

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

Agenda

Date

Friday 20 November 2020

Time

9.30 am

Place

To be hosted remotely at:
South Norfolk House
Cygnet Court
Long Stratton
Norwich
NR15 2XE

PUBLIC ATTENDANCE

This meeting will be live streamed for public
viewing via the following link:

<https://www.youtube.com/channel/UCZciRgwo84-iPyRlmsTCIng>

If a member of the public would like to attend to
speak on an agenda item, please email your
request to democracy@s-norfolk.gov.uk, no
later than 5.00pm on Wednesday 18 November
2020

Contact

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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 17 July 2020;**

(attached – page 9)
5. **Audit Results Verbal Report;**

(verbal update)
6. **Statement of Accounts 2019/20;**

(attached – page 16)
7. **Progress on Internal Audit Activity;**

(attached – page 18)
8. **Follow-up report on Internal Audit Recommendations;**

(attached – page 23)
9. **Review of Local Government Ombudsman 2020;**

(attached – page 29)
10. **Finance, Resources, Audit & Governance Committee Work Programme;**

(attached- page 33)

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?

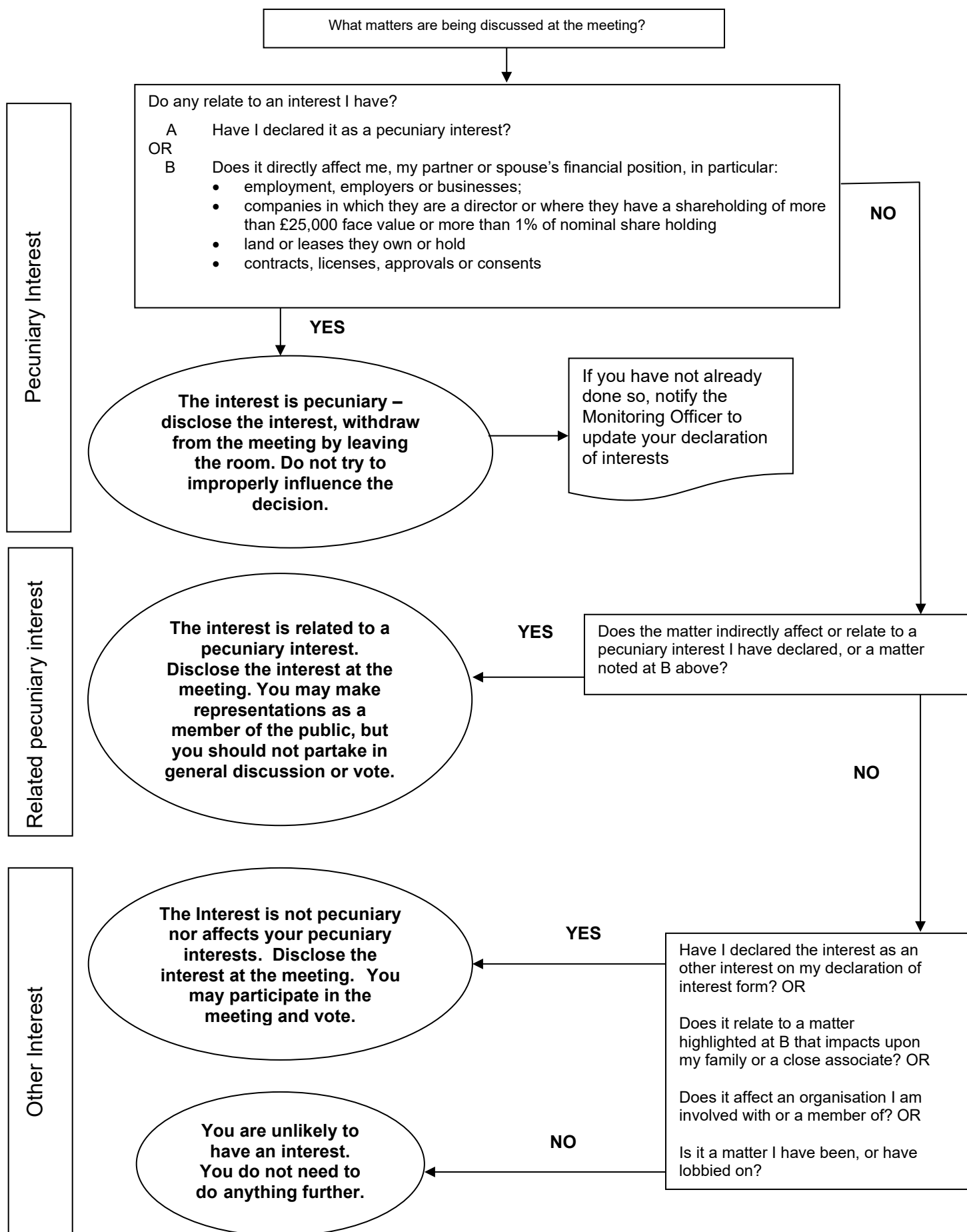
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but you should not partake in general discussion or vote.

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 on Friday 17 July 2020 at 9:30 am.

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

Apologies: Councillor: S Ridley

Substitutes: Councillor: J Easter for S Ridley

Cabinet Member in Attendance: Councillor: J Worley

Officers in Attendance: The Head of Internal Audit (S Storm), the Internal Audit Manager (F Haywood), the Assistant Director of Governance and Business Support (E Hodds), the Assistant Director of Finance (R Fincham), the ICT and Digital Manager (C Balmer) and the Senior Investigations and Enforcement Officer (B Harvey).

231 MINUTES

The minutes of the meeting held on Friday 6 March 2020, were confirmed as a correct record and signed by the Chairman.

232 ANNUAL REPORT ON COUNTER FRAUD ACTIVITY 2019/20

The Senior Investigations and Enforcement Officer provided a verbal update on Counter Fraud Activity during 2019/20. He explained that since December 2019, he had assumed fraud responsibilities for both South Norfolk and Broadland Councils, dealing with all fraud related matters for both organisations.

The Senior Investigations and Enforcement Officer continued to serve the needs of the Department of Work and Pensions, the Police Trading Standards, and Her Majesty's Revenues and Customs Service, with their enquiries. He advised Members that during 2019/20 there had been no reports of internal fraud at the Council.

Members noted that in April 2019, the Council became part of a 'Norfolk Fraud Hub' funded by Norfolk County Council and based on a National Fraud Initiative conducted under the Cabinet Office. This involved Councils sharing data in order to detect fraud and error at local level. The Senior Investigations and Enforcement Officer felt this to be a useful tool to detect fraud and explained that the initiative had been funded for a further 12 months.

The Committee was advised that the Senior Investigations and Enforcement Officer had recently been appointed Verification Officer, overseeing the Covid-19 Government Business Grant Support Scheme. This involved reviewing the £29.3 million paid to businesses in the South Norfolk area, to ensure compliance and that all payments had been awarded within the rules of the Scheme. Members noted that the Council was one of 83 authorities that had provided intelligence concerning potential frauds to Central Government and the Police. A benefit of this was that bank accounts were checked against multiple accounts used by organised crime. To date, across both South Norfolk and Broadland, £250,000 of incorrect payments had been identified, of which £80,000 had already been recovered. Members noted that a total of £1.4 million of paid grants was currently the subject of further investigations across the two districts. This process had and continued to be, resource intensive.

In response to a query regarding resources, members were advised that two members of staff had been redeployed from the Leisure Centres to assist with the above process, and also noted that an additional member of staff had recently been appointed.

A Member queried the likelihood of recovering money from fraudulent claims and whether the Council would bear the loss of unrecovered funds. Officers explained that the Government had provided the funding to pay the grants, and therefore there was no loss to South Norfolk Council. Any recovered monies would go back in the "pot" and would be paid out to other local businesses applying for support.

In response to a further query, he explained that he was awaiting further instruction from the Government as to how the Council should deal with those businesses making fraudulent claims, or those that had been made in error. The Council's current priority was to identify any funds paid incorrectly, and to recover monies where possible.

The Chairman thanked the Senior Investigations and Enforcement Officer for his update.

233 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager presented her report, which advised on the progress of the Annual Internal Audit Plan for 2019/20. The progress report provided executive summaries for work finalised in quarter three and four of the financial year. Members were informed that despite the current pandemic, 100% of the Internal Audit plan had been completed.

The Internal Audit Manager drew attention to the key areas of her report. Members noted that the Key Controls and Assurance Audit was in draft form due to it not being finalised before the meeting had taken place, however the Internal Audit Manager was

confident in the grading of the audit, specifying that it was unlikely to be amended prior to finalisation.

Members were informed that the 'Planning and Development Management' and 'Accounts Receivable and Income' audits had been finalised, with reasonable assurances awarded and 12 recommendations raised in total.

During discussion, Members referred to debt recovery and the process that was in place. The Assistant Director of Finance informed the Committee that policies were in place for recovery of debt depending on the state and situation of the debt. In response to a query, Members were advised that no incorrect practices had been found concerning write-offs and debt recovery, however the frequency of the review for write offs needed to be addressed.

During further discussion, Members referred to the review of Planning and Development Management, whereby the approach for call-ins was raised. The Internal Audit Manager explained that there was an inconsistency between the practices of the two Councils and suggested that Members could have discussions on how they would like the process to run.

The Assistance Director of Governance and Business Support noted Members' concerns over the decision-making process between committees and advised Members that a Governance Decision flowchart would be circulated to Members in the future.

A final question was raised by a Member regarding the turnaround of nine working days to process backdated housing benefit claims, and officers confirmed that a nine-day target was in line with good practice.

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.

234 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

The Internal Audit Manager presented her report, which advised Members as to the status of agreed audit recommendations as a result of completed internal audit reviews. Members were informed that the report detailed those recommendations which had been completed, those which were not yet due, and provided a management update for those which were outstanding.

Members' attention was drawn to appendix two and three, which detailed those recommendations outstanding at the end of the 2019/20 financial year and provided the management responses.

In response to a query raised by a Member regarding Building Control's outstanding recommendations and its delivery time being moved from August 2019 to September 2020, the Chairman advised Members that the COVID-19 pandemic had delayed some work being completed. Members noted that recent updates to recommendations had

been provided and that the Managing Director had addressed the importance of actioning recommendations, with these now being assigned at Assistant Director level.

The Chairman invited the ICT and Digital Manager to provide an update to Members on Disaster Recovery, and the Committee was advised that a significant amount of work was being done to implement a new ICT infrastructure at both sites, and that as part of that, the Disaster Recovery would be much improved

In response to queries, the Internal Audit Manager confirmed that those recommendations relating to Cyber Crime and the IT Service Desk had been addressed, that these areas would then be considered as part of future audit planning.

The Portfolio Holder for Finance and Resources commented on the health and safety recommendation within the Waste Audit and referred to the 'Near Misses' recommendation. The Committee sought clarification on what had been put into place to minimise these issues happening. Members were advised that incident reporting had been improved and that the team recognised the importance of reporting the incidents alongside the requirement of training with the new systems.

RESOLVED: To note the position in relation to the completion of agreed Internal Audit recommendations.

235 ANNUAL REPORT AND OPINION 2019/2020

The Head of Internal Audit summarised her annual report which detailed the outcomes of the Internal Audit work undertaken in 2019/20. Members were advised that the report provided the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and controls and was prepared in line with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. The report was also used to inform the Annual Governance Statement.

In response to a Member's query regarding the recent assembly of the Emergency Committee during the COVID-19 Pandemic, the Assistant Director of Governance and Business Support advised Members that a report was scheduled for the Scrutiny Committee to reflect on learnings across the board during this time.

Members noted areas of improvement in the annual report would be brought back to committee for update until a satisfactory resolve had been achieved. Members were also advised a follow up audit was scheduled for IT to revisit recommendations to ensure no lapses had occurred.

- RESOLVED:**
- (a) to note the contents of the Annual Report and Opinion of the Head of Internal Audit;
 - (b) to note that a reasonable audit opinion had been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control to the framework for the year ended 31 March 2020;
 - (c) to note that the opinions expressed, together with significant matters arising from internal audit work and contained within the report, would be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2019/20; and
 - (d) to note the conclusions of the Review of the Effectiveness of Internal Audit.

236 REVISED STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2020/21

The Internal Audit Manager presented her report, which provided Members with an updated Internal Audit Plan for 2020/21. The initial plan was presented to Committee in March, but because of the COVID-19 Pandemic the plan of work needed to be reviewed.

Officers clarified that the contractors (TIAA) were now back at work, having been furloughed and were available to undertake the planned audits. The Internal Audit Manager assured Members that the contractors were familiar with home working and understood how the Council operated, including any processes. Members noted that there was no intention to postpone future audits across the period unless wider issues arose.

In response to a Member's query regarding Big Sky, officers advised that an audit had recently been undertaken and a further review would be planned in future. In relation to Disaster Recovery, Members were advised that due to the work currently underway in ICT, this area would be reviewed again, once current work was complete.

In response to a query regarding joint audits, it was explained that where possible audits would be completed in this way as it would enable the One Team transformation and alignment of processes, and would be more efficient for all those involved. Members noted that there were some audits where a joint approach would not be appropriate.

The Chairman thanked officers for producing the updated plan of work during a time when resources were low and officers had been redeployed to other areas.

Voting was then carried out by roll-call and it was

RESOLVED: To approve the revised Internal Audit Plan for 2020/21 and that officers take into account the considerations and feedback provided by the Committee.

237 RISK MANAGEMENT POLICY

The Internal Audit Manager presented her report on the Risk Management Policy which sought Members of the Committee's consideration, input and approval. The report was a new policy to be used to guide officers, managers and Members with regard to the assessment, management and appetite of risk.

The Chairman welcomed the document and the changes it would bring to the Committee's terms of reference, in allowing the Committee to scrutinise the Risk Register.

A concern was raised over the clarification of internal, external and statutory risk within the policy, and it was suggested that the use of headings would help make the document clearer. The Internal Audit Manager also agreed to amend the objectives of the policy, to include a reference to the minimisation of threats.

During discussion, the Committee agreed that it would be appropriate to review the Strategic Risk Register a minimum of three times a year, once the policy had been approved.

The Internal Audit Manager suggested, and it was agreed, that she would take in to account the proposed changes to the document and forward a revised draft to the Committee for approval, via email. This version would then go on Council for approval.

Voting was then carried out by roll-call, and it was

RESOLVED: To Recommend that Council approves the draft Risk Management Policy, subject to amendments.

238 ANNUAL GOVERNANCE STATEMENT 2019/20

Members considered the report of the Assistant Director of Governance and Business Support, which presented the Committee with the Annual Governance Statement for 2019/20.

In response to a Member's query regarding the governance of the Council's Company Big Sky, it was confirmed that the Council's relationship was a financial one, with the Council being represented by the appointed Shareholders and the Company setting

their own governance. The Assistant Director Governance and Business Support reconfirmed that the Council had a shareholder role on the Board of Directors whose position was to challenge and oversee the running of the Company. Members were reassured that further information regarding Big Sky was due to be circulated to Members.

Members' attention was turned to member training and the Assistant Director Governance and Business Support recognised the need to ensure regular training for Members throughout the four-year term. It was noted that a full training programme was put in place at the start of their appointment and that this needed to be supplemented by training throughout their term.

Members of the Committee wished to thank Councillor Thomas for her work with the Committee over the years as the Portfolio Holder for Finance and Resources, and looked forward to working with the new Portfolio Holder, Councillor Worley.

Voting was then carried out by roll-call, and it was.

RESOLVED: To approve the Annual Governance Statement for 2019/20, subject to the proposed amendments.

239 WORK PROGRAMME

Members considered the Finance, Resources, Audit & Governance Committee's Work Programme, and noted the Self-Assessment of the Committee would be looked at in March 2021.

It was suggested and agreed that once Council had approved the Risk Policy, the Strategic Risk Register would be added to the Work Programme as soon as possible.

The meeting concluded at 11.45 am.

Chairman

STATEMENT OF ACCOUNTS 2019/20

Report Author(s): Rodney Fincham
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Portfolio: Finance

Ward(s) Affected: All

Purpose of the Report:

To present to Members an update on the final 2019/20 Statement of Accounts.

Recommendation:

To note the progress of the audit of the Statement of Accounts.

1 BACKGROUND

- 1.1 Normally Council Accounts need to be approved by the s151 officer by the end of May and published by the end of July. However, due to Covid 19, the dates this year are:
- Approved by s151 Officer 31 August
 - Published 30 November
- 1.2 The Council's Draft Statement of Accounts were informally presented to the Finance, Resources, Audit and Governance Committee members on 17th July 2020 and they were formally approved by the Assistant Director of Finance on 27th August 2020 (in line with the deadline).
- 1.3 The Statements were available for public inspection up to 9th October 2020, although officers did not receive any queries or requests for any supporting information.

2 CURRENT POSITION

- 2.1 The main audit of the accounts by EY commenced on 10th August, with an aim to finish by the first week of October 2020.
- 2.2 In line with many other local authorities across the country, the Council's audit is still in progress and therefore officers are not yet in a position to present a final, audited version to this committee. Delays have been experienced due to Covid impacts and resourcing levels.
- 2.3 At the time of writing this report, EY have not currently identified any significant adjustments required to the accounts but will update on any issues at the meeting.
- 2.4 Officers have met with EY to discuss the reasons for the delay, and to express their disappointment that the audit was not completed in line with the agreed target date.
- 2.5 The Council will fulfil its statutory requirements to publish its Statement of Accounts by 30th November. However, these will not be the audited version and a statement to explain this will accompany these on the website.

3 COMPLETION AND SIGNING OF THE STATEMENT OF ACCOUNTS

- 3.1 The Committee will need to receive and review the final audited accounts together with the Audit Results report from EY at a future meeting.
- 3.2 Officers will work with EY to agree a timetable for the remaining audit work to be completed to enable a committee date to be arranged.

4 RECOMMENDATION

- 4.1 To note the progress of the audit of the Statement of Accounts.

Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 7 July 2020 to 17 November 2020

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 17 July 2020, the revised Annual Internal Audit Plan for the year was presented to the Committee, to respond to the unprecedented circumstances surrounding the Coronavirus Pandemic. The Committee approved the revised plan which identified specific audits to be delivered. Since that meeting, there have been no further 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 36 days of programmed work has been completed, equating to 30% of the (revised) Audit Plan for 2020/21.

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 Due to the late start of the Internal Audit Plan for 2020/21 financial year, no reports have been finalised to date.

5. PERFORMANCE MEASURES

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

- 5.3 Due to the late start of the Internal Audit Plan of work for 2020/21, these measures have not been applicable. The Internal Audit Manager, on return from maternity leave in January 2021, will review the position with the performance measures.

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 completed audits in the period covered by this report, and the position of the internal audit plan for 2020/21.

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 | | | | | | | | | | | | |
| TOTAL | | 0 | 0 | 0 | | | | | | | | |
| Quarter 2 | | | | | | | | | | | | |
| Assurance Mapping | SNC2101 | 8 | 8 | 7 | In progress | | | | | | | |
| TOTAL | | 8 | 8 | 7 | | | | | | | | |
| Quarter 3 | | | | | | | | | | | | |
| Corporate Governance | SNC2102 | 4 | 4 | 0.5 | In progress | | | | | | | |
| Accounts Payable | SNC2103 | 12 | 12 | 11 | In progress | | | | | | | |
| Payroll and HR | SNC2104 | 10 | 10 | 7 | In progress | | | | | | | |
| Council Tax NNDR | SNC2105 | 15 | 15 | 7 | In progress | | | | | | | |
| Housing Benefit Local Council Tax Support | SNC2106 | 15 | 15 | 1.5 | In progress | | | | | | | |
| TOTAL | | 56 | 56 | 27 | | | | | | | | |
| Quarter 4 | | | | | | | | | | | | |
| Economic Development | SNC2107 | 10 | 10 | 0 | | | | | | | | |
| Key Controls and Assurance | SNC2108 | 10 | 10 | 0 | | | | | | | | |
| Coronavirus Response and Recovery | SNC2109 | 15 | 15 | 0 | | | | | | | | |
| Procurement and Contract Management | SNC2110 | 10 | 10 | 0 | | | | | | | | |
| TOTAL | | 35 | 35 | 0 | | | | | | | | |
| IT Audits | | | | | | | | | | | | |
| Service Desk | SNC2111 | 7.5 | 7.5 | 0 | | | | | | | | |
| Remote Access | SNC2112 | 7.5 | 7.5 | 0 | | | | | | | | |
| TOTAL | | 15 | 15 | 0 | | | | | | | | |
| Follow Up | | | | | | | | | | | | |
| Follow Up | NA | 5 | 5 | 2 | | | | | | | | |
| TOTAL | | 5 | 5 | 0 | | | | | | | | |
| TOTAL | | 119 | 119 | 36 | | | 0 | 0 | 0 | 0 | | |
| Percentage of plan completed | | | | 30% | | | | | | | | |

Eastern Internal Audit Services



SOUTH NORFOLK COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 31 March 2020 to 11 November 2020

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; 57 of which have been implemented. Two needs attention recommendations from the service desk review remain outstanding.

| | | |
|-----------------------|----|-----|
| Number raised to date | 59 | |
| Complete | 57 | 97% |
| Outstanding | 2 | 3% |

- 2.4 A total of 68 recommendations were raised in 2018/19; 65 of which have been implemented. Three recommendations (two important and one needs attention) are outstanding.

Management responses in relation to the outstanding important recommendation can be seen at **Appendix 2** of the report.

| | | |
|-----------------------|----|-----|
| Number raised to date | 68 | |
| Complete | 65 | 96% |
| Outstanding | 3 | 4% |

- 2.5 A total of 47 recommendations were raised in 2019/20; 31 have been completed, 12 are outstanding (three important and nine needs attention). A total of four are not yet due. Management updates for the three important recommendations can be found at **Appendix 3**.

| | | |
|-----------------------|----|-----|
| Number raised to date | 47 | |
| Complete | 31 | 66% |
| Outstanding | 12 | 26% |
| Not yet due | 4 | 8% |

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 2020.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

| | | | Completed bt 31/03/2020 to 11/11/2020 | | | 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 | | | | | | | | | | | | | | | |
| SNC1816 | Service Desk | Limited | | | | | | 2 | | | | 2 | | | |
| 2018/19 Internal Audit Reviews | | | | | | | | | | | | | | | |
| SNC1904 | Car Parks | Reasonable | | | | | | 1 | | | | 1 | | | |
| SNC1913 | Building Control | Reasonable | | | 1 | | 1 | | | | | 1 | | | |
| SNC1914 | Cyber Crime | Limited | | | 4 | | 1 | | | | | 1 | | | |
| 2019/20 Internal Audit Reviews | | | | | | | | | | | | | | | |
| SNC2001 | Big Sky | Reasonable | | | 1 | | | 3 | | | | 3 | | | |
| SNC2003 | Waste Management | Reasonable | | 2 | | | 1 | 1 | | | | 2 | | | |
| SNC2006 | Corporate Governance | Reasonable | | | | | | 1 | | | | 1 | | 1 | |
| SNC2007 | Accountancy Services | Reasonable | | 2 | 3 | | | 1 | | | 1 | 2 | | | |
| SNC2012 | Planning and Development | Reasonable | | 1 | | | | | | 1 | 1 | 2 | | 2 | 1 |
| SNC 2008/9 | Income and Accounts Receivable | | | 1 | | | | | | 1 | | 1 | | | |
| SNC2013 | Disaster Recovery | Limited | | 1 | | | | 1 | | | | 1 | | | |
| TOTALS | | | 0 | 7 | 9 | 0 | 3 | 10 | 0 | 2 | 2 | 17 | 0 | 3 | 1 |

APPENDIX 2 – OUTSTANDING IMPORTANT INTERNAL AUDIT RECOMMENDATIONS FROM 2018/19 AUDIT REVIEWS

| Audit Title | Recommendation | Priority | Management Response | Responsible Officer | Due Date | Revised Due Date | Status | Previous Response |
|-----------------------------|--|----------|---------------------|---------------------|------------|------------------|-------------|---|
| 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 | Director Place | 31/08/2019 | 31/12/2020 | Outstanding | The reconciliations are being completed, however the sign off process needs to be explored to enable this to be done electronically, |
| 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 | 31/12/2020 | Outstanding | A policy on cyber security has been produced, which covers the risks associated with cyber security, as a result of this work it we be considered whether it is appropriate to be included on the strategic risk register or whether this can be managed at an operational level. |

APPENDIX 3 – OUTSTANDING IMPORTANT INTERNAL AUDIT RECOMMENDATIONS FROM 2019/20 AUDIT REVIEWS

| Audit Title | Recommendation | Priority | Management Response | Responsible Officer | Due Date | Revised Due Date | Status | Previous Response |
|-------------------------------------|---|----------|--|--|------------|------------------|-------------|---|
| SNC2003 Waste Management | Recommendation 3: 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. | 2 | Agreed | Assistant Director of Community Services | 31/01/2020 | 31/12/2020 | Outstanding | R2C has been prioritised to maintaining compliance and the parts function of R2C has only just been made available, which has delayed completion of this action. An end of year stock take will allow better accountability and financial offset for the Depot's parts holding. Calculation of profit within the Trade Waste service was delayed until June 2020. This action has been further delayed till Dec 2020 as R2c operations have shut down over the Covid-19 period. |
| SNC2008 Accounts Receivable | Recommendation 2 - Monthly reports to be produced of accounts on hold, which are checked, action taken, including liaison with departments and revising the hold status/including end dates, which is updated on a timely basis. | 2 | Agreed. | Assistant Director Finance | 30/09/2020 | 31/12/2020 | Outstanding | This action is currently being addressed and management are confident that this can be closed by the revised deadline date. |
| SNC2012 Planning and Development | Recommendation 5 SNC: Monthly income reconciliations between the Uniform system and the general ledger are completed and signed and dated by both the preparer of the reconciliation, and reviewer, who has an understanding of the reconciliation process and is in agreement with the reconciling figures. | 2 | The Business Support Team Leaders have commenced discussions with the finance team at the Lodge and will be progressed following the Covid19 restrictions. | Director Place | 31/07/2020 | 31/12/2020 | Outstanding | Ongoing discussions with finance team, but this has been delayed due to remote working and recovery plan work re Covid. Seeking to complete by end of Q3. |

**Finance, Resources, Audit and Governance Committee
20 November 2020**

Review of Local Government Ombudsman Report 2020

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

Portfolio: Leader – The 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 2020.

Recommendation:

That members note the contents of the report and provide any recommendations regarding the Council's 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 focus for the Ombudsman remains on what can be learned, and they have continued to make changes to improve data and focus statistics on complaints upheld, compliance with recommendations and satisfactory remedies provided by the authority. The LGO report of the complaints referred for 2019/2020 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

- 21 South Norfolk Council's process for complaints is set out on the Council's website <https://www.south-norfolk.gov.uk/compliments-suggestions-and-complaints>. The complaints process follows 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 reviews, and responds to the complainant. This concludes 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.
- 22 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 2018/2019 findings.

| | Benefits and Tax | Corporate and Other Services | Env Services | Housing | Planning and Development | Total |
|--------------------|--|--|------------------------------------|--|--------------------------------------|---------|
| Complaint Referred | 3 (1) | 2 (0) | 1 (2) | 3 (1) | 3 (6) | 12 (10) |
| LGO Decisions | All 3 Referred back for local resolution | 1 Incomplete/invalid 1 Closed after initial inquiries | Referred back for local resolution | 1 Referred back for local resolution 1 Closed after initial enquiries 1 Upheld | All 3 Closed after initial enquiries | |

- 3.2 The number of complaints referred to the LGO has remained relatively static with a

slight increase in complaints to the Ombudsman this year (2). Of all of the complaints referred for investigation The Ombudsman upheld 1, the summary of which states:

- i. The Ombudsman will not investigate this complaint about a conversation the complainant overheard. This is because the Council has provided an appropriate response.

- 3.3 In a change to previous years, the Development Management Service which has historically received the most complaints and in turn has made up the largest proportion of referrals to the Government Ombudsman when the complainant remains dissatisfied with the Council's decision only represents a small number of the complaints to the Ombudsman this year. We have made the process of complaining simpler to our customers so that they more clearly understand the route available to them through the different stages, to help them if they remain dissatisfied to navigate where to go next. The Ombudsman has also continued in its efforts to be more easily accessible and this can be seen by the increased number of complaints to the Ombudsman that gets referred back to the council for a local resolution.

4. RISKS AND IMPLICATIONS ARISING

- 4.1 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 and considers this at Stage 1 and Stage 2 of the complaints process when a thorough investigation is undertaken.
- 4.2 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.

5. OTHER OPTIONS AND COMPARISONS WITH OTHER COUNCILS

- 5.1 The overall number of cases referred to the LGO for South Norfolk is very small.
- 5.2 Of the complaints investigated (1) 1 was upheld this compares to 45% in similar authorities.
- 5.3 Of the complaints upheld (1) 1 had satisfactory remedy decisions. This compares to 20% in similar authorities.
- 5.4 In 2019/2020 the LGO received 17,019 complaints and enquiries of these 13% were upheld cases where the Ombudsman agreed with the authority's remedy. 3746 recommendations to remedy personal injustice, 1629 recommendations to improve services for others; and 2039 cases with recommendations to put things right.
- 5.5 South Norfolk Council continually takes learning from all complaints received not just those that have been referred to the LGO.
- 5.6 The One Team is currently reviewing complaint handling in South Norfolk and is taking a two phased approach:
 - 5.6.1 Good and consistent complaint handling to improve quality and consistency of response.
 - 5.6.2 Alignment of process, policy and systems of complaints to create a consistent and robust way of handling complaints across the Two Councils to provide the right outcomes for our customers.

6. RECOMMENDATION

- 6.1 That members note the contents of the report and provide any recommendations regarding the Council's approach to dealing with complaints.

FRAG Work Programme

| | | | |
|----------|---|-------------------|----------|
| 20/11/20 | Audit Results Verbal Report | External Audit | FORMAL |
| | Final Statement of Accounts 19/20 | Julie Brown | FORMAL |
| | Review of Local Government Ombudsman 2020 | Christine Baldwin | FORMAL |
| | Progress on Internal Audit Activity | Faye Haywood | FORMAL |
| | Follow-up report on Internal Audit Recommendations | Faye Haywood | FORMAL |
| 05/03/21 | Certification of Claims & Returns Annual Report 19/20 - verbal report | External Audit | FORMAL |
| | Internal Audit Activity Report | Faye Haywood | FORMAL |
| | Strategic and Annual Internal Audit Plans 2021/22 | Faye Haywood | FORMAL |
| | Annual Report of FRAG Committee | Faye Haywood | FORMAL |
| | External Audit Plan 20/21 | External Audit | FORMAL |
| | Training session for members to complete their Self Assessment | Faye Haywood | INFORMAL |
| | Self Assessment of the FRAG Committee | Faye Haywood | FORMAL |
| | Review of Contract Standing Orders | Julie Hodges | FORMAL |