery risk within the Council's existing Strategic Risk Register. The risks to be aligned to the "Service Delivery" and, if possible, the "Reputation" core capacity indicators.	2	Agreed	ICT Manager	30/08/2019	31/1/2019	Outstanding	The risks associated with cyber security are recognised within the IT department, but work needs to be done in conjunction with the Governance team to get this added to the strategic risk register.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1914 Cyber Crime	A policy must be in place to cover Secure Configuration, Patching, and Backups.	2	Agreed	ICT Manager	30/08/2019	31/03/2020	Outstanding	New joint policy to be written in conjunction with Broadland once joint working is fully operational.
SNC1914 Cyber Crime	A policy must be in place to cover the Management of Incidents.	2	Agreed	ICT Manager	30/08/2019	31/03/2020	Outstanding	New joint policy to be written in conjunction with Broadland once joint working is fully operational.
SNC1914 Cyber Crime	A formal Incident Management process and procedure must be in place, including escalation requirements, which must be followed for all incidents.	2	Agreed	ICT Manager	30/08/2019	31/03/2020	Outstanding	New joint policy to be written in conjunction with Broadland once joint working is fully operational.

South Norfolk District Council

Annual Audit Letter for the year
ended 31 March 2019

9 October 2019

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Focused on your
future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to South Norfolk District Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 September 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 29 September 2019.

In February or March 2020 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 27 September 2019 Finance, Resources, Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 8 February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit



Financial Statement Audit

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2019.

Our detailed findings were reported to the 27 September 2019 Finance, Resources, Audit and Governance Committee.

Misstatements due to fraud or error

What was the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

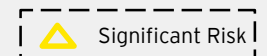
ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What were our conclusions?

We did not identified any material weaknesses in controls or evidence of material management override.

We did not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.





Financial Statement Audit (continued)

Significant risk

Incorrect capitalisation of revenue expenditure

What was the risk?

Linking to our risk of misstatements due to fraud and error above, we identified the incorrect capitalisation of revenue expenditure as a separate risk which could result in the material misstatement of expenditure in the year.

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme (£30.9 million was planned for 2018/19).

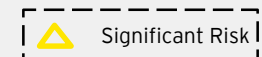
What did we do and what judgements did we focus on?

We performed the following procedures:

- Walked through of controls designed and implemented to address the significant risk;
- Review of expenditure capitalised in the year and review the GL to identify whether there were any potential transactional items that should be revenue in nature;
- Sample tested PPE additions to a higher degree than would otherwise be the case if the risk was not present; and
- Designed specific journal procedures to review adjustment journals from across the financial year that move amounts from revenue to capital codes.

What were our conclusions?

Our testing did not identify any items incorrectly classified as capital expenditure.





Financial Statement Audit (continued)

Other Areas of Audit Focus

Valuation of land and buildings - inherent risk

What was the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Council engage an external expert (Wilks Head & Eve) who apply a number of complex assumptions to these assets. Assets are assessed annually to identify whether there is any indication of impairment.

As the Council's asset base is significant (PPE = £31.2 million and IP = £12.6 million), and the outputs from the valuer are subject to estimation, there is a risk that these assets may be misstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

We performed the following procedures:

- ▶ We considered the work performed by the Council's valuer (Wilks Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ We undertook sample testing of key asset information used by the valuer in performing their valuation;
- ▶ We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What were our conclusions?

Following full consideration of their work, we placed reliance on the Council's valuation expert.

Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates. We were comfortable that assets not subject to valuation in 2018/19 were not materially misstated.



Financial Statement Audit (continued)

Other Areas of Audit Focus

Pension Liability Valuation – inherent risk

What was the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totals £68.814 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

We performed the following procedures:

- ▶ Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the South Norfolk District Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the South Norfolk District Council's financial statements in relation to IAS19.

What were our conclusions?

We assessed and were satisfied with the competency and objectivity of the Council's actuary. EY pensions team and PwC (Consulting Actuary to the NAO) reviewed the work of the actuaries and deemed the assumptions used to be reasonable.

In addition, there was been a national issue in relation to IAS19 pension fund liability disclosures. It related to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

The draft financial statements had recognised this matter as a contingent liability. However, since the year-end there was some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Guaranteed Minimum Pension ruling also had an impact on the pension liability.

In summary, the changes have increased the past service costs and in turn the pensions liability figure by approximately £1.073 million.



Financial Statement Audit (continued)

Other Areas of Audit Focus

New Accounting Standards – inherent risk

What was the risk?

The CIPFA Code of Practice on Local Authority Accounting (the Code) required the Council to comply with the requirements of two new accounting standards for 2018/19. These standards were:

IFRS 9 financial instruments

This new accounting standard changed how financial assets were classified and measured, how the impairment of financial assets are calculated; and the disclosure requirements for financial assets and liabilities.

IFRS 15 Revenue from contracts

The key requirements of the standard covered the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

What did we do and what judgements did we focus on?

We performed the following procedures:

- ▶ Assessed the Council's implementation arrangements and impact assessment of the application of the new standards, transitional adjustments and accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets;
- ▶ Considered the application to the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfied a performance obligation; and
- ▶ Checked additional disclosure requirements.

What were our conclusions?

From the work undertaken we did not identify any issues with the implementation of the new standards.



Financial Statement Audit (continued)

Other Areas of Audit Focus

Finance Team Capacity - inherent risk

What was the risk?

The 2017/18 Statement of Accounts were not signed off until 28 September 2018 due mainly to complications with production of the group accounts, though there were other corrected and uncorrected misstatements.

This year the Council has lost an experienced member of the finance team who is yet to be replaced and interim arrangements are in place for the Statutory Finance Officer post.

We are aware that the Accountancy Manager, who has been a key contact for the audit team in previous years, left the Council in February 2019 prior to the preparation of the 2018/19 Statement of Accounts.

There is a risk that the level of audit adjustments may be repeated due to reduced capacity of the finance team.

What did we do and what judgements did we focus on?

We performed the following procedures:

- ▶ Assessed the Council's plans for preparing the 2018/19 statement of accounts;
- ▶ Reviewed the quality of the draft financial statements prepared for the deadline of 31 May 2019;
- ▶ Assessed the quality of the general ledger data analytics provided in advance of the audit commencement date; and
- ▶ Assessed the quality of the working papers provided for the audit start date on 3 June 2019, which was later delayed until 5 August 2019.

What were our conclusions?

We did not identify any specific issues with the Council's preparation of the 2018/19 statement of accounts or the quality or timeliness of the information provided for audit.



Financial Statement Audit (continued)

Other Areas of Audit Focus

NNDR Appeals Provision – inherent risk

What was the risk?

Billing Authorities such as South Norfolk District Council are required to account for NDR on a full accrual basis. This requires Billing Authorities to consider establishing a provision under IAS 37 in respect of the potential adverse impact of successful appeals against valuations.

The appeals provision for South Norfolk District Council is material in 2018/19 at £1.527 million (2017/18 £0.971 million). We have therefore raised this inherent risk after receipt of the 2018/19 draft financial statements.

The calculation of the appeal provision is an estimation which requires management to make judgements around the potential future liability of the Council. This includes assessing the historic level of successful appeals and estimating the number of future claims and their value. We therefore deem this to be a higher risk estimate due to its size and complexity.

What did we do and what judgements did we focus on?

We performed the following procedures:

- ▶ Established and reviewed the approach to the appeals provision calculation;
- ▶ Reviewed and assessed the sources of information the Council used to ensure that they have provided sufficient evidential support for the calculation of the provision;
- ▶ Established and reviewed how the Council has met the requirements for full disclosure of the provision in accordance with IAS37 and the Code of Accounting Practice including an appropriate note in respect of estimation procedures used complete with sensitivity analysis.

What were our conclusions?

We did not identify any issues from our work performed on the NNDR appeals provision.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.22 million (2018: £1.19 million), which is 2% of gross expenditure on provision of services reported in the accounts of £61.2 million (adjusted for parish precepts and interest charges).</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Finance, Resources, Audit and Governance Committee that we would report to the Committee all audit differences in excess of £61,000 (2018: £59,000)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits; and
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

We have no matters to raise as a result of our procedures in these areas.

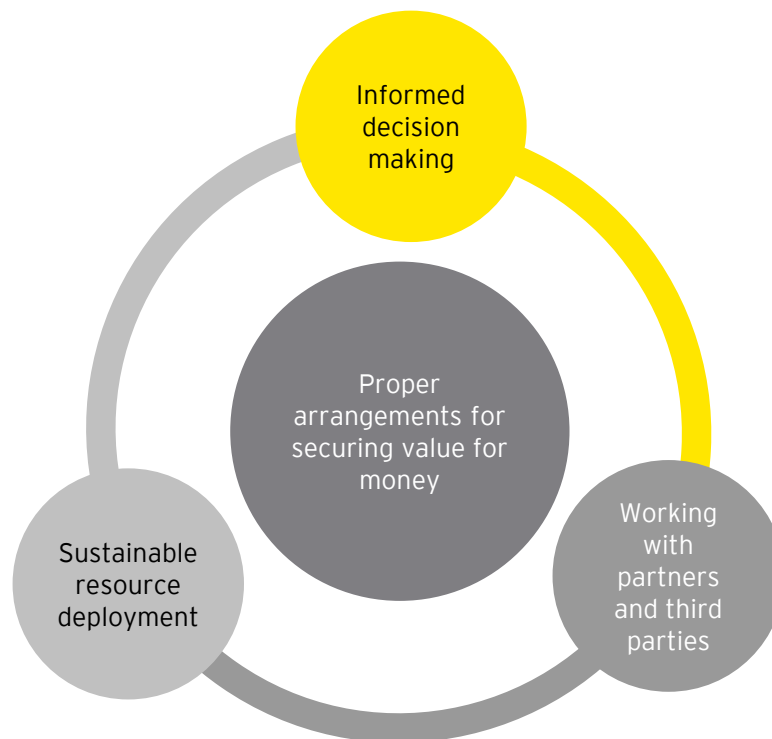


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2019.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to Finance, Resources, Audit and Governance Committee on 27 September 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We did not identify any significant deficiencies in internal control during our audit.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



08

Audit Fees

Audit Fees

Our final fee for 2018/19 as expected, at the scale fee set by the Public Sector Audit Appointments Ltd (PSAA) and reported in our 19 September 2019 Annual Results Report.

Description	Final Fee 2018/19 £'s	Planned Fee 2018/19 £'s	Scale Fee 2018/19 £'s	Final Fee 2017/18 £'s
Total Audit Fee - Code work	Note 1	42,974	39,231	69,013
Total Audit Fee - Certification of claims and returns	Note 2	9,500 - Note 2	N/A	14,236

Note 1 - Audit Fee - 2018/19 Code work

The Council produces consolidated financial statements which in prior years have incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. This will incur an additional fee of £3,743. We will also be seeking a further scale fee variation because of our reduced performance materiality level (50% of Planning Materiality) in 2018/19. This is due to the scale and nature of errors found in the 2017/18 audit. As a consequence of these errors, we will need to increase our sample sizes to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality. We have not included this further scale fee variation in the table above at this stage.

Note 2 - Housing Benefit 2018/19 work

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. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.

The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

We will confirm our final fees to the Finance, Resources, Audit and Governance Committee following the agreement with the Director of Resources and the PSAA.

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Update on the Longer-Term Capital Strategy

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Portfolio:

Finance & Resources

Ward(s) Affected:

All

Purpose of the Report:

To provide the committee with an update on the progress of the development of a longer-term Capital Strategy.

Recommendation:

The Committee note the progress that has been made on developing a longer-term Capital Strategy.

1 SUMMARY & BACKGROUND

The CIPFA Prudential Code for Capital Finance in Local Authorities 2017 brought in the requirement for all authorities to produce an annual Capital Strategy from April 2018.

The purpose of the Capital Strategy is to firmly place decisions around borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets.

The Council met this requirement and presented a new Capital Strategy to Full Council for approval in February 2019, however, it was recommended within the report that Council note that further work was required to develop a longer-term Capital Strategy in future years.

The FRAG committee therefore requested that an update be provided on progress.

2 CURRENT POSITION

It should be noted that there is no prescribed format for the Capital Strategy, and it has been emphasised by CIPFA that there is “no single solution that will represent best practice for all authorities”. The strategy is therefore to be produced based on the individual circumstances of the Council and tailored to the Council's priorities.

During the year members of the Finance team attended training courses that suggested good practice in the production of a Capital Strategy and the current strategy has been reviewed to consider improvements.

The current strategy has been benchmarked against that of Broadland District Council (BDC) and also against some examples from other authorities. From this, officers have concluded that the current strategy is fit for purpose, but for 2020-21 onwards would benefit from the following additions:

Inclusion of condition survey information to support investment plans for the Council's most significant assets i.e. South Norfolk House, the 3 Leisure Centres and the Council's Investment Properties.

Officers had hoped to commission these condition surveys earlier in the year, but this work has unfortunately been delayed whilst exploring a combined approach to surveying assets with BDC. For the coming year the following approach will therefore be taken:

- For the leisure centres, the Finance Team has been working with the Leisure Team and will set budgets based on existing knowledge of the buildings' condition and conduct further work during the 2020-21 budgeting process to establish likely liabilities over the next five years.
- For South Norfolk House, the Finance Team has been working with the Facilities and Technical Services Manager to identify liabilities, but given

that necessary works have been carried out in recent years, for example, to the roof, the replacement of the uninterruptable power supply and the extension of the staff car park, there are few works that have been identified as necessary to be included in the Capital Programme over the next five years. Maintenance and servicing contracts are in place for all specialist equipment and these will highlight any future requirements.

- For Investment properties, the Finance Team has liaised with the Commercial Property Manager. The vast majority of the Council's Investment Properties are leased out on full repairing & insuring leases, which make them the tenants' responsibility to maintain. Officers are therefore confident that no significant liabilities need to be included in the Capital Programme over the next 5 years.
- More detailed information is required on the investment needed in the IT infrastructure and equipment, particularly with regard to the collaboration with BDC. A piece of work is currently underway to determine these requirements and this will be utilised during the 2020-21 budget setting process.
- Further information is also required to demonstrate the investment that will be required over the next 5 years in the Council's companies, particularly Big Sky Developments Ltd. Again, this information will be obtained in line with the budget setting process and budgets will be included in the Capital Programme as appropriate.
- The Capital Strategy will need to be updated to highlight links to the Council's Commercial Strategy

3 PROPOSED ACTION

- 3.1 The draft Capital Strategy will be updated to include the additional information suggested in section 2 above, in time for it to be presented for approval at Cabinet and Full Council in February 2020.

4 CONCLUSION

- 4.1 Once amended, the Capital Strategy will represent a prudent and affordable approach to investment in the Council's assets to support service delivery and to contribute to the Council's financial sustainability over the next 5 years. The strategy is to be kept under review and updated each year.

5 RECOMMENDATION

- 5.1 The Committee note the progress that has been made on developing a longer-term Capital Strategy.

Risk Maturity Assessment Results South Norfolk Council

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Portfolio: Resources

Ward(s) Affected: All

Purpose of the Report:

This report outlines the results from the South Norfolk Council Risk Maturity Assessment undertaken by Internal Audit.

Recommendations:

1. That the Committee discuss and note the results and suggested improvements from the South Norfolk Council Risk Maturity Assessment undertaken by Internal Audit.

1 SUMMARY

- 1.1 This report details the results from the Risk Maturity Assessment undertaken by Internal Audit for South Norfolk Council. The most significant findings are highlighted within the report. This report also includes suggested improvement actions for increasing the risk maturity level of the Council.

2 BACKGROUND

- 2.1 The Internal audit team is required to demonstrate annually through self-assessment that it is following the public sector internal audit standards (PSIAS). These standards are mirrored on international internal audit standards developed by the Chartered Institute of Internal Auditors (CIIA).
- 2.2 Performance Standard 2010/6 of the PSIAS requires internal auditors to take into account the risk management framework and relative risk maturity of the organisation when developing the risk-based internal audit plans. This allows the Internal Audit team to establish how much reliance can be placed on management assessment of risk when selecting which areas require independent assurance.
- 2.3 This report therefore details the independent assessment of risk management processes at South Norfolk Council carried out by Internal Audit in August 2019. This assessment has been completed in response to requests from both senior officers and the Chair of FRAG.

3 CURRENT POSITION/FINDINGS

- 3.1 At South Norfolk Council, a Strategic, Directorate and Operational register is maintained. The Strategic register is reported quarterly to Cabinet. The Finance, Resources, Audit and Governance Committee are not responsible for approving the Risk Management Strategy or receiving risk assurance from management despite being asked to approve the Internal Audit Opinion on governance, risk management and control and the Council's Annual Governance Statement.
- 3.2 The risk maturity assessment from the CIIA has been used to compare the risk management framework at South Norfolk Council against five stages of risk maturity. The maturity stages are as follows: Risk Naive, Risk Aware, Risk Defined, Risk Managed and Risk Enabled.
- 3.3 A set of characteristics is defined for each of the maturity levels. Discussions have been held and evidence collected to ascertain which level of maturity applies in each of the 16 areas for the Council.
- 3.4 The outcomes of this assessment can be used to highlight any areas where Internal Audit can facilitate and support the improvement of the risk management framework and also guide Internal Audit's approach to providing adequate assurance coverage when carrying out internal audit planning.

- 3.5 At South Norfolk the majority of risk maturity characteristics are observed at a 'Risk Aware' level, with a large proportion also at the 'Risk Defined' stage, however as the risk appetite has not been defined in relation to a scoring system, the 'Risk Defined' maturity level cannot be assured. Please see a description of all maturity levels below; with the most appropriate maturity level highlighted in orange.
- 3.6 In carrying out this assessment the results have suggested that South Norfolk's risk maturity is characterised at 'Risk Aware'. At this level 'a scattered, silo-based approach to risk management' can be observed.

Risk Naïve	Risk Aware	Risk Defined	Risk Managed	Risk enabled
No formal approach developed for risk management	scattered silo based approach to risk management	Strategy and policies in place and communicated. Risk appetite defined.	Enterprise approach to risk management developed and communicated	Risk management and internal controls fully embedded into the operations.

- 3.7 A summary of significant findings from the Risk Maturity Assessment are included below:

Risk Management Training

Risk Management training has not been offered at South Norfolk Council recently with the last learning hour taking place in 2016. The Risk Strategy document does provide high level advice about where and how risks will be identified, but guidance on the practical implementation of risk management is not provided to support risk management expectations.

A scoring system for assessing risk has not been defined for either Council.

Risks have not been assessed in accordance with a defined scoring system.

Risks at South Norfolk are identified, and mitigation actions are recorded against them in all cases, however, in the absence of a scoring system, there is no way of ascertaining the severity that each risk may represent in relation to delivering objectives.

The collaboration programme risk register is an exception to the above as risks are scored using a 5X5 scoring matrix, however this approach has not been consistently or formally adopted into the Council's Risk Strategy.

The risk appetite of the organisation has not been defined in terms of a scoring system

A risk appetite has not been clearly defined at South Norfolk Council and is not being considered in risk responses, nor is it defined in terms of a scoring system. South Norfolk's Risk Management Strategy states that "in general the Council's appetite to risk is cautious but aware". In practical terms it difficult for the Council to demonstrate that decisions are made in line with this appetite statement or that risks are being suitably mitigated.

The Risk Management Strategy goes on to state that the Councils propensity to take risk will be higher if its five capacity indicators are positive. A positive capacity is demonstrated by a green plus in Cabinet papers. The capacity indicators are; Financial, Service Delivery, Legal Compliance, Reputation and Human Resources. The strategy is not clear about the threshold by which the capacity indicator would move to red and no assurance is available to show that any supporting information is considered when adding the indicators to the quarterly Cabinet report.

Management do not report risks to directors where responses have not managed the risks to a level acceptable to the board.

An 'acceptable level' of risk has not been clearly defined by the Council, therefore risks considered to be outside of tolerance are not highlighted to Senior Management or Cabinet. In addition, no evidence is available to show that significant risks have been escalated upwards to senior management and Cabinet from operational areas at the Council.

Without a mechanism for significant operational risks to be formally brought to the attention of senior management, the Council cannot confidently rely on the risks identified as an all-encompassing view of the risk profile.

Managers do not provide assurance on the effectiveness of their risk management.

It is not possible to determine if risk management activity has been effective from reviewing available assurance reports provided to Cabinet on risk.

The report provided to Cabinet on a quarterly basis contains a list of strategic risks and these are assigned actions. Quarterly commentary in some cases includes timeframes for the completion of mitigating actions. However, a comparison of risks from the Q4 2018/19 Cabinet Report and the Q1 2019/20 Cabinet Report has highlighted that no risks have been mitigated. The same risks were also included in the Q1 strategic register from 2018/19 with one added in relation to the Collaboration with Broadland.

4 PROPOSED ACTION

- 4.1 The risk maturity assessment has also been undertaken at Broadland District Council. The results of both of the risk maturity assessments have been presented to the Corporate Management Leadership Team along with a series of suggested recommendations to improve the risk management framework.
- 4.2 As a result of the Risk Maturity Assessment, the Internal Audit team advocates the adoption of an Enterprise Risk Management (ERM) framework across both Councils. ERM is now successfully used around the world, across industries and in organisations of all types and sizes to enhance resilience, adapt to change and ultimately increase the likelihood of aims and objectives being achieved. ERM is a holistic way to effectively manage risk across an entire organisation. The Feasibility Report for the Collaboration between South Norfolk and Broadland from June 2018 highlights an aspiration to develop a 'Commercial Culture' where staff are

encouraged to develop commercial ideas. A well-managed ERM framework can facilitate this through more effective risk discussions and risk taking within the boundaries of a pre-agreed appetite.

4.3 Traditional risk management often identifies and manages opportunities and risks in isolation. An ERM approach advocates the use of training, develops a common risk procedure and language, sets clear boundaries and facilitates good communication to allow the organisation to be better prepared, adapt and spot the interdependencies of risks that threaten growth, performance and success. Some of the benefits that can be realised from the ERM approach include:

- Greater focus on the issues that really matter;
- Risk focused culture; facilitates discussion about risk at all levels;
- Standardised risk reporting; consistent, comparable risks that are easy to interpret for effective decision making;
- Improved perspective; a complete viewpoint on risk that supports early detection, and an opportunity to exploit opportunities;
- Efficient use of resources; consistent analysis of risks allows prioritisation of the most appropriate response.

4.4 Internal Audit recommends that the following actions are undertaken to improve the risk management framework at both Councils, thus enhancing the likelihood that ambitious collaboration objectives will be achieved and to increase the level of risk maturity.

- To create a Risk Management Strategy/Policy document ensuring that the latest guidance on risk management is reflected. Internal Audit can support this and can ensure a benchmarking approach against other Councils in the Internal Audit Consortium, some of which are able to demonstrate a more mature approach to risk management.
- Risk to success/opportunities to be considered alongside the setting of Values, Strategic Intent and Delivery Plan for Collaboration. Analysing if each strategy proposal can be achieved within the risk capacity and evaluated as to whether potential risks to delivery can be managed before deciding on a specific direction.
- The risk appetite should be defined and aligned with a 5X5 scoring system. This will allow all risks to be analysed consistently and for actions to be prioritised based on the perceived severity of the risk. This approach will also highlight where risks are not being managed in line with appetite and give an indication for risk taking capacity.
- A register and accompanying report to be produced which provides assurance to Senior Management, Cabinet and FRAG that the most significant risks are being effectively managed regardless of where they have originated from. As a minimum, reporting should show risks that are outside of tolerance, show risks that have been mitigated, risks that can be de-escalated to lower level registers as a result of

mitigating actions; and risks that are accepted in pursuit of achieving objectives.

- As a result of this assessment and risk maturity level concluded, guidance from the CIIA stipulates that the following approach is the most appropriate for Internal Audit Planning; *“Promote enterprise-wide approach to risk management and rely on alternative audit planning method”*.
- It is further recommended that FRAG continues to be responsible for approving the risk based internal audit plan each year but that they are also responsible for receiving assurance on the effectiveness of the risk management framework. FRAG should be responsible for satisfying itself that the risk management framework is operating effectively and should approve the risk management strategy on a periodic basis.

5 OTHER OPTIONS

5.1 Not applicable for this report.

6 ISSUES AND RISKS

6.1 **Resource Implications** – no implications

6.2 **Legal Implications** – no implications

6.3 **Equality Implications** – no implications

6.4 **Environmental Impact** – no implications

6.5 **Crime and Disorder** – no implications

6.6 **Risks** – As mentioned above without an effective risk management process in place the Council is at risk of being unable to identify and manage significant risks that threaten achievement of its aims and objectives and could miss out on opportunities to innovate and adapt to change, enhancing the likelihood of long-term success and sustainability.

7 CONCLUSION

7.1 The risk maturity assessment carried out by Internal Audit has concluded that the framework at South Norfolk Council is at the lower end of the risk maturity scale at ‘Risk Aware’. Improvements have been suggested as a result which include the adoption of an Enterprise Risk Management framework. These suggestions have been made in line with the latest best practice and internationally recognised Standards.

8 RECOMMENDATIONS

- 8.1 That the Committee discuss and note the results and suggested improvements from the South Norfolk Council Risk Maturity Assessment undertaken by Internal Audit.

Background Papers

None

Joint Commercialisation Strategy

Report Author(s): Debbie Lorimer
Director Resources
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Portfolio: Finance and Resources)

Ward(s) Affected: None

Purpose of the Report:

The Feasibility Study adopted by both Broadland and South Norfolk Councils, in July 2018, expressed a number of drivers for the collaboration which included a wish to achieve greater long-term financial stability. The study included proposals around Commercial Opportunities which the collaboration would assist in facilitating. This joint Commercialisation Strategy outlines an approach which can be adapted according to each Councils' ambitions and risk appetite to deliver these opportunities.

Recommendations:

1. To RECOMMEND that Cabinet:

Recommend to Council the approval and adoption of the Joint Commercialisation Strategy.

1 SUMMARY

- 1.1 Since 2010, Local Government funding has reduced dramatically and there continues to be ongoing uncertainty around future funding streams. The Feasibility Study on the Collaboration between Broadland and South Norfolk Councils recognised that both Councils have funding gaps within their medium-term financial plans, which could be assisted by delivering savings but also provide commercial opportunities to produce further efficiencies or generate income while maintaining or improving services. The Joint Commercialisation Strategy seeks to develop an approach to deliver these commercial opportunities, which can be adapted according to each Councils' ambitions and risk appetite.

2 BACKGROUND

- 2.1 Both Councils have been successful in driving cost savings whilst maintaining high levels of service and customer satisfaction. In addition, both Councils have taken the commercial approach of setting up a development company to deliver housing. As described above the Feasibility Study outlined a number of commercial opportunities to take forward through the collaboration.

3 CURRENT POSITION/FINDINGS

- 3.1 The proposal for a Joint Commercialisation Strategy will ensure that opportunities are taken forward for the benefit of both Councils, depending upon the individual council's ambitions and appetite for risk.
- 3.2 For the purposes of the proposed strategy, Commercialisation is defined as: "Commercialisation means the delivery of services by the Councils' or their Companies, in a manner which results in at least one of the following: income generation, greater efficiency or cost reduction, although this may not be the primary or only aim of the provision of the services."
- 3.3 The proposed Strategy outlines three main objectives as follows:
- Take a commercial approach to service design and management while having regard to our public service ethos promoting equity and fairness
 - Encouraging innovation while optimising assets and services
 - Exploit opportunities to generate income surplus for reinvestment by increasing income, reducing cost and maximising efficiency
- 3.4 There is a need to develop Officers so that they have the skills to take forward commercial opportunities and this will be addressed within the Organisational Development Programme which is currently being developed.

4 PROPOSED ACTION

- 4.1 Officers have developed a Joint Commercial Strategy, as attached at Appendix A, to provide a framework from which the Councils' commercial activities can be directed and driven. This strategy, while identifying a common approach to

commercialisation recognises that the Councils' will have differing risk appetites and ambitions.

5 OTHER OPTIONS

- 5.1 The Councils could choose not to adopt a commercial strategy or to have individual strategies however this would not maximise the opportunities identified in the Feasibility Study.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** – Implementation of the commercial strategy will help to support the Councils in addressing the financial challenges they face. Staffing resources will be required but the commercial activity will need to cover the cost of these.
- 6.2 **Legal Implications** – There are no legal implications in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.3 **Equality Implications** – There are no equality implications in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.4 **Environmental Impact** – There are no environmental impacts in adopting the Joint Commercialisation Strategy, but this will need to be considered when delivering individual opportunities.
- 6.5 **Crime and Disorder** – There are no crime and disorder impacts in adopting the Joint Commercialisation Strategy.

7 CONCLUSION

- 7.1 The proposed Joint Commercialisation Strategy provides a framework in which to take forward and maximise the commercial opportunities identified in the Feasibility Study.

8 RECOMMENDATIONS

- 8.1 To RECOMMEND that Cabinet:
Recommend to Council the approval and adoption of the Joint Commercialisation Strategy.

Joint Commercialisation Strategy

1. Introduction

- 1.1. The Feasibility Study adopted by both Broadland and South Norfolk Councils in July 2018 expressed a number of drivers for the collaboration including the wish to address the funding gaps in both Councils' medium-term financial plans offering greater financial stability.
- 1.2. While there are a number of ways the funding gaps can be addressed including increased business rates from enhanced economic growth, increased Council Tax base due to faster delivery of planned housing, increased grant income from more successful bids and access to new funding opportunities currently unavailable to each Council separately, the Feasibility Study included proposals around Commercial Opportunities which the collaboration would assist in facilitating. This Commercialisation Strategy outlines how these will be taken forward.

2. Background

- 2.1. Broadland and South Norfolk Council, like many local Authorities, continue to operate in a climate of financial uncertainty with increasing demands on services alongside unpredictable future changes to government funding, from the rollout of the 75% Business Rates Retention Scheme and the Fair Funding Review, as well as a lack of clarity around the New Homes Bonus funding.
- 2.2. It is against this background that both Councils have made efficiencies and savings over the years, as the Revenue Support Grants have disappeared, in order to deliver balanced budgets but the medium term financial plans for both Councils' have funding gaps. Developing the Councils' commercial approaches, alongside reimagining how we provide services, will assist in closing these gaps while ensuring the Councils continue to deliver services to at the same level to those that need them.

3. Definition of Commercialisation

- 3.1. For the purposes of this strategy, Commercialisation is defined as:
 "Commercialisation means the delivery of services by the Councils' or their Companies, in a manner which results in at least one of the following: income

generation, greater efficiency or cost reduction, although this may not be the primary or only aim of the provision of the services.”

4. Scope

4.1. The following outlines what is included and excluded from the scope of this strategy.

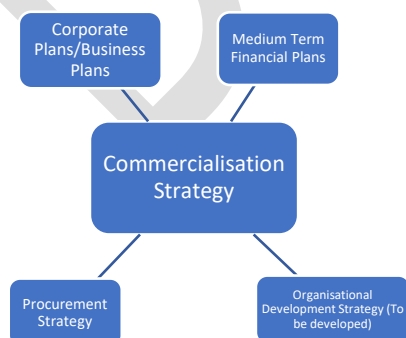
Inclusions:

- Income generated from fees and charges to the public, businesses and other organisations for statutory and discretionary services where charging is permissible
- Council delivered services, internally and externally traded services and services provide on behalf of the Council by a third party
- Commercial companies owned by the Councils
- Council Assets
- Utilising cash reserves and balances to generate income or efficiencies through non-treasury managements investments e.g. loans to subsidiaries, investment properties

Exclusions:

- Council Tax and Business Rates
- Investment Income from Treasury Management Investments - this is managed through the Councils' Treasury Management Strategies
- Income from Statutory and discretionary services where charging is not permissible, or fees are set nationally
- Any grant income

5. Links to other Council Strategies and Policies



6. Aim

6.1. To maximise returns, (financial and social) from both Councils, taking a commercial approach consistent with their individual risk approach, to protect and enhance front line services by becoming financially self-sustainable.

7. Strategic Objectives

- Take a commercial approach to service design and management while having regard to our public service ethos promoting equity and fairness
- Encouraging innovation while optimising assets and services
- Exploit opportunities to generate income surplus for reinvestment by increasing income, reducing cost and maximising efficiency
- Ensure that decisions are taken with regards to the Councils' Environmental policies.

8. How we will deliver the Strategic Objectives:

The delivery of the Strategic Objectives applies to those areas defined in section 4 above as within scope.

8.1. Income Generation

- Provide a consistent approach within each Council in setting and reviewing fees and charges with an aim to achieving full cost recovery where appropriate to do so and a standard approach to concession pricing.
- Ensure that fees and charges reflect market rates and are benchmarked against other service providers and reviewed annually to ensure they are competitive and viable.
- Be cognisant that in certain circumstance reducing fees and charges can increase the customer base and overall income levels.
- Use Customer Insight to up-sell and cross-sell where feasible and appropriate to ensure the services delivered are the services the customer wants.
- Use Marketing Strategies and approaches to deploy our brand most effectively within the marketplace, building our reputation and making use of our unique selling points and our local authority ethos to generate maximum returns.

8.2. Service Costs and Delivery

- Use Customer Insight to understand behaviours and how they drive demand. Re-engineer processes to manage demands.
- Re-engineer processes to ensure they are efficient, effective and responsive.
- Compare the cost of service and income recovery against peers having adjusted for activity levels.
- Evaluate delivery models, reviewing alternatives and potential funding streams to deliver the most effective approach.
- Attract alternative investment models such as social investment.
- Use technology to increase access for customers, allowing them to self-serve where appropriate so that staff can concentrate on those customers who need transformative services.
- Develop and shape supplier markets.
- Maximise the use of Council Land and Buildings or consider realising their value through disposal.

8.3. Commercial Opportunities

- Ensure resources are focused in taking forward genuine opportunities rather than every commercial opportunity that may exist through developing Robust Business Cases to support new initiatives and ideas to demonstrate their viability before deployment.
- Understand existing markets and customer base to explore whether this can be expanded upon.
- Use business intelligence to analyse current service demands and trends and gain competitive advantages.
- Use the Councils' reserves to invest in developing commercial opportunities balancing risk and reward.
- Investigate innovative financing to fund income generation proposals.

8.4. Creating the Right Environment

- Engage with staff at all levels to ensure they have the skills necessary to work commercially and confidence to develop new ideas and be innovative.
- Embed a commercial approach throughout the one team.

8.5. Approach to Risk

- In applying a commercial approach or identifying opportunities, the associated risks will need to be identified and analysed prior to decisions being taken.
- The level of acceptable risk will differ for each Council and will be dependent on the individual activity and overall risk exposure.
- Risks to be considered will include:
 - Financial
 - Reputation
 - Environmental
 - Legal
 - Social
 - Economic

8.6. Governance

- Ensure robust scrutiny of business case models.

8.7. Measuring our success

- Set clear financial and non-financial performance targets for service delivery to clearly understand how we are achieving which will be reported quarterly to each Council's Cabinet.

High Level Action Plan:

Opportunities to explore which were outlined in the Feasibility Study included:

Existing Commercial ventures – investigate where there could be potential for further commercial opportunities and income streams. These included:

- Assets Management Company
- Property rental and investments income
- Affordable Housing one-stop shop
- Temporary Accommodation
- HR Services to Parishes

Existing income from services – operating in a business-like and commercial way there are a number of differences in income-generation and/or service delivery approaches that each council could benefit by sharing experiences, as listed below. The redesign of services under the new one team approach; aligning policies, procedures and processes will assist in driving further efficiencies.

- Bin Charging – now approved at Council
- Pre-application planning advice fees
- Street naming and numbering charges
- Commercial Trade Waste

Commercial activities in other councils – investigate potential initiatives which other councils have delivered which the Councils could adopt, areas identified within the Feasibility Study included:

- Commercial Web Advertising
- Energy Provider Partnership
- Service Provision to other Local Authorities
- Lotteries
- Burial Services

Developing staff - to ensure they have the necessary skills to deliver a commercial approach.

**Finance, Resources, Audit and Governance Committee
22 November 2019**

Review of Local Government Ombudsman Report 2019

Report Author(s): Trevor Holden mdtobdcandsnc@s-norfolk.gov.uk

Portfolio: Leader – Economy and External Affairs

Ward(s) Affected: All

Purpose of the Report: This report provides a summary of the Local Government & Social Care Ombudsman Report of complaints referred for the year ending 31 March 2019.

Recommendation:

That members note the contents of the report and provide any views or comments regarding our approach to dealing with complaints.

1. SUMMARY

- 1.1 The Local Government & Social Care Ombudsman (LGO) investigates complaints about councils and some other authorities and organisations. The service is free, independent and impartial. In general, a complaint can only be referred to the LGO once it has been through the Organisation's own complaints process. The Ombudsman will investigate to see if there is any evidence of maladministration by the Council and make judgement. The LGO report of the complaints referred for 2018/2019 for South Norfolk Council has been published and the outcomes analysed to identify lessons to be learned and to implement any improvements in processes, procedures or practice.

2. BACKGROUND

- 2.1 South Norfolk Council's process for complaints is set out on the website <https://www.south-norfolk.gov.uk/compliments-suggestions-and-complaints>. It is in two stages; Stage 1 is where the complaint is investigated and responded to by the Director of the service and technical officers to which the complaint relates and Stage 2 follows if the complainant remains dissatisfied with the response received. The complaint along with the stage 1 response is referred to the Council's Managing Director, who will respond to conclude the Council's complaint process. Should the complainant remain dissatisfied having completed stage 2 of the Council's complaints process they can refer their complaint to the Local Government Ombudsman.
- 2.2 The Local Government Ombudsman's role is to investigate to see if there is any evidence of maladministration by the Council and make judgement.

3. CURRENT POSITION / FINDINGS

- 3.1 The table below shows the complaints about South Norfolk Council by service area that were referred to the LGO and the decisions made by The Ombudsman after investigation. Bracketed figures show 2017/2018 findings.

	Benefits and Tax	Corporate and Other Services	Env Services	Housing	Planning and Development	Total
Complaint Referred	1 (2)	0 (2)	2 (1)	1 (0)	6 (5)	10 (10)
LGO Decisions	Referred back for local resolution	None	Referred back for local resolution	Referred back for local resolution	3.No Maladministration 1 Referred back for local resolution 2. closed after initial enquiries	

- a. The number of complaints referred to the LGO has remained the same with ten referrals which was the same as last year but a decrease from 2017 which saw 14. All of the complaints referred for investigation last year; found no maladministration, were closed after their initial enquiry, referred back for local resolution or not upheld.

- b. As with previous years, the highest number of referrals related to planning and development. South Norfolk Council receives over 2,500 planning applications to consider each year and it is inevitable that some planning decisions will be upsetting to neighbouring and nearby residents who feel that they have been affected or disadvantaged by a decision. When the applicant of a planning application is not satisfied with a planning decision they have the ability to lodge an Appeal but for the residents who feel disadvantaged by a planning decision the only course of action available to them is to complain to the Council using its complaint process.
- c. Due to the reasons outlined above the Development Management Service has historically received the most complaints and in turn makes up the largest proportion of referrals to the Government Ombudsman when the complainant remains dissatisfied with the Council's decision. It is likely that most complainants who go down this route believe that the Ombudsman has the power to overturn a planning decision the Council has made but this is not the case. The Ombudsman's role is to investigate whether the Council has acted appropriately in reaching the planning decision and whether this has caused the complainant any injustice. The decision itself is not tested by the Ombudsman.
- d. Of the 10 complaints decided by the Local Government Ombudsman for the year ending 31 March 2019, only 3 were subject to detailed investigation. Of which all 3 were found to have no maladministration.

4. RISKS AND IMPLICATIONS ARISING

- a. Any complaint referred to the LGO and upheld has the risk of financial penalty being imposed by the Ombudsman. The Council endeavors to avoid this at all costs and considers this at Stage 1 and Stage 2 of the complaints process when a thorough investigation is undertaken.
- b. The Council works hard to ensure that anyone making a complaint about any of our services will receive a full response and explanation. Complaints are regularly analysed to inform service improvements. There is an understanding that any complaint can ultimately end with an investigation by the Local Government Ombudsman and the Council has tried to mitigate the risks of such cases resulting in financial penalties.

5 OTHER OPTIONS AND COMPARISONS WITH OTHER COUNCILS

- 5.1 The overall number of cases referred to the LGO for South Norfolk is small. In 2018/19 The LGO received 2,190 referrals for Planning and Development, 2,024 for Housing and 2,005 for Environmental Services. And 58% investigations were upheld. Compared with 57% in 2018
- 5.2 South Norfolk Council continually takes learning from all complaints received, not just those that have been referred to the LGO.

6 RECOMMENDATION

- 6.1 That members note the contents of the report and provide any views or comments regarding our approach to dealing with complaints.

FRAG Work Programme

22/11/2019	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Review of the Local Government Ombudsman Report 2019	Christine Baldwin	FORMAL
	Draft Longer-term Capital Strategy	Helena Craske/Julie Brown	FORMAL
	Informal Training Session for members on Companies	Debbie Lorimer/Rodney Fincham	INFORMAL
	Risk Management Assessment	Faye Haywood	FORMAL
	Joint Commercialisation Strategy	Debbie Lorimer	FORMAL
Mar-20	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
Jun-20	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 2019/20, including Review of the Effectiveness of Internal Audit	Faye Haywood	FORMAL
	Annual Governance Statement 2019-20	Debbie Lorimer/Emma Hodds	FORMAL
	Annual Report on Counter Fraud Activity 2019/20 (if anything to report)		FORMAL
	Draft Statement of Accounts	Debbie Lorimer/Julie Brown	INFORMAL
Jul-20	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts 19/20	Debbie Lorimer/Julie Brown	FORMAL
	Review of Contract Standing Orders	Ian Purdom	FORMAL