

## **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, 6 March 2020 at 9.30am.**

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

**Apologies:** Councillor: N Legg

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

**Officers in Attendance:** The Director of Resources (D Lorimer), the Head of Internal Audit (S Storm), the Internal Audit Manager (F Haywood) and the Finance Manager (J Brown)

**Also in Attendance:** Dan Cooke (Ernst & Young) – for part of the meeting

### **223 MINUTES**

The minutes of the meeting held on Friday 22 November 2019 ,were confirmed as a correct record and signed by the Chairman.

Referring to minute 217, the Annual Audit Letter, members noted that the Director of Resources and the Chairman of the Finance, Resources, Audit and Governance Committee, had attended a meeting in January with Ernst &Young (EY). During the meeting, EY had explained the significant resource and recruitment issues it had been experiencing. It was felt that EY had taken on board the frustrations experienced by the Council, relating to a number of issues. The Chairman understood the challenges faced by EY, but stressed that the it was still the role of the Committee to robustly scrutinise EY, and to monitor its ability to deliver the required audit work.

The Director of Resources explained that the Council had received a letter from the PSAA (Public Sector Audit Appointments), advising that a shortage of appropriately skilled and experienced auditors was a problem nationally, for all audit providers. In addition to this, the regulator was putting more pressure on audit suppliers to provide more detailed work, and with Local Authority accounts becoming more complicated, this was impacting on resources. She added that the Council's accounts for 2019/20 would be audited sometime between August and October 2020, with the sign-off of the final accounts on 22 or 23 October. With reference to the 31 July deadline for the publication of accounts, members noted that the Council would still strive to publish its draft accounts by this date, with the audit opinion following later.

**224 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 18/19**

The Chairman welcomed Dan Cooke, from EY, to the meeting.

Mr Cooke confirmed that the Housing Benefit audit for South Norfolk was now complete. He apologised that this had not been delivered by the original deadline of 30 November, explaining that the DWP had agreed to an extension to 29 February 2020.

He explained that only 3 minor issues had arisen during the audit, which was considered to be normal. He thanked all officers involved for their support and he informed the Committee that an audit fee of £14,500 had been agreed.

**225 EXTERNAL AUDIT PLAN**

Mr Cook outlined the External Provisional Audit Plan for year ending 31 March 2020, drawing members' attention to the key areas in relation to risk assessment, and audit approach and scope.

Mr Cook responded to a small number of queries on points of detail. With regard to the timing of the year end audit, the Finance Manager explained that although she was disappointed that the Audit Results report would not be available until October, she did not foresee any problems.

**226 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The Internal Audit Manager presented her report, which advised on the progress of the Annual Audit Plan for 2019/20, and summarised the three completed audits undertaken between 11 November 2019, and 26 February 2020.

The Internal Audit Manager drew attention to the key areas of her report. Members noted the one change to the Audit Plan regarding the review of Network Infrastructure and Security and were pleased to note that 140.5 days of programmed work had been completed, equating to 88% of the revised audit plan for 19/20. Members were informed that two of the three audits had resulted in reasonable assurances being awarded, indicating a strong and stable control environment in those areas. However, a limited assurance had been issued in the area of Disaster Recovery, where a total of one urgent, two important and two needs attention recommendations were raised.

During discussion, members referred to the review of Disaster Recovery and the Internal Audit Manager informed the Committee that Management was acutely aware of the improvements required, and that some progress had already been made. With regard to the historic recommendations relating to Disaster Recovery testing, members were advised that these had now been implemented. Members noted that the recent flood at Thorpe Lodge had been a good test of Disaster Recovery arrangements, as too would be the potential impact of COVID-19.

During further discussion, members referred to the review of Accountancy Services, and the issue relating to the missed journal entries. The Internal Audit Manager explained that this had been raised following a recent lapse, and that this would be carefully monitored. The Finance Manager advised that staff had been reminded of the

importance of accurate journal entries and stressed that missing information was not a common occurrence.

**RESOLVED:** To note the outcomes of the three completed audits in the period covered by the report, and the position of the internal audit plan for 2019/20.

## 227 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2020/21

Members considered the report of the Head of Internal Audit and the Internal Audit Manager, which presented the Committee with the Internal Audit Strategy, the Strategic Internal Audit Plan, and the Annual Internal Audit Plan, for approval.

The Head of Internal Audit outlined the key areas of the report to members. She drew attention to Appendix 3 of the report, the Annual Internal Audit Plan, and informed the Committee that the following text had been omitted in error, under “Performance Management Business Planning”, and should replace the text in the report:

*“Following restructure of One Team at both Councils, a set of corporate objectives and directorate plans have been developed outlining the key aims and objectives for a period of one year. A suite of performance metrics are being devised to demonstrate achievement. Our review will provide assurance that adequate monitoring and reporting processes are in place to support business plan delivery”*

In response to a query regarding the economies of scale relating to joint audits with Broadland District Council, officers explained that it was possible that savings could be made in some areas, however the current year had been more about consistency of approach. Regarding a query concerning the risk register, the Internal Audit Manager explained that plans were in place to ensure that the Committee had some responsibility for providing assurance over the Risk Management Strategy and could have sight of the Risk Register.

During discussion, one member expressed concerns relating to the profile of capital spend and borrowing, and its knock-on effect, and officers confirmed that these areas would be covered under internal and external reviews. The Director of Resources added that the profiling of budgets was detailed in the quarterly reports to Cabinet, and she stressed that the Council would always endeavor to use its own resources, before borrowing. She also stressed that the timing of capital spend was often unknown as it was dependent on external factors outside of the Council’s control, such as the Long Stratton bypass and Norwich Research Park.

It was then

**RESOLVED:** To approve:

- a) The Internal Audit Strategy;
- b) The Strategic Internal Audit Plans 2020/21 to 2022/23; and
- c) The Annual Internal Audit Plan 2020/21

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

The Internal Audit Manager presented her report, which updated members on the work of the Finance, Resources, Audit and Governance Committee, during 2019, and would go on to full Council for approval.

The Chairman thanked officers for their work over the previous year, and it was

**RESOLVED:**      **TO RECOMMEND THAT COUNCIL** approves the Annual Report of the Finance, Resources, Audit and Governance Committee.

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

The Internal Audit Manager introduced the report, which detailed the self-assessment undertaken for the Finance Resources, Audit and Governance Committee. She advised members that she had completed the self-assessment in consultation with the Chairman, and that members were requested to review the checklist at Appendix 1, to ensure that it was an accurate reflection of the operations of the Committee.

During discussion, the Chairman raised the issue of the risk register and the need to ensure that the Committee had responsibility for providing assurance over the Risk Management Strategy, in line with best practice. The Internal Audit Manager explained that officers were working towards a joint risk register, however the document would contain risks that were specific to South Norfolk or Broadland only. It was also suggested that the terms of reference of the Committee be appended to the Committee's Annual Report, before consideration at Council.

Regarding the role and purpose of the Committee, it was suggested that non-members of the Committee might require some training. However, officers explained that the invite to the training session had deliberately not been extended to other members, as it was felt to be a specialised area, that would not attract much interest from others. Concerning question 15 of the self-assessment, regarding the core knowledge and skills framework of the Committee, the Internal Audit Manager explained that she was positive that all members of the Committee would be able to demonstrate and meet the prescribed criteria.

It was

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

## **230 WORK PROGRAMME**

The Chairman referred members to the Committee's work programme.

Members noted that if required, the Committee would receive an update on the Disaster Recovery Audit at its next meeting, and a relevant officer would attend if necessary.

The meeting concluded at 11.09 am.

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Chairman