

# 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

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Friday 17 July 2020

### Time

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9.30 am

### Place

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

### Contact

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## 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](mailto:democracy@s-norfolk.gov.uk), no  
later than 5.00pm on Wednesday 15 July 2020

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 6 March 2020;** (attached – page 9)
5. **Annual Report on Counter Fraud Activity 2019/20;**  
(Verbal update)
6. **Progress Report on Internal Audit Activity;**  
(attached – page 14)
7. **Follow Up Report on Internal Audit Recommendations;**  
(attached- page 31)
8. **Annual Report and Opinion 2019/20;**  
(attached – page 38)
9. **Revised Strategic and Annual Internal Audit Plans 2020/21;**  
(attached – page 50)
10. **Risk Management Policy;**  
(attached – page 62)
11. **Annual Governance Statement 2019-20;**  
(attached – page 80)
12. **Finance, Resources, Audit & Governance Committee Work Programme;**  
(attached – page 98)

## 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<sup>3</sup> 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?

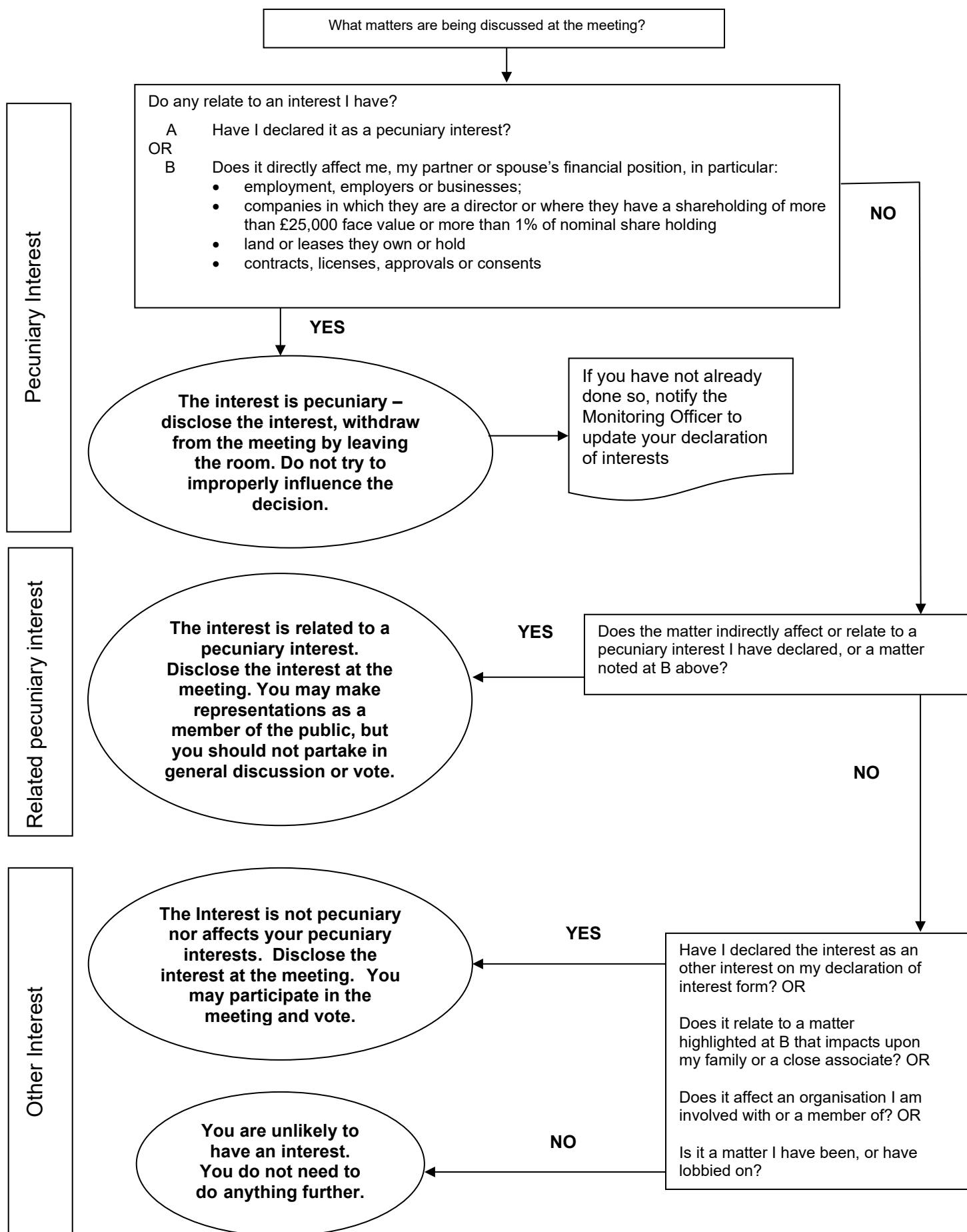
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but you should not partake in general discussion or vote.

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, 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

## Eastern Internal Audit Services



**South Norfolk Council**

**Progress Report on Internal Audit Activity**

**Period Covered: 26 February 2020 to 7 July 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 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 2020, 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 160.5 days of programmed work has been completed, equating to 100% of the (revised) 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 Internal Audit Services have issued two reports in final and one report in draft as can be seen in the table below.
- 4.5 Due to the impact that the Coronavirus has had on the priorities of officers, the Internal Audit team have been unable to finalise one report in time for this Committee. The Executive Summary of the report is however still included in Appendix 2 and overall gradings are indicated based on findings.

Audit	Assurance	P1	P2	P3
Key Controls and Assurance (DRAFT)	Reasonable	0	1	3
Planning and Development Management	Reasonable	0	2	3
Accounts Receivable and Income	Reasonable	0	2	1

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

- 4.6 As can be seen in the table above as a result of these audits 12 recommendations have been raised and agreed by management.

In addition, 5 Operational Effectiveness Matters have been proposed to management for consideration.

- 4.7 It is pleasing to note that these audits concluded in a positive opinion being awarded, indicating a strong and stable control environment in those areas.

## 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 fourth quarters work has been completed and a report on the performance measures provided to the Internal Audit Manager. Performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update 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 pan 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		
<b>Quarter 1</b>												
Big Sky	SNC2001	10	10	10	Final report issued 19 July 2019	Reasonable	0	1	6	0		November 19
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>10</b>								
<b>Quarter 2</b>												
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
<b>TOTAL</b>		<b>42</b>	<b>42</b>	<b>42</b>								
<b>Quarter 3</b>												
Corporate Governance	SNC2006	6	6	6	Final report issued 7 January 2020	Reasonable	0	2	2	3	Joint	March 2020
Accountancy Services	SNC2007	15	15	15	Final report issued 14 February 2020	Reasonable	0	2	5	1		March 2020
Accounts Receivable & Income	SNC2008/9	18	18	18	Final report issued 11 March 2020	Reasonable	0	2	1	0		July 2020
<b>TOTAL</b>		<b>39</b>	<b>39</b>	<b>39</b>								
<b>Quarter 4</b>												
Key Controls and Assurance	SNC2010	15	15	15	Draft issued 14 April 2020	Reasonable	0	1	3	0		July 2020
Risk Management	SNC2011	5	5	5	Risk Maturity Assessment reported November 2019						Joint	November 2019
Planning and Development	SNC2012	20	20	20	Final report issued 25 May 2020	Reasonable	0	2	3	5	Joint	July 2020
<b>TOTAL</b>		<b>40</b>	<b>40</b>	<b>40</b>								
<b>IT Audits</b>												
Disaster Recovery	SNC2013	10	10	10	Final report issued 19 November 2019	Limited	1	2	2	1	Joint	March 2020
Data Centre Management	SNC2014	10	7.5	7.5	Final position statement issued 21 February 2020						Joint	March 2020
<b>TOTAL</b>		<b>20</b>	<b>17.5</b>	<b>17.5</b>								
<b>Follow Up</b>												
Follow Up	NA	12	12	12								
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>12</b>								
<b>TOTAL</b>		<b>163</b>	<b>160.5</b>	<b>160.5</b>			1	25	25	12		
<b>Percentage of plan completed</b>				<b>100%</b>								

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of the Accounts Receivable and Income Arrangements

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Recovery and write off of debtors	0	2	1	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>

No recommendations were raised in relation to raising of sundry debtors invoices and credit notes, setting up of debtors, physical security, receipting of income and reconciliations.

##### SCOPE

The audits of Accounts Receivable and Income involve key financial systems control testing with results feeding into the Statement of Accounts. These areas require regular review to confirm the adequacy and effectiveness of controls.

## **RATIONALE**

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- 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 and one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous report on Accounts Receivable was issued in November 2017 (SNC/18/09) and Income in January 2018 (SNC/18/10), both with a 'Reasonable' assurance having jointly raised one 'Important' and two 'Needs attention' recommendations. This indicates an unchanged direction of travel since the previous audit in this joint area.

## **POSITIVE FINDINGS**

---

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

- The process for raising of debtor invoices has been automated, thereby making the process more efficient and minimise human error.
- Income is receipted accordingly and banked in full, thereby ensuring that all income received is accounted for.
- The Council's bank accounts are reconciled monthly and subject to independent review, thereby ensuring that income is accounted for within the Councils accounts.
- Unallocated income is automatically posted to suspense and investigated for allocation daily, helping to ensure it is correctly accounted for.

## **ISSUES TO BE ADDRESSED**

---

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

### **Recovery and Write Off of Debts**

- Monthly aged debtor reports to be produced and reviewed on a monthly basis, to ensure the requisite action is being taken to recover all outstanding debts. This will reduce the risk of debts being overlooked or becoming irrecoverable due to time delays, resulting in financial losses to the Council.

- 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 then updated on a timely basis. This will reduce the risk of the loss of income for the Council where recovery action is overlooked due to accounts being put on hold and not subjected to timely review.

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

#### **Recovery and Write Off of Debts**

- To update the debt recovery policy and procedure to reflect current working practices, so as to reduce the risk of incorrect practices being followed.

#### **Previous audit recommendations**

The audit reviewed the previous internal audit recommendations for accounts receivable and income, of which none remain outstanding.

# Assurance Review of Key Controls and Assurance

## DRAFT Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Payroll	0	0	1	0
Housing Benefit and CTS	0	0	1	0
Council Tax and NNDR	0	0	1	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>

No recommendations have been made in the controls underpinning Accounts Payable.

### SCOPE

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

## 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 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report on key controls (SNC/19/07), undertaken during 2018/19, concluded in a 'Reasonable' assurance opinion, with seven recommendations being raised, indicating that the overall assurance rating has improved within the key financial areas.
- A review of the assurance framework within the Council was scheduled to be undertaken in March 2020, however Due to the Coronavirus pandemic and the cessation of audit activity, it was not possible to fully test audit control/trail over the assurance framework. As such, no assurance is provided on the effectiveness of these controls and the overall assurance opinion is provided with this caveat.
- Due to the ceasing of audit activity, it was not possible for audit to hold a formal debrief with all of the key contacts relevant to the audit prior to issue of this draft report, as is normal practice.

## KEY FINDINGS

---

### Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2019/20 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Receivable and Income (SN/20/08 and SNC/20/09) - Final reports issued 25<sup>th</sup> March 2020.
- Accountancy Services (SNC/20/07) February 2020 - Final report issued 14<sup>th</sup> February 2020.

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2019/20 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Payable;
- Payroll;

- Housing Benefit and Council Tax Support; and
- Council Tax and National Non-Domestic Rates.

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

### **Payroll**

- For payroll staff to date the starter and leaver checklist as confirmation that all checks have been carried out on a timely basis. If the starter and leaver checklist is not dated, there is a risk of failing to evidence that quality checks have been performed on a timely basis.

### **Housing Benefit and CTS**

- Backdated claims to be processed within the internal target of nine working days. Failure to process backdated claims in a timely manner could lead to social inequality and poverty especially those claimants that live below the poverty line and rely on housing benefits.

### **Council Tax and NNDR**

- The Council Tax and NNDR systems to be reconciled to the general ledger on a monthly basis. Failure to reconcile the Council Tax and NNDR systems to the general ledger on a monthly basis could increase the risk of significant variations at year-end and therefore requiring additional resource to rectify it.

### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

### **Assurance Framework**

A review of the assurance framework within the Council was scheduled to be undertaken in March 2020, however due to the Coronavirus pandemic and the cessation of audit activity, it was not possible to fully test audit control/trail over the assurance framework. As such, no assurance is provided on the effectiveness of these controls and the overall assurance opinion is provided with this caveat.

### **Previous audit recommendations**

Seven recommendations were raised in the previous audit of Key Controls (SN/19/07).

During 2019/20, key controls were also tested as part of the full reviews of Accountancy Services, Accounts Receivable and Income. Seven recommendations relating to key controls were made within the Accountancy Services review, specifically relating to consistency in budget monitoring, policies and procedures, authorisation of virements and access to the fixed asset register. Three recommendations were made in relation to key controls within the Accounts Receivable and Income audit,



specifically in regard to the recovery and write off of debtors and monitoring of aged debt. Progress with these will be monitored through audit's cyclical follow up checks.

#### Other points to note

During the audit, it was confirmed that checks are made of benefits claims processed every day in regards to changes in circumstances. However, there was a gap between 9<sup>th</sup> and 30<sup>th</sup> September where the 4% changes in circumstances checks were not carried out. This is because the officer responsible for QA checking was off work due to a personal emergency. Further examination revealed that since 1<sup>st</sup> October, the 4% checks on new claims and changes in circumstances have been carried out regularly and no gaps were found. As the cause of these delays to the QA process has been addressed, a recommendation has not been raised.

# Assurance Review of the Planning and Development Management

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Planning Applications	0	0	0	3
Reconciliations between the planning system and general ledger	0	1	0	0
Planning Enforcement	0	1	2	2
S106 Agreements	0	0	1	0
Total	0	2	3	5

No recommendations have been made in respect of the areas: Policies and Procedures and Community Infrastructure levy (CIL).

### SCOPE

The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls within Planning and Development Management, at both Broadland District Council and South Norfolk Council.

## RATIONALE

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- 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 six 'important' and five 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised six 'operational effectiveness matters', 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:

### Policies and procedures

- The planning service was the first service trialled for joint working across both authorities (January 2018) with joint management arrangements being in place and the overall joint structure commencing from January 2020. The project has been split into four phases of delivery which includes all aspects of service, including planning policy and land charges. Timelines for each of the four phases, will be prepared at the commencement/scoping stage. This provided a positive start and significantly contributed to the two authorities aim to have one culture, joint senior management and one joint officer team. (BDC and SNC)
- This Joint Core Strategy (JCS) for Broadland, and South Norfolk is the Joint Core Strategy for Broadland, Norwich and South Norfolk, prepared by all three councils working together with Norfolk County Council as the Greater Norwich Development Partnership (GNDP). This ensures there is key strategy/policy in place to enable consistency with legislation and long-term vision and objectives for the area. (BDC and SNC)

### Planning applications

- Correct fees are charged and received before applications are processed. This facilitates accurate income being received as expected. (BDC and SNC)
- Consultations include all required consultees and are carried out in a timely manner. This demonstrates a transparent and clear planning application process. (BDC and SNC)
- Weekly monitoring reports are produced which show time taken to reach a decision; undetermined applications by officer; and outstanding enquiries by officer. This facilitates the timely monitoring of processing times. (BDC and SNC)

### Planning enforcement

- Enforcement actions are taken promptly in response to complaints, with evidence retained on file. Furthermore, a proactive approach to enforcement is undertaken, which involves being alerted by a number of events/contacts such as CIL commencement date and Council Tax and NNDR system changes. This enables timely and pre-emptive follow up of planning breaches. (BDC)

### Community Infrastructure Levy (CIL)

- The Council's policies on CIL, including income and expenditure, are documented and available on both Council's websites. This enables effective communication of the CIL assisting with customer understanding. (BDC and SNC)
- CIL charges are calculated in line with the published charging schedule and applicants are informed of the charge when planning permission is granted. This enables clear communication of the CIL charge in a timely manner. (BDC and SNC)
- Monitoring spreadsheets are maintained which facilitates timely tracking of all CIL agreements and when payments are due and have been received. (BDC and SNC)

### S106 Agreements

- Requirements over Section 106 Agreements are stated within planning policy documents including the Joint Core Strategy; Broadland Development Management Development Plan Document (DPD); and South Norfolk Local Plan Development Management Policies Document. These documents provide clear overall S106 requirements for both Councils. (BDC and SNC).

## ISSUES TO BE ADDRESSED

---

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

### Reconciliations

- Monthly income reconciliations between the Uniform system and the general ledger are completed and signed and dated by both the preparer and reviewer. This helps to reduce the risk of errors and/or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors in their normal course of duties. (SNC)

### Planning Enforcement

- A number of actions be taken to improve the completeness of enforcement records including correspondence to developers including timescales to address breach; uniform records be fully updated with notes, letters sent and site visits; delays in enforcement activity to be accompanied by explanatory notes; and complaints received date to be supported by evidence. Furthermore, an audit trail sheet is attached to the front of each file to provide an overview of the case

including key dates such as dates of complaint received, dates of correspondence and site visits. This helps to mitigate the risk of enforcements not being undertaken in a timely manner and supporting evidence not being available. (SNC)

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

### **Planning Enforcement**

- To instigate the implementation of electronic files at SNC for the entire enforcement process, including filing of documents to the Document Management System (DMS). This helps mitigate the risk that files are lost or mislaid and a complete audit trail not being clear and readily accessible. (SNC)
- Photos of site visits be saved to the actual account reference on the planning system (Uniform for SNC or Northgate for BDC) rather than in a separate electronic folder. This helps to reduce the risk that enforcement action is not supported by evidence and carried out incorrectly. (BDC and SNC)

### **S106 Agreements**

- A quarterly check is undertaken of the S106 monitoring spreadsheet against the hard copy files to ensure these agree and to identify any cases which are not included on the monitoring spreadsheet. This helps mitigate the risk that S106 trigger points are missed and related conditions are not complied with. (SNC)

### **Operational Effectiveness Matters**

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

#### **Planning Applications**

- Consideration be given to whether a link to the national fees on the planning portal website be added to the SNC website, or this link is removed from the BDC website, to ensure consistency between both councils. (BDC and SNC)
- To re-examine why the SNC validation checklist is still used if this information is already automatically completed on the uniform system. (SNC)
- To raise with members, as an item for consideration, if the BDC and SNC cut off point for members being able to 'call-in' items to committee, is aligned, so that this is in alignment with both authorities. (BDC and SNC)

#### **Planning Enforcement**

- Consideration be given to transferring the manual planning enforcement register to an electronic version. (SNC)
- Photos to be taken from all site visits so that they can be used, when circumstances dictate, in cases for proving lawful use and granting a certificate of lawfulness. (BDC and SNC)

### Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

### **Other points noted**

It was identified that procedures relating to Planning Enforcement are out of date (dated 2013). However, due to procedures being reviewed and updated across the whole planning service, where necessary, as part of the alignment work between the two Councils, no recommendation has been raised.

Furthermore, both councils Planning Enforcement Strategy/Policy are in need of review and update. As it is intended to review and align both policies as part of the review of the service during 2020 (included in the 2020/21 quarter 1 business delivery plan), a recommendation has not been raised.

## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Follow Up Report on Internal Audit Recommendations

Period Covered: 11 November 2019 to 31 March 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, 60 of which have been implemented. eight recommendations (one important and seven 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	60	88%
Outstanding	8	12%



- 2.5 A total of 47 recommendations have been raised so far in 2019/20, 22 have been completed, 12 are outstanding (four important and eight needs attention). A total of 13 are not yet due. Management updates for the seven important recommendations can be found at **Appendix 3**.

Number raised to date	47	
Complete	22	47%
Outstanding	12	26%
Not yet due	13	27%

### **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 31 March 2020.

## APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 11/11/2019 to 31/03/2020			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
Audit Ref	Audit Area	Assurance Level	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
<b>2017/18 Internal Audit Reviews</b>															
SNC1812	Business Continuity	Reasonable		1								0			
SNC1816	Service Desk	Limited		1	1			2				2			
<b>2018/19 Internal Audit Reviews</b>															
SNC1904	Car Parks	Reasonable						1				1			
SNC1906	Remote Access	Reasonable		1								0			
SNC1909	Council Tax and NNDR	Reasonable			2							0			
SNC1913	Building Control	Reasonable			1		1	1				2			
SNC1914	Cyber Crime	Limited		4				5				5			
<b>2019/20 Internal Audit Reviews</b>															
SNC2001	Big Sky	Reasonable		1	2						4	4			
SNC2005	Homelessness	Reasonable		3								0			
SNC2002	Leisure	Reasonable		2											
SNC2004	Housing Standards	Reasonable		3	2							0			
SNC2003	Waste Management	Reasonable		2						3	1	4			
SNC2006	Corporate Governance	Reasonable		1	1						1	1		1	
SNC2007	Accountancy Services	Reasonable									1	1		2	4
SNC2012	Planning and Development	Reasonable			2							0		2	1
SNC 2008/9	Income and Accounts Receivable											0		2	1
SNC2013	Disaster Recovery	Limited	1	1	1					1	1	2			
<b>TOTALS</b>			<b>1</b>	<b>20</b>	<b>12</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>22</b>	<b>0</b>	<b>7</b>	<b>6</b>

## 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	Assistant Director of Finance	31/08/2019	30/09/2020	Outstanding	Finance and CNC will review the process in Q2 and directly implement any required improvements.

### 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.
SNC2003 Waste Management	Recommendation 4: A review of all commercial waste customers be carried out to ensure payment has been received for services provided, and to ensure that in future collections are not made until receipt of payment has been confirmed.	2	Agreed	Assistant Director of Community Services	30/11/2019	30/10/2020	Outstanding	This observation has been completed; however, a number of trade customers have suspended participation in the service due to Covid-19. A further review of all trade customers will be conducted in Oct 2020 once customers re-join the service post Covid-19.
SNC2003 Waste Management	Recommendation 5: Health and Safety 'near misses' be formally recorded and investigated.	2	Agreed	Assistant Director of Community Services	31/10/2019	31/08/2020	Outstanding	All Health and Safety incidents now captured on a spreadsheet rather than 'Stitch' as that system was primarily developed for Leisure and did not prove suitable. However, it is accepted that near miss reporting still needs to improve so subsequent investigations to prevent re- occurrence can take place
SNC2013 Disaster Recovery	Recommendation 2. Once recommendation 1 has been completed, the Council to ensure that the local IT/Digital Disaster Recovery Plan is updated to take account of the current recovery arrangements of the Wymondham site and to update all other aspects of the plan that may require it. An example of this is the contact list set out in section	2	Agreed	Assistant Director of Governance and Business Support	31/03/2020	30/11/2020	Outstanding	We are in the process of implementing new infrastructure that will redefine and reshape the storage of our data and systems in such a manner that almost real time mirroring will take place to allow for live transitions between sites. Data and systems will be replicated between at least 2 sites with geographical separation, and

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
	four and the need to account for the recovery of the key underlying IT infrastructure that needs to be recovered prior to business systems recovery.							thus will allow all business data to be accessible instantly covering all needs and expectations of the business. This is intended to be in place by October 2020. The appropriate changes to the plans can be completed after completion of this exercise.

## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Annual Report and Opinion 2019/20

Responsible Officer: Head of Internal Audit for South Norfolk Council

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive (known in this context as the Head of Internal Audit) to provide a written report to those charged with governance (known in this context as the Finance, Resources, Audit and Governance Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2019/20, together with reasons if the opinion is unfavourable;
  - A summary of the internal audit work carried out from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed actions as at financial year end and any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the AGS;
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the Public Sector Internal Audit Standards (PSIAS) and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s AGS, but there are also a number of other important sources to which the Finance, Resources, Audit and Governance Committee and statutory officers of the Council should be looking to gain assurance from. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

The annual opinion is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Management Leadership Team and key stakeholders and then approved by the Finance, Resources, Audit and Governance Committee at its meeting on 8 March 2019. Any justifiable amendments that are requested during the year are discussed and agreed with senior management and reported through to

the above Committee. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS.

The Finance, Resources, Audit and Governance Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

## 2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and control at South Norfolk Council is **reasonable**.

It is encouraging to note that of the 11 assurance audits completed within the year a total of 10 resulted in a positive assurance grading being given.

One report relating to Disaster Recovery received a limited assurance grading. A total of one urgent, two important and two needs attention recommendations were raised during the review. One important recommendation remains outstanding in relation to updating disaster recovery plans once system improvements are implemented. This has a revised due date of November 2020.

The Committee's attention should be drawn to comments made at paragraph 3.5 of this report in relation to outstanding recommendations as these will require consideration for inclusion in the AGS.

Whilst we recommend that the points contained within paragraph 3.5 are considerations for the AGS, these risks reflect a small proportion of the control environment. This has been demonstrated by the number of reports receiving a positive assurance grading this year. We are therefore satisfied that the governance, risk and control framework is reasonable.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified therefrom have been taken into account.

The opinion has been shared with the Corporate Management and Leadership Team prior to publication.

## 3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.



### 3.3 Summary of the internal audit work

The work undertaken by Eastern Internal Audit Services (TIAA Ltd) in 2019/20 has covered a wide range of services. Internal Audit has issued 11 out of the 13 originally planned assurance reports, with 10 of these assurances being given a reasonable assurance grading. One report in the area of Disaster Recovery has been given a limited assurance grading.

One review, Network and Infrastructure was replaced with a position statement on Data Centre Management. For the Risk Management review, a risk maturity assessment was undertaken by the Internal Audit Manager indicating a maturity level rather than an assurance grading.

<b>Audit description</b>	<b>Nature of the change</b>
Network Infrastructure Management changed to Data Centre Management	At the request of management, it was considered that a better use of internal audit resources would be to carry out a position statement review into the management of the data centre at both Councils; identifying areas for improvement in relation to IT equipment/resource management at each office. The 10-day review was reduced by 2.5 days.

Rationale and reasoning for changes to the 2019/20 audit plan have been presented to the Committee in the Internal Audit Progress Report throughout the year. Overall, the 2019/20 plan has been reduced by 2.5 days to take account of the needs of the business and to ensure the Internal Audit Service was able to add value where required.

Due to the impact of the Coronavirus pandemic, it has not been possible to finalise one report with management in time for this Committee for Key Controls and Assurance. The Executive Summary of this review has however been provided to the Committee within the Progress Report and an overall grading is indicated.

### 3.4 Follow Up of management actions

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 47 audit recommendations raised and agreed by TIAA Ltd in 2019/20; 22 have been completed by management, and 13 are not yet due. A total of 12 recommendations remain overdue at year end (four important and eight needs attention). Four recommendations (not included in above total) from the draft Key Controls and Assurance report are pending management agreement.

Eight recommendations relating to 2018/19 remain outstanding; one important and 7 needs attention. The important recommendation relates to performing reconciliations between the building control system and the general ledger which is now due for end of September 2020.

Two needs attention recommendations remain outstanding from 2017/18 and relate to the service desk review.

Management have provided progress updates and new deadline dates have been suggested for all outstanding recommendations.

### 3.5 Issues for inclusion in the Annual Governance Statement

We recommend that the following points are considered for inclusion in the Annual Governance Statement.

One limited assurance report has been raised relating to Disaster Recovery. One urgent, two important and two needs attention recommendations were raised, one important recommendation and two needs attention remain outstanding. The important recommendation relates to updating disaster recovery plans once improvements to Disaster Recovery capabilities have been implemented and is due for November 2020. We recommend that reference is made to this recommendation in the Council's AGS until it is complete.

In 2019/20 the Internal Audit Manager concluded that the risk maturity level of the Council is currently at a level of 'risk aware' during assessment. This maturity level is at the lower end of the maturity scale. A series of recommendations have been suggested to strengthen the risk management framework, including the review of the Council's strategic risk register, revision of the risk management policy and for the Finance, Resources Audit and Governance Committee to receive regular assurance on the framework. We therefore recommend that the suggested improvements are referenced in the Council's AGS until completion can be demonstrated.

The governance, risk and control framework has been assessed as reasonable for 2019/20. Whilst risks do remain unresolved at year end, we are satisfied that management have committed to address the risks raised within the limited assurance Disaster Recovery report.

## **4. THIRD PARTY ASSURANCES**

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

## **5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

### **5.1 Quality Assurance and Improvement Programme (QAIP)**

#### **5.1.1 Internal Assessment**

The checklist which forms our QAIP for conformance with the Public Sector Internal Standards (PSIAS) and the Local Government Application Note has been completed for 2019/20. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist, conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The QAIP internal assessment checklist has been forwarded to the Director of Resources for independent scrutiny and verification.

#### 5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards. All improvement points raised during the review have now been addressed.

### 5.2 Performance Indicator outcomes

- 5.2.1 The Internal Audit Service is benchmarked against a number of performance indicators as agreed by the Finance, Resources, Audit and Governance Committee. Actual performance against these targets is outlined within the table below and overleaf:

Actual performance against these targets is outlined within the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	Achieved
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	Good	Achieved
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	100%	Achieved
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	75%	Not achieved – One quarterly reports received one day over the 15 working day deadline.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	n/a	Achieved
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Good	Exceeds, 6 responses received.
9. Percentage of recommendations accepted by management		90%	100%	Exceeds 0 recommendations rejected.
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	100%	Exceeds
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 It is encouraging to note most performance measures have been achieved, with three of these exceeding targets. A good response has been received in relation to client feedback which has been positive, recognising the professional service provided and the value that internal audit has brought to the Council.

The target relating to the issuing of the performance reports within 15 working days of quarter end was not met once in 2019/20. The performance report was however received one working day after and therefore represents an isolated incident.

It is extremely encouraging to note that all 11 internal audit reviews were at draft report stage by 14 April 2020, thus, ensuring audits are completed within financial year.

### **5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA**

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Director of Resources for independent scrutiny and verification.

## **6. PROPOSAL**

6.1 The Finance, Resources, Audit and Governance Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note this report, and the reasonable assurance opinion awarded, and confirms that key information provided is carried across to the Council's Annual Governance Statement, which is also considered on the agenda.

## **7. RECOMMENDATIONS**

- 7.1
- a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.
  - b) Note that a reasonable audit opinion has been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2020.
  - c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20.
  - d) Note the conclusions of the Review of the Effectiveness of Internal Audit.

## APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2019/20

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
<b>Annual Opinion Audits</b>							
Big Sky	Reasonable	7	3	0	0	4	0
Leisure	Reasonable	2	2	0	0	0	0
Waste Management	Reasonable	6	2	0	3	1	0
Housing Standards and DFGs	Reasonable	5	5	0	0	0	0
Homelessness and Housing Options	Reasonable	3	3	0	0	0	0
Corporate Governance	Reasonable	4	2	0	0	1	1
Accountancy Services	Reasonable	7	0	0	0	1	6
Accounts Receivable & Income	Reasonable	3	0	0	0	0	3
Key Controls and Assurance (DRAFT)	Reasonable	4	0	0	0	0	4
Planning and Development	Reasonable	5	2	0	0	0	3
Risk Management	Maturity Assessment						
<b>IT audits</b>							
Disaster Recovery	Limited	5	3	0	1	1	0
Data Centre Management	Position Statement						
<b>Total</b>		<b>51</b>	<b>22</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>17</b>

<b>Assurance level definitions</b>		Number
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed 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 audit review were being consistently applied.	0
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations 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.	10
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.	1
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.	0

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important Priority 2	Control issue on which action to implement should be taken within 3 months.
Needs Attention – Priority 3	Control issue on which action to implement should be taken within 6 months.

## APPENDIX 2 ASSURANCE CHART

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Annual Opinion Audits</b>					
Corporate Governance and Risk Management					
Corporate Governance			Reasonable		Reasonable
Risk Management		Substantial			Maturity Assessment
Corporate Governance - Build Insight		Reasonable			
Corporate Governance - Big Sky		Reasonable			Reasonable
Key Controls and Assurance	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Corporate Health and Safety			Reasonable		
<b>Fundamental Financial Systems</b>					
Local Council Tax Support and Housing Benefit		Reasonable		Reasonable	
Council Tax and National Non Domestic Rates		Reasonable		Reasonable	
Accounts Receivable & Income	Reasonable		Reasonable		Reasonable
Accountancy Services	Reasonable		Reasonable		Reasonable
Budgetary Control					
Accounts Payable		Reasonable		Reasonable	
Income / Remittances	Reasonable		Reasonable		
Payroll and Human Resources		Substantial		Substantial	
Cross Authority Review - Accounts Payable	n/a				
Cross Authority Review - Accounts Receivable		n/a			
Cross Authority Review - Payroll and HR					
<b>Service Area Reviews</b>					
Performance Management			Reasonable		
Customer Focus, including reception, equalities, marketing, etc.					
Freedom of Information and Data Protection					
Committee Services	Reasonable				
Elections and Electoral Registration				Substantial	
Property Valuation and Management					
Nplaw Arrangements					
GDPR				Reasonable	
Procurement		Reasonable		Reasonable	
Leisure		Reasonable	Reasonable		Reasonable
Stock Control Review					
CNC transfer to South Norfolk DC host					
Building Control		Reasonable		Reasonable	
Housing Strategy and Affordable Housing		Reasonable			
Home Options		Reasonable			

	Current Contract				
	2015-16	2016-17	2017-18	2018-19	2019-20
New Homes Bonus / Affordable Housing / Home Options					
Car Parks	Reasonable			Reasonable	
Waste Management		Reasonable			Reasonable
Environmental Health					
EH - Stray Dogs, Pest Control and Flooding	Reasonable				
Licensing, Food Safety and Health and Safety		Reasonable			
Housing Standards including Disabled Facilities Grants & Discretionary grants	Reasonable		Reasonable		Reasonable
Early Help Hub		Limited			
Community Grants	Reasonable				
Development Management					Reasonable
Partnerships					
Localism and Communities / Asset of Community Value	Reasonable				
Homelessness			Reasonable		Reasonable
<b>IT Audits</b>					
Network Security and Infrastructure					
Cyber Crime				Limited	
Virtualisation					
Remote Access (Supplier and User)				Reasonable	
IDOX Uniform application					
Disaster Recovery & Business Continuity			Reasonable		Limited
Revenues and Benefits Application	Reasonable				
Exchange 2010 & Ancillary Services	Reasonable				
Storage Area Network (SAN)	Reasonable				
Integra 2		Reasonable			
Walled Garden		Reasonable			
EZRunner		Reasonable			
Cash Receipting Application			Reasonable		
Data Centre					Position Statement
Service Desk			Limited		



## **APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES**

### **Limitations inherent to the Internal Auditor's work**

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Finance, Resources, Audit and Governance Committee, subject to the limitations outlined below.

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2019/20 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

### **Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future Periods**

Internal Audit's assessment of controls relating to South Norfolk Council is for the year ended 31 March 2020. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the Council's internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

## Eastern Internal Audit Services



### SOUTH NORFOLK DISTRICT COUNCIL

#### Revised Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit

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## **1. INTRODUCTION**

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The 2020/21 Internal Audit Plan was approved by South Norfolk Finance Resources Audit and Governance Committee (FRAG) on 6 March 2020. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. It is therefore necessary to revise the agreed 2020/21 Internal Audit Plan and seek approval from FRAG.
- 1.3 The Coronavirus Pandemic has impacted the Council in several ways, some of the significant impacts include:
  - Staff being re-deployed to front line services to ensure residents basic needs are met such as food and medicines whilst remaining mindful of safeguarding concerns.
  - The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines and budgets.
  - Increased pressure on HR to monitor and manage large numbers of staff re-deployed, sickness and changes to working arrangements.
  - The issuing of business grants at short notice without pre-defined procedures or assurance over adequacy of data used or pre application checks for the prevention of fraud.
  - Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.
  - Additional requirements from central government on the Council to temporarily house rough sleepers.
- 1.5 In response to the significant pressure placed on the Council to react effectively to the Pandemic, Internal Audit activity was paused in April 2020. In addition, the Internal Audit contractors TIAA took the decision to Furlough most of their workforce until 1 July 2020.
- 1.6 The Internal Audit Plans for 2020/21 will therefore be reconsidered to reflect to the changing risk profile of the Council and to ensure that Internal Audit and officer resources are able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.
- 1.7 This report outlines our approach to Internal Audit for 2020/21 in response to the impact that the Coronavirus Pandemic has had on the Council.

## **2. INTERNAL AUDIT STRATEGY**

- 2.1 Due to the impact of the Coronavirus Pandemic the risk profile of the Council has changed significantly from the one used to formulate the 2020/21 Internal Audit Plan earlier this year. The risk register and Corporate Plan used to identify areas where assurance would need to be provided will in some cases no longer be appropriate.
- 2.2. We therefore determine that the most effective way to provide assurance over the current governance risk and control framework for South Norfolk in 2020/21 considering any significant changes, is to cover key themes. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.

- 2.3 The 2020/21 Internal Audit Plan will now be split into five key themes providing assurance over key controls, changes to the control framework, current risks, and the Council's preparedness for recovery and ongoing disruptions.
- 2.4 The five key themes are as follows:

Theme	Audit
Theme 1: Assurance Mapping	A questionnaire style enquiry will be carried out to gather information and determine any changes to the control environment and document any available assurance that these controls are working effectively. One areas of focus for this enquiry will be to evaluate the strength of controls for the prevention of Fraud and support staff with remote working.
Theme 2: Key Controls	In order to enable us to provide an opinion over the key financial and governance controls, our annual testing regime will be enhanced, and the assurance mapping exercise mentioned above will be used where appropriate to develop testing for any new controls identified. This will provide independent assurance to Senior Management and the Committee that governance and financial risks have been appropriately mitigated during the Pandemic period.
Theme 3: Response and Recovery	We will provide assurance that the Council has where possible, reacted sufficiently to the pandemic and considered its response to recovery. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: supporting the local economy, staff reintegration, financial modelling and business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Council's response to the Pandemic.
Theme 4: Partnerships	This work will be carried out in the style of a position statement and will evaluate the impact of the Pandemic on the Council's ability to deliver key projects and services through third party contracts during and in the recovery phase of the pandemic.
Theme 5: Essential Assurance	This work will ensure that areas from the originally agreed 2020/21 Internal Audit Plan that are integral to forming an opinion on the governance, risk management and control framework for 2020/21 are still carried out. This will include areas where limited assurance or no assurance has been given in previous years and where control weaknesses remain or have increased due to the Coronavirus Pandemic.

- 2.5 Internal Audit reviews that were included in the originally agreed plans for 2020/21 will be deferred to 2021/22.

- 2.6 A risk assessment will be undertaken to establish whether each area is still required early in 2021 when the risk based internal audit plan for the year ahead is developed.

### **3. REVISED STRATEGIC INTERNAL AUDIT PLAN**

- 3.1 **Appendix 1** shows the internal audit reviews that have been deferred from the original 2020/21 Internal Audit plan and have now been deferred to the 2021/22 plan. The Strategic Internal Audit plan indicates the Council's assurance requirements for the next three years based on the current risk register and corporate plan.
- 3.2 Each area will be subject to a risk assessment during planning in early 2021 to determine if it is still required for 2021/22 based on requirements, at that time. We expect that the plan for the next three years will change considerably in response to the Coronavirus Pandemic.

### **4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21**

- 4.1 **Appendix 2** shows the joint revised Internal Audit Plan for 2020/21. The plan incorporates the five key themes mentioned in section 2, covering the key risks identified in relation to the impact the Coronavirus Pandemic has had on the Council. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.
- 4.2 The revised Internal Audit plan includes; the theme, Internal Audit area, key risk, number of days, quarter in which it will be undertaken, and a summary of the work proposed.
- Theme 1 - Assurance Mapping and Theme 3 – Recovery, will be undertaken at all Council's within the Consortium within the same period. This will allow Internal Audit to compare each Council's response to the Pandemic, drawing out good practice where relevant and including it in our conclusions for consideration.
- 4.3 The revised Annual Internal Audit Plans for 2020/21 now totals 12 reviews over 129 days.
- 4.4 As a result of the proposed revisions the original 2020/21 Internal Audit Plan has been reduced by 31.5 days overall representing a decrease in the agreed Internal Audit budget for 2020/21. It is important to note that the decrease is in response to unprecedented circumstances and represents the absolute minimum assurance required to form a caveated opinion on the governance, risk management and control framework for 2020/21. We will aim to revert to our usual level of assurance coverage in the 2021/22 Internal Audit Plan.

### **5. CONCLUSION**

- 5.1 We are committed to remaining responsive to the needs of both Council's throughout the year amending our approach as and when required.
- 5.2 The Internal Audit contractor TIAA will continue to be subject to the performance measures outlined within the contract and progress against the revised 2020/21 Internal Audit Plans will be reported to each Committee at the agreed intervals.

**6. PROPOSAL**

- 6.1 The FRAG committee to consider the suggested revisions to the 2020/21 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council and the requirements to enable the Head of Internal Audit Opinion to be provided.

**7. RECOMMENDATIONS**

- 7.1 That members approved the suggested revisions to the 2020/21 Internal Audit Plan.

## APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN SOUTH NORFOLK

Audit Area	Last review & assurance	Associated Risk & Reference	2020/21	2021/22	2022/23	Joint Review
<b>Annual Opinion / Governance audits</b>						
Theme 1 Assurance Mapping	New area	Establish changes to key controls in response to Coronavirus Pandemic.	8			✓
Theme 2 Key Controls and Assurance	2018/19 Reasonable 2019/20 Reasonable	Critical to annual internal audit opinion	10	15	10	
Theme 2 Corporate Governance	2017/18 - Reasonable 2019/20 - Reasonable	Critical to annual internal audit opinion	4			✓
Performance Management, Corporate Planning - Deferred to 2021/22	2017/18 - Reasonable	High		6		✓
Project Management - Deferred to 2021/22	New area	High S6		5		
Theme 3 Coronavirus Pandemic Recovery	New area	Council's ability to recover from impact of the Coronavirus Pandemic	15			✓
Theme 4 - Procurement and Contract Management	2016/17 - Reasonable 2018/19 - Reasonable	Position statement - Theme 4 Partnership Impact of Coronavirus	10			✓
Risk Management	2016/17 - Substantial 2019/20 Risk Maturity Assessment	High			6	✓
Big Sky	2016/17 - Reasonable 2019/20 - Reasonable	High S5			10	
Corporate Health and Safety - Deferred to 2019/20	2017/18 - Reasonable	Medium		6		✓

Audit Area	Last review & assurance	Associated Risk & Reference	2020/21	2021/22	2022/23	Joint Review
<b>Fundamental Financial Systems</b>						
Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management	2017/18 - Reasonable 2019/20 - Reasonable	<b>High S3</b>		15		
Theme 2 Accounts Payable	2016/17 - Reasonable 2018/19 - Reasonable	Medium	<b>12</b>		12	
Accounts Receivable	2017/18 - Reasonable 2019/20 - Audit Due	Medium		10		
Income (remittances)	2017/18 - Reasonable 2019/20 - Audit Due	Medium		8		
Theme 2 Local Council Tax Support and Housing Benefit	2016/17 - Reasonable 2018/19 - Reasonable	Medium	<b>15</b>		15	
Theme 2 Council Tax and National Non-Domestic Rates	2016/17 - Reasonable 2018/19 Reasonable	Medium	<b>15</b>		15	
Theme 2 Payroll and Human Resources	2016/17 Substantial 2018/19 - Substantial	Medium	<b>10</b>		10	√



Audit Area	Last review & assurance	Associated Risk & Reference	2020/21	2021/22	2022/23	Joint Review
<b>Service area audits</b>						
Theme 5 - Economic Development	Deferred from 2015/16	<b>High S1</b>	<b>10</b>			
Collaboration Feasibility	New area	<b>S6 High</b>			8	✓
Democratic Services - members services, training, allowances and expenses	2015/16 - Reasonable	Low				✓
Legal Services	2014/15 - Reasonable	Medium			8	✓
Elections and Electoral Registration	2013/14 - Reasonable 2018/19 Substantial	Medium			8	✓
Environmental Health - includes Business Continuity, Emergency Planning, Environmental Protection, Dog Warden & Pollution Control, Licencing, Food Safety and Health and Safety. - Deferred to 2021/22	2015/16 - Reasonable 2016/17 - Reasonable	<b>Medium S7</b>		10		✓
Waste Management includes refuse collection, street cleansing, recycling, clinical waster, abandoned vehicles and grounds maintenance	2016/17 - Reasonable 2019/20 - Reasonable	High			10	✓
Early Help Hub	2016/17 - Limited	Medium			10	✓
Community Leisure	New area	Medium			4	✓
Homelessness & Housing Options	2017/18 - Reasonable 2019/20 - Reasonable	Medium				✓
Housing Strategy and Affordable Housing	2016/17 - Reasonable	Medium			10	✓
Housing Standards includes DFGs and discretionary grants	2017/18 - Reasonable 2019/20 - Reasonable	Medium				✓
Planning & Development Management	2014/15 - Reasonable, 2019/20 - Reasonable	<b>High S3, S4, S5</b>			15	✓
Leisure - Deferred to 2021/22	2017/18 - Reasonable 2019/20 - Reasonable	<b>Medium S4</b>		8		
CNC - Building Control	2016/17 - Reasonable 2018/19 - Reasonable	Medium			12	
Car Parks	2015/16 - Reasonable, 2018/19 Reasonable	Medium			10	
Transit Sites	New area	Medium			10	

<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk &amp; Reference</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Joint Review</b>
<b>ICT Audits</b>						
Cyber crime	2018/19 - Limited	High			10	√
Remote Access	2014/15 - Reasonable 2018/19 - Reasonable	Essential Assurance	7.5			√
Disaster Recovery	2017/18 - Reasonable 2019/20 - Limited	High			10	√
Network Security and Infrastructure Management	2013/14 Reasonable	Medium				√
Service Desk	2017/18 Limited	Essential Assurance	7.5			√
Data Centre - Deferred to 2021/22	2019/20 Position Statement			5		√
IT audit reviews to be determined				15		
<b>Follow Up of audit recommendations</b>						
All agreed internal audit recommendations			5	12	12	
<b>Total number of days</b>			<b>129</b>	<b>115</b>	<b>215</b>	

## APPENDIX 2 ANNUAL INTERNAL AUDIT PLAN 2020/21 SOUTH NORFOLK

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Theme 1 - Assurance Mapping</b>								
Assurance Mapping Exercise	Some of the Council's Key and service area controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	8		8			v	We will conduct a questionnaire style enquiry to document and risk assess any changes in controls that have taken place in response to the Pandemic. We will gather information on any available assurances that these controls are working effectively and will focus on the strength of controls for the prevention of Fraud and supporting staff to work remotely. This will allow us to ensure that testing is focused in these areas and independent assurance is provided over the adequacy of the internal control framework for the annual opinion.
<b>Theme 2 - Key Controls</b>								
Corporate Governance	The processes for decision making may have changed in some areas in response to the Pandemic.	4			4		v	This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.
Key Controls & Assurance	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	10			10			This annual review is essential to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, our review will be extended to cover all key controls in depth, identifying areas for additional testing where risks have been identified. Accountancy Services, HR & Payroll, Accounts Payable, Accounts Receivable and Income will all be subject to testing.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
Theme 2 - Fundamental Financial Systems								
Accounts Payable	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	12			12			These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.
Payroll and Human Resources		10			10		v	
Council Tax and NNDR		15			15			
Housing Benefit and Local Council Tax Support		15			15			
Theme 3 - Recovery								
Coronavirus Pandemic - Council's Response and Recovery Plan	<p>Services disrupted to focus on statutory and to ensure residents basic needs are met. The increased costs of these changes.</p> <p>The Council's Corporate Plan, Medium Term Financial Plan, planned projects may need to be revised to ensure effective recovery from the Coronavirus Pandemic.</p> <p>Staff working arrangements and the Council's technological capacity may have to support continued disruptions.</p>	15				15	v	We will provide assurance that the Council has where possible considered its response to recovery following the Pandemic. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: supporting the local economy, reverting of resources to statutory services, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Theme 4 - Partnerships</b>								
Procurement Contract Management	The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10				10	v	Our review will evaluate the Council's ability to monitor contracts in place during the Pandemic and during recovery. We will seek to provide assurance that the Council has reviewed the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.
<b>Theme 5 Essential Assurance</b>								
Economic Development	The feasibility of key Council projects impacted whilst the workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10			10		v	Economic Development has not been reviewed recently at South Norfolk and a risk has been raised within the strategic risk register in relation to the delivery of key economic development projects such as the Norwich Research Park. Our review will provide assurance that these projects are being well managed and governance arrangements for reporting are appropriate. This review will be carried out as a joint piece of work examining whether a joint methodology has been adopted for economic development projects across both Councils.
Service Desk	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	7.5				7.5	v	A review of service desk was carried out at South Norfolk in 2017/18 where a limited assurance grading was given. The IT team will be working on developing a consistent service and joint platform this year. Our review will provide assurance that this has been successful, focusing on the adherence with an SLA and performance of the service. We will provide assurance that the team is able to support the business as additional pressure has been placed upon them due to the Coronavirus Pandemic.
Remote Access	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	7.5				7.5	v	A review of remote access was carried out at South Norfolk in 2018/19 and was given a reasonable assurance grading. Both Council's are investing in infrastructure that will enable each Council to work seamlessly at each site and from home if required in line with newly encouraged working practices. An audit of the infrastructure and management of remote access will be carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic.
<b>Follow Up</b>								
Follow up of agreed audit recommendations	Risks identified in previous internal audit reviews remain unless mitigated through the completion of recommendations.	5	1.5	1.5	1.5	1.5		Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations.
<b>Total</b>		<b>129</b>	<b>1.5</b>	<b>9.5</b>	<b>77.5</b>	<b>41.5</b>		

## **Risk Management Policy**

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

**Ward(s) Affected:** All

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

At Appendix 1, this report includes the draft risk management policy for the Committee's consideration, input and approval prior to full Council approval.

### **Recommendations:**

- a) Consider and approve the suggested draft Risk Management Policy before recommending to Full Council for approval.

## **1 SUMMARY**

- 1.1 On 22 November 2019, The Internal Audit team presented Finance, Resources Audit and Governance Committee with the results of the risk maturity assessment that had been undertaken to establish the adequacy of the risk management framework at BDC. A recommendation was raised and supported by the Committee for the Risk Management Policy to be updated revised in line with best practice. The updated and revised Risk Management Policy can now be found at **Appendix 1**.

## **2 BACKGROUND**

- 2.1 A risk management policy is a fundamental element of the risk management framework and contains the process and governance arrangements that all staff are expected to follow. Both Broadland and South Norfolk have existing Risk Management Strategy documents in place however they have not been reviewed recently and require revision.
- 2.2 The Risk Maturity assessment carried out at South Norfolk and Broadland by Internal Audit in 2019 highlighted that both Council's approach to risk management should be revisited to take best practice into consideration and to enhance effectiveness.
- 2.3 This Risk Management Policy has therefore been drafted to incorporate the recommendations raised by the Risk Maturity assessment and includes the following key features:
- One policy now outlines the Risk Management framework.
  - A process for the management of risk is outlined.
  - Roles and responsibilities and governance arrangements for the reporting of risk are outlined.
  - The risk appetite statement and accompanying scoring system is provided.
  - Guidance is provided on the scoring of risk in line with the risk appetite.
- 2.4 The draft policy has been approved by the Corporate Management and Leadership Team and drafted with the Transformation, Strategy and Programmes Team who are responsible for facilitating the risk management framework and reporting of risk at both Council's.

## **3 PROPOSED ACTION**

- 3.1.1 For the Audit Committee to review and approve the proposed draft Risk Management policy and recommend for Full Council approval.

## **4 OTHER OPTIONS**

4.1 Not applicable for this report.

## **5 ISSUES AND RISKS**

5.1 **Resource Implications** – no implications

5.2 **Legal Implications** – no implications

5.3 **Equality Implications** – no implications

5.4 **Environmental Impact** – no implications

5.5 **Crime and Disorder** – no implications

5.6 **Risks** – A risk management policy is a fundamental element of the risk management framework and contains the process and governance arrangements that all staff are expected to follow. Without an effective policy in place, the Council is at risk of being unable to demonstrate that it has designed a process for effectively managing risks that threaten the achievement of its objectives.

## **6 RECOMMENDATIONS**

- a) Consider and approve the suggested draft Risk Management Policy before recommending to Full Council for approval.

### **Background Papers**

None

### **Appendices**

Appendix 1 – Draft Risk Management Policy



## **Risk Management Policy**

### **Contents**

- 1. Introduction**
- 2. Purpose of the Policy**
- 3. Accountabilities, responsibilities and framework**
- 4. Risk Registers**
- 5. Risk Management Life Cycle**
- 6. Risk Identification**
- 7. Risk Definition and Description**
- 8. Risk Ownership**
- 9. Risk Assessment**
- 10. Target Risk Assessment**
- 11. Risk Appetite**
- 12. Risk Mitigation and Management**
- 13. Opportunity Risk**
- 14. Reviewing and Reporting**
- 15. Risk Appetite**
- 16. Staff Training and Development**
- 17. Links with Other Processes**
- 18. Appendices**

<b>Issue Date</b>	<b>1 April 2020</b>	<b>Version 1</b>
Review Date	1 April 2022	
Author: Internal Audit		
UNISON Sign Off		
Management Sign Off		

## 1. Introduction

- 1.1 Everything we do as a Council involves a degree of risk whether it is innovative projects, purchasing a new system or equipment, determining priorities, or making decisions about the future. It is therefore an essential part of good governance that we manage these risks effectively.
- 1.2 Risk is considered as part of the business planning processes to ensure that proposed objectives are ambitious and achievable and continuously monitored thereafter to ensure they are being effectively managed.
- 1.3 This risk management policy explains how the Council will ensure that it is managing risk effectively to increase the likelihood that business objectives will be achieved.
- 1.4 Effective risk management helps us to:
  - Successfully achieve corporate priorities and objectives by capitalising on opportunities and minimising threats;
  - Strengthen corporate governance and the internal control framework;
  - Improve partnership arrangements;
  - Embeds risk management into corporate processes including financial and strategic planning.
- 1.5 Risk is defined as **‘the effect of uncertainty on objectives’**.
- 1.6 Risk is an event, which if it crystallises, could adversely impact on the work of the Council. It may be a one-off event, repeated events or progressive continuum.
- 1.7 Risk Management is defined therefore as **‘the culture, policies and processes directed towards realising opportunities whilst managing threats’**. Its purpose is not to eliminate risk, but to understand it so as to take advantage of the upside and minimise the downside.
- 1.8 The internal control framework must therefore include arrangements for identifying, assessing and managing risks. Risk management is also closely linked to business planning and performance processes.
- 1.9 **Scope** - This policy applies to all employees, including those on temporary contracts and fixed term appointments and agency workers, members and anyone that works with the Council's to achieve objectives.
- 1.10 Throughout this document the term 'FRAG is used to refer to the Finance, Resources Audit and Governance Committee at South Norfolk Council.

## **2. Purpose of the Policy**

2.1 The aim of this document is to:

- Introduce and promote an Enterprise Risk Management style Framework;
- Develop a 'whole risk' approach to threats facing the Council; and
- Introduce appropriate processes to assist managers in the identification and management of risk in their areas of responsibility.

2.2 The key objective of this guide is to:

- Develop a robust approach to identification and understanding of risk facing the Council;
- Establish practices and procedures to manage risk and maximise opportunities;
- Identify resources required to manage, control and evaluate risks.

## **3. Accountabilities, responsibilities and framework**

3.1 Cabinet has ultimate responsibility for:

- Setting the culture for risk management at the Council.
- Approving this Policy
- For developing and approving Risk Appetite

3.2 Detailed oversight of the risk management process is delegated to FRAG. Cabinet will seek assurance from FRAG on the adequacy and effectiveness of the risk management process.

3.3 FRAG is responsible for scrutinising the scope and effectiveness of the risk management systems in place. Overseeing the implementation of the risk management policy on behalf of Cabinet. FRAG uses a range of assurances to satisfy itself that a proper system of risk management and internal control is maintained.

3.4 The Managing Director is responsible for ensuring proper systems of financial control, risk management, legal and regulatory compliance are established and maintained, and that regular reports on these are provided to Cabinet.

3.5 The Corporate Management Leadership Team (CMLT) are responsible for:

- Identifying and evaluating the significant risk faced by the Council in achieving objectives;
- Reviewing risk responses from management and ensuring that they receive reports on risks above agreed limits;

- Providing adequate information in a timely manner to Cabinet on the status of risks and controls.
- 3.6 The Transformation, Strategy and Programmes Team are responsible for the development of the risk management policy, the implementation of the strategic risk management process and strategic risk management reporting.
  - 3.7 The Head of Internal Audit is responsible for the development of the risk-based Internal Audit Programme and ensuring that FRAG has the required assurance on the management of risk and the effectiveness of internal control.
  - 3.8 Managers are responsible for identifying and evaluating risks that threaten the achievement of objectives, for building a risk aware culture within their department, ensuring staff complete training where appropriate and understand how to identify and manage risk. Managers are responsible for reporting and escalating risks in line with this Policy and are responsible for the implementation of mitigating actions in respect of each risk.
  - 3.9 **Appendix A** sets out the Council's structure for risk management.

#### **4. Risk Registers**

- 4.1 The achievement of the Strategic Plan and subsequent in year Delivery Plans will carry several risks. The risks that could prevent the Council from achieving its objectives are described as strategic risks and are recorded in the Strategic Risk Register.
  - 4.2 Strategic risks are those risks which could have organisational-wide impacts and are cross cutting or strategic in nature. Risks that could impact the work of the Council but would not have a strategic impact are described as operational risks and are recorded within directorate or project risks registers.
  - 4.3 To facilitate the management of risk throughout the organisation the Council maintains a system of risk registers.
- **The Strategic Risk Register (SRR)** records the strategic risks facing the Council. These are risks that could prevent the Council from achieving its Strategic Plan and objectives. The risks on the SRR are identified through CMLT's assessment of the risks to the Council's Strategic Plan. These risks are reviewed by Cabinet and FRAG. Operational risks that are considered to have a strategic impact outside of appetite should be escalated on the SRR. The SRR is maintained by the Strategy and Programmes Team on behalf of the CMLT and is presented in its entirety to Cabinet and to FRAG three times a year.
  - **Directorate Risk Registers (DRR)** provides a record of the significant operational risks facing each directorate. Each Director and Assistant Director takes responsibility for risks in their own area of work. Any risks deemed significant should be recorded in the

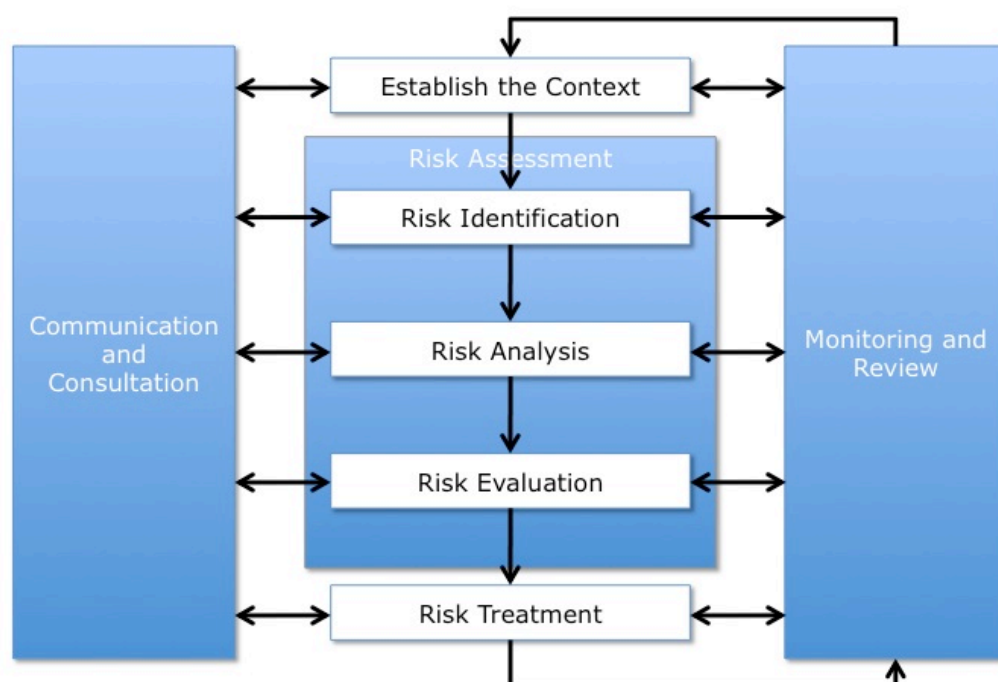
risk register and monitored to ascertain if the impact/likelihood is increasing or decreasing. Managers at all levels are encouraged to add significant risks to the Directorate Register using the [Risk Identification Guidance](#) and following the prescribed template on the risk management intranet pages to determine the most appropriate course of action. Action could either include; closely monitoring the risk or escalating the risk to the SRR if the likelihood/impact is scored outside of the appetite as agreed by the relevant Assistant Director.

- **Project Risk Registers** provide a record of the risks that have been identified from individual projects. Project risks are escalated to either Directorate risk registers via the relevant Assistant Director or to the SRR if outside of the agreed risk appetite. Project leads are responsible for maintaining the project risk registers.

4.4 **Appendix C** provides an overview of how risks are escalated to the strategic risk register.

## 5. Risk Management Lifecycle

5.1 The lifecycle of managing risk at the Council ensures that risk registers at all levels remain live and comprises the following key elements:



## **6. Risk Identification**

- 6.1 In order to manage risk, the Council needs to understand what risks it faces and be able to evaluate them. Identifying risks is the first step in building the risk profile. Care should be taken to avoid identifying risks that do not impact on the Council's aims and objectives. Incidents that have already materialised should be distinguished from risk.
- 6.2 Risks can originate from inside or outside of the Council. Tools and techniques such as; PESTLE, SWOT, brainstorming and workshops can be used to ensure that a full range of risks are considered.

## **7. Risk Definition and Description**

- 7.1 Risks should be described in terms of the cause and consequence so that stakeholders can understand why they are of importance to the Council.

## **8. Risk Ownership**

- 8.1 All risks once identified, should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time. A risk owner, in line with their accountability for managing the risk, should have sufficient authority to ensure that the risk is effectively managed. All risks on the SRR should be assigned to a member of CMLT as the owner.

## **9. Risk Assessment**

- 9.1 Risk assessment is concerned with the measurement of identified risk. Risk is measured on two distinct scales:
- The likelihood of the risk event occurring (on a 1 to 5 scale), and
  - The impact of that risk event occurring (on a 1 to 5 scale).
- 9.2 The scores for each are then multiplied together to give a risk rating (on a 1-25 scale), which will form the basis for allocating resources for implementing risk control and mitigation activities.
- 9.3 Risk assessment and risk scores should be graded by using the risk scoring matrix provided at **section 11 page 8 of this policy in line with guidance given around Risk Appetite.**
- 9.4 The risk assessment should take into consideration the effectiveness of existing controls that are already in place that will have an impact on the likelihood and impact of the risk occurring.

- 9.5 Once risks have been assessed, the risk priorities for the Council will emerge. The greater potential exposure to the risk, the higher the priority required for addressing it. The highest priority risks (those that have the potential to have a strategic impact), should be given attention at the highest level . i.e. CMLT and Cabinet.

## **10. Target Risk Assessment**

- 10.1 If the identified risk requires mitigation due to it being outside of the appetite of the Council, actions will be identified that reduce the likelihood or impact of the risk. A second risk assessment should then take place to evaluate the risk exposure as if all the actions have been completed, reflecting how the planned actions would have reduced the overall risk rating.
- 10.2 The template for the register and assessment is provided on the Risk Management intranet pages.

## **11. Risk Appetite**

- 11.1 Risk appetite is defined as: ‘the amount of risk an organisation is prepared to accept in pursuit of its objectives’. The principle recognises that risk cannot be reduced to zero and that mitigation will have both resource and cost implications.
- 11.2 When considering threats, the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised. It is about comparing the cost (financial or otherwise) of containing the risk with the cost of the exposure should the exposure become a reality and finding an acceptable balance.
- 11.3 When considering opportunities, the concept embraces consideration of how much the organisation is prepared to actively put at risk in order to obtain the benefits of the opportunity.
- 11.4 The risk appetite of the Council is outlined by a risk appetite statement which is as follows:

***South Norfolk and Broadland are both dynamic, innovative and commercially-minded Council's that empower staff to make well-rounded decisions and take proportionate risks within our boundaries based on intelligence, reason and insight, seizing opportunities to enhance the wellbeing of our communities, economy and staff, reimagining the role of local government.***

- 11.5 The statement outlines both Council's approach to risk appetite and is accompanied by a risk scoring matrix which indicates whether the combined risk likelihood and impact score is above the appetite of the Council.
- 11.6 The appropriate approach for managing the risk is then highlighted depending on the combined score.

Risk Scoring Matrix		1	2	3	4	5
		Insignificant	Minor	Moderate	Significant	Severe
5	Expected	Medium 5	Medium 10	High 15	Very High 20	Very High 25
4	Highly Likely	Low 4	Medium 8	High 12	High 16	Very High 20
3	Likely	Low 3	Medium 6	Medium 9	High 12	High 15
2	Not Likely	Very Low 2	Low 4	Medium 6	Medium 8	Medium High 10
1	Rare	Very Low 1	Very Low 2	Low 3	Low 4	Medium 5
<b>Very High 20-25</b>		Risks scored here represent a severe threat to the delivery of the Council's objectives and service delivery and are outside of the risk appetite of the Council. Risks scored at this level should be treated as a priority and should either be reduced to a score within tolerance or removed. Reporting on progress will be required at Cabinet/FRAG and at CMLT until risk level is reduced to tolerance.				
<b>High/Medium High 10-16</b>		Risks scored here represent a significant threat to the delivery of the Council's objectives and service delivery and are outside the risk appetite. Action is required to reduce the rating to a score within tolerance. Reporting on progress is required at Cabinet/FRAG and CMLT until risk level is reduced to tolerance.				
<b>Medium 5-10</b>		Risks scored here represent a moderate threat to the delivery of the Council's objectives and service delivery and are within the risk appetite of the Council with some proportionate mitigation and regular monitoring required. These risks can be managed at operational/service level but regular management review of assurance on control effectiveness should occur. Routine reviews should also be carried out to ensure there is no change.				
<b>Low 3-4</b>		Risks here represent a minor threat to the delivery of the Council's objectives and service delivery and are within the risk appetite. Review required to ensure risk score does not change/increase, however these risks can be managed operational/service level.				
<b>Very Low 1-2</b>		Risks scored here represent an insignificant threat to the delivery of the Council's objectives/service delivery and are within the risk appetite. No further action is required.				

- 11.7 As demonstrated by the table shown above, any risk with a combined score of 10-25 is outside the risk appetite and action must be taken to reduce the score down to an acceptable level to protect the achievement of the Council's strategic aims and objectives.
- 11.8 In order to assist staff in the risk assessment and scoring of each risk, scoring criteria has been identified for a series of key categories. This may not be applicable in all



instances but can be used as a guide. Please see likelihood and impact scoring criteria at **Appendix B**.

## **12. Risk Mitigation and Management**

12.1 Identifying gaps in existing controls and identification of the actions that are needed to improve the mitigation of risks in line with the Council's risk appetite will involve employing either one or a mix of the following:

- Acceptance – Where the level of the risk falls below the Council's risk appetite and a conscious decision is made to accept that risk and to take no further action other than ongoing monitoring and periodic review. Sometimes referred to as tolerate.
- Avoidance – Where the actions causing the risk are avoided; for example, withdrawing from a particular activity, project or service.
- Reduction – Take action to reduce the level of risk by reducing either the impact or the likelihood of the risk event occurring.
- Transferring – Transferring most or some of the risk to a third party. The main types are insurance and outsourcing.
- Sharing – Risk sharing is the distribution of risk to multiple organisations for example during a project with a number of stakeholders involved.

12.2 In choosing between these responses, factors to consider include cost, feasibility, probability and the potential impact. Every control has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling.

## **13. Opportunity Risk**

13.1 Opportunity risk is defined as a 'failure to identify or exploit an opportunity which is unable to be pursued later without an additional cost'. Managing opportunity risk involves creating a climate for innovation in which an awareness of the constraints doesn't prevent people coming up with ideas and putting them forward.

13.2 Risk and opportunity go hand in hand. The opportunity for advancement cannot be achieved without taking risk and risk is essential to progress and innovation. Excessive caution can be as damaging as unnecessary risk taking.

## **14. Reviewing and Reporting**

14.1 Regular monitoring and review are essential to gain assurance over the risk management framework and to ascertain whether:

- Risks are still relevant
- Emergent risks have been identified

- Likelihood and impact of risks has changed
- Controls are still effective.

- 142 Cabinet will review the Strategic Risk Register three times a year. The papers provided to Cabinet will include a summary on the effectiveness of the risk management framework and any specific comments on the strategic risks identified.
- 143 FRAG will support Cabinet by reviewing and advising on the operation and effectiveness of arrangements in place across the Council that support the achievement of objectives. FRAG will review both the Strategic risk register and risk management arrangements three times a year. They will also periodically receive results of independent assurance on the adequacy of the risk management framework and control framework.
- 144 In particular, FRAG will scrutinise the adequacy of:
- All risk and control related assurance statements, together with any accompanying internal audit statement, external audit opinion or other appropriate independent assurances.
  - The underlying assurance processes that indicate the degree of the achievement of the Council's objectives, the effectiveness of the management of strategic risks and the appropriateness of the above disclosure statements.
- 145 The Corporate Leadership Management Team will receive reports on the progress of the risk management framework prior to Cabinet and the make-up and movement in the strategic risk register three times a year.
- 146 Risks and risk registers at a directorate/service level and project level are reviewed as part of the routine cycle of team meetings or as required.
- 147 All staff are required to consider and monitor risks as part of their job role. If a risk is identified that is above risk appetite of the Council and requires escalating to the strategic risk register, the procedure at Appendix C should be followed. These risks should be monitored and reported until they are reduced to an acceptable level or the risk no longer poses a threat to the achievement of Council objectives.

## **15. Staff Training and Development**

- 15.1 To support colleague's in the move towards a mature enterprise wide risk management process, the following training will be available:
- An e-learning self-facilitated learning module developed to provide guidance on the fundamental principles of risk, covering the policy and procedures specific to the Council.
  - A rolling programme of small team specific workshops on the fundamental principles of risk management

- One to one training and support offered to officers by the Strategy and Programmes Team and or Internal Audit.
- **Risk Identification Guidance** is also available on the intranet under risk management pages.

## **16. Links with other processes**

- 16.1 The risk management process is carried out during the setting of strategic delivery plans and is considered during Internal Audit's approach to risk based planning. The Strategic Risk Register is considered during the completion of assurance statements informing the Council Annual Governance Statement.

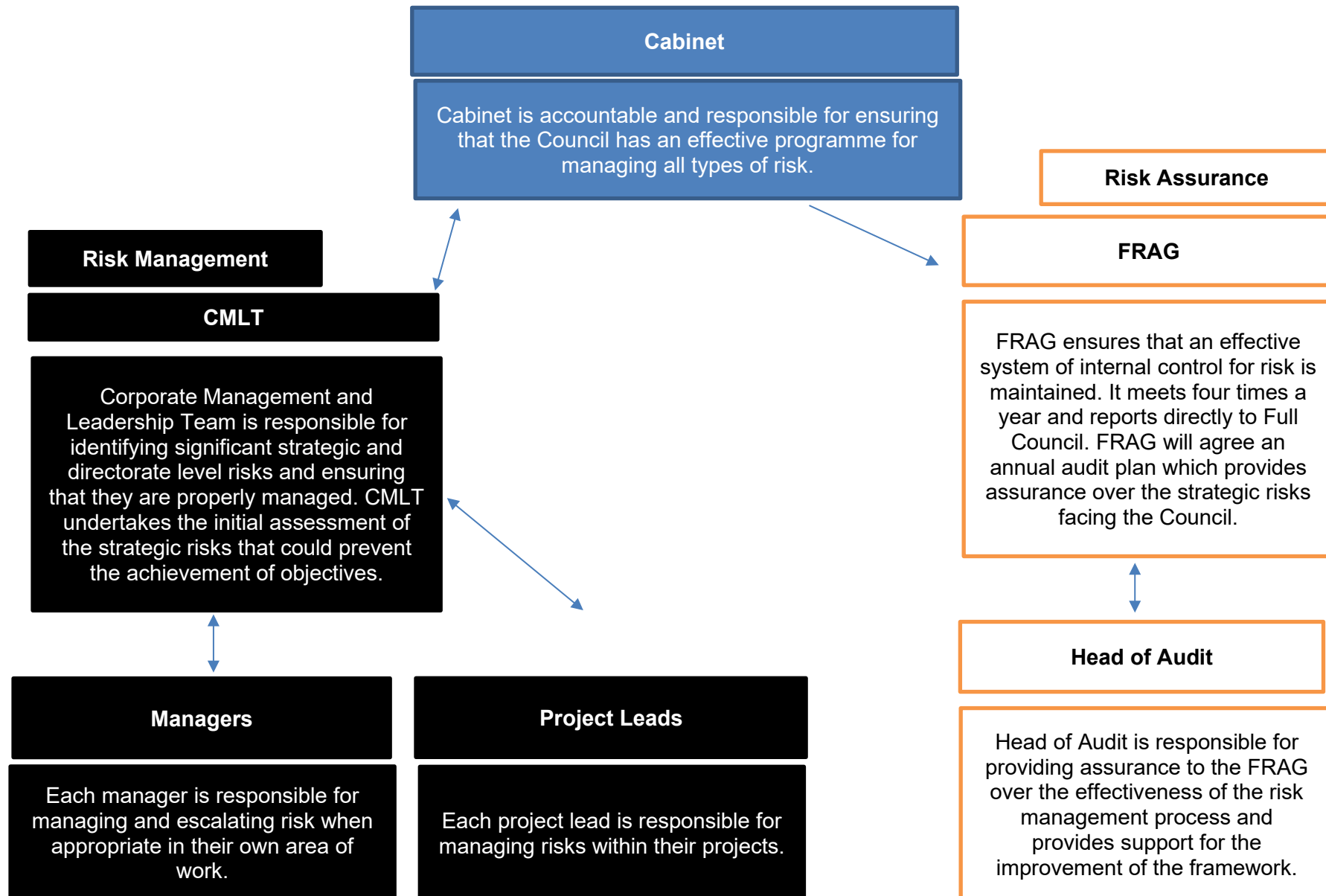
## **17. Appendices**

**Appendix A** – Council's Structure for Risk Management

**Appendix B** – Risk Scoring Criteria – Likelihood and Impact

**Appendix C** - Escalation to the Strategic Risk Register

## Appendix A – The Council’s Structure for Risk Management



## Appendix B – Risk Scoring Criteria Likelihood and Impact

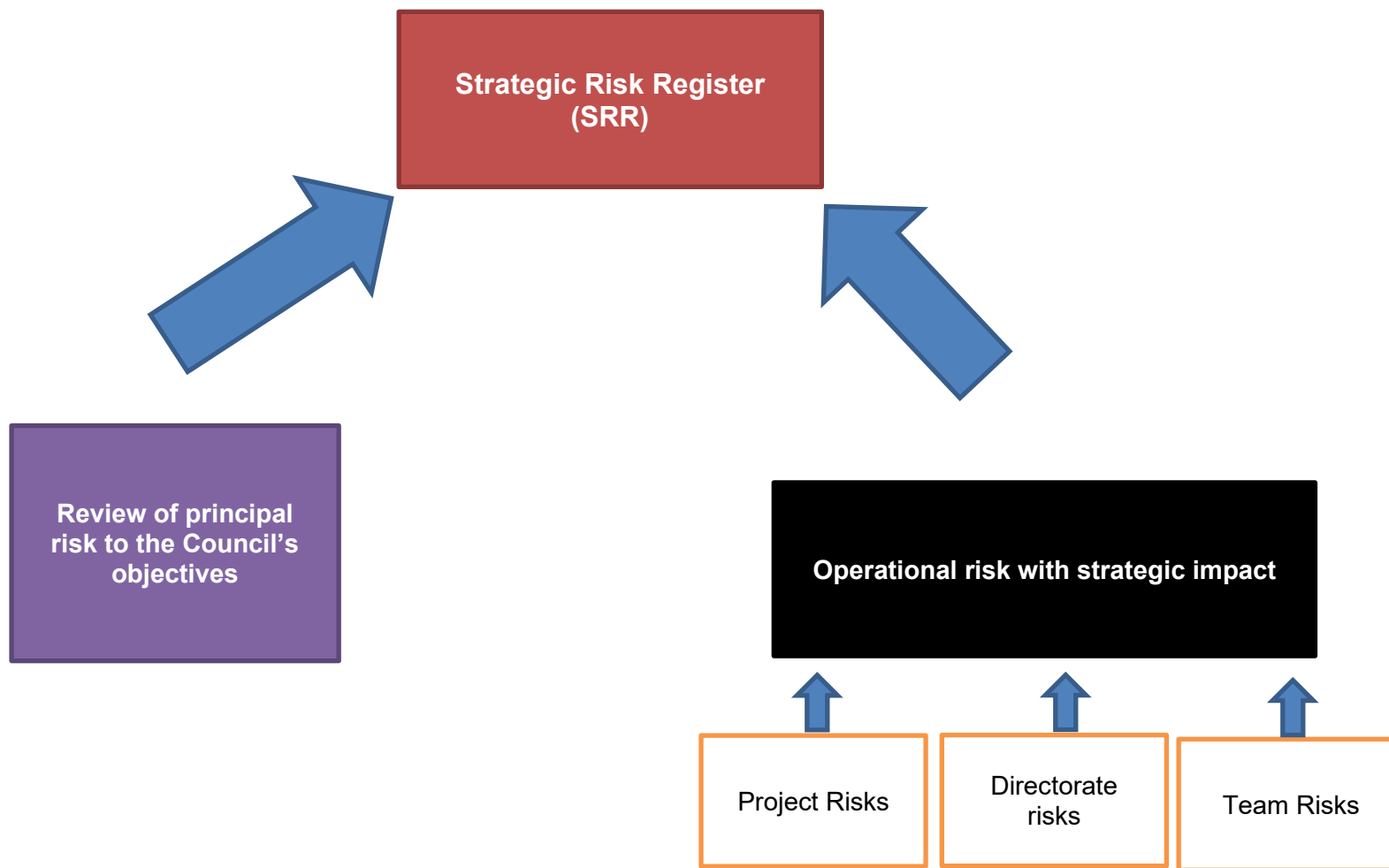
### Likelihood

<b>Likelihood</b>		<b>Description</b>	<b>Timing</b>
<b>5</b>	<i>Expected</i>	<i>Risk event or circumstance is relatively certain to occur</i>	<i>More than once per year</i>
<b>4</b>	<i>Highly Likely</i>	<i>Risk event or circumstance is highly likely to occur</i>	<i>Once per year</i>
<b>3</b>	<i>Likely</i>	<i>The risk event or circumstance is more likely to occur than not</i>	<i>At least once between 1-5 years</i>
<b>2</b>	<i>Not likely</i>	<i>The risk event or circumstance is possible</i>	<i>At least once between 5-10 years</i>
<b>1</b>	<i>Rare</i>	<i>This will probably never happen</i>	<i>Probably within 10-15 years</i>

## Impact

Impact Type	Insignificant	Minor	Moderate	Significant	Severe
Financial loss	£0k - <£10k	£10k - <£25k	£25k - <100k	£100k - £500k	Over £500k
Service provision	Inconsequential disruption to a service.	Minimal disruption to Council activities/service.	Significant disruption to service delivery.	Significant disruption to large parts of the Council or suspension of service.	Service suspended long term.
Projects	Minor delay	Minor milestones missed	Significant milestones missed or delayed	Major milestones missed	Project will not achieve objectives and misses majority of milestones
Objectives	No effect	Some team objectives not met	Team objectives not met	Portfolio objectives not met	Strategic objectives not met
Health and Safety	Isolated incident/ injury/illness. No lost time to injury days.	Minor injury or illness requiring medical treatment.	Threat of violence, serious injury or illness requiring medical attention.	Significant/extensive/multiple injury or illness, permanent or partial disability.	Fatality. Multiple major injuries/illness. Permanent total disability.
Staff Engagement	Isolated events of dissatisfaction	Some hostile relationships/minor non-co-operation	Hostile relationships. Major non-cooperation across the organisation	Industrial Action	Mass staff walkout/leaving
Reputational	Minor unfavourable social media coverage/attention	No media coverage. Minor letters of complaint	Adverse local media/social media coverage relating to conduct of leader or members or Council	Adverse national media exposure	Prolonged adverse national exposure
Statutory/Legal	Isolated non-compliance. Informal recommendation not followed up.	Non-compliance Warning received	Breach. Improvement Notice	Enforcement Action	Prosecution Fine Successful Judicial Review

## Appendix C – Escalation to the Strategic Risk Register



## **Annual Governance Statement 2019/20**

**Report Author(s):** Emma Hodds  
Assistant Director Governance and Business Support  
01508 533791  
ehodds@s-norfolk.gov.uk

**Portfolio:** Governance & Efficiency

**Ward(s) Affected:** All

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

The Committee is requested to review the Annual Governance Statement for 2019/20 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance arrangements.

### **Recommendations:**

1. To approve the Annual Governance Statement for 2019/20.



## **1 SUMMARY**

- 1.1 The Council is required to gather evidence that the governance arrangements are adequate and to support the production of an Annual Governance Statement. Evidence, through assurance statements, has been submitted by key officers, and the Head of Internal Audit has provided an annual audit opinion.

## **2 BACKGROUND**

- 2.1 The CIPFA/SOLACE framework “Delivering Good Governance in Local Government” brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation. CIPFA has assigned proper practice to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.
- 2.2 The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. Furthermore, it is not simply about evidencing compliance, but to highlight what arrangements are in place and the improvements which are necessary to inform stakeholders.
- 2.3 The key sources of assurance which have been used to prepare the Annual Governance Statement are:
- Performance management information
  - Risk management
  - Legal and regulatory assurances
  - Members’ assurances
  - Assurance Statements from key senior officers, reviewed and approved by Directors
  - Financial control assurance
  - Internal audit
  - External audit

- 2.4 The regulations state that the Annual Governance Statement needs to be approved in advance of the relevant authority approving the Statement of Accounts.

## **3 CURRENT POSITION/FINDINGS**

- 3.1 The Committee receives regular reports from Internal Audit in relation to the framework of governance, risk management and control through review of:

- The Annual Report and Opinion of the Head of Internal Audit;
  - Internal Audit Progress Reports, which contains the findings and associated recommendations agreed with management to address weaknesses and risks;
  - Reports on the progress made in addressing the findings and recommendations; and
  - Strategic and Annual Internal Audit Plans.
- 3.2 The work of Internal Audit on the 2019/20 internal audit plan has been completed and a “reasonable” opinion has been given on the framework of governance, risk management and control.
- 3.3 During the year, Cabinet received regular reports on performance and financial monitoring in relation to both the capital and revenue budgets, and quarterly reports on Risk Management were taken to the Cabinet, alongside the performance and financial reports.
- 3.4 Assistant Directors (ADs) have again this year completed an Assurance Statement which covers key areas of responsibility as follows:
- Procedures;
  - Effectiveness of key controls;
  - Alignment of Services with Business Plan;
  - Human Resources and Finance;
  - Risks and Controls;
  - Health and Safety;
  - Procurement;
  - Insurance;
  - Information Technology;
  - Data Protection and Freedom of Information;
  - Business Continuity;
  - Partnerships; and
  - Equalities.
- 3.5 In addition, the AD – Governance and Business Support, the Head of Internal Audit, and the AD - Regulatory have also provided statements in relation to specific role queries.
- 3.6 The responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. However some development areas have been highlighted which are service specific and will be reviewed over the forthcoming months.
- 3.7 Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration with Broadland District Council. It is recognised that aligned processes and procedures are required to ensure the envisaged efficiencies. More specifically, many service

areas highlighted the need to update documentation in relation to business continuity and delegations to reflect the new officer structure.

#### **4 PROPOSED ACTION**

- 4.1 The Committee is requested to review the Annual Governance Statement for 2019/20 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committees general understanding of the Council's governance arrangements.

#### **5 OTHER OPTIONS**

- 5.1 None.

#### **6 ISSUES AND RISKS**

- 6.1 **Resource Implications** – none
- 6.2 **Legal Implications** – none
- 6.3 **Equality Implications** – none
- 6.4 **Environmental Impact** – none
- 6.5 **Crime and Disorder** – none
- 6.6 **Risks** – none

#### **7 RECOMMENDATIONS**

- 7.1 To approve the Annual Governance Statement for 2019/20.

# **ANNUAL GOVERNANCE STATEMENT**

## **Scope of Responsibility**

South Norfolk Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. South Norfolk Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Norfolk Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and making proper arrangements for the management of risk.

As part of its Constitution, South Norfolk Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

A copy of the Code is available on our website, within the Constitution, and can be downloaded [here](#).

This statement explains how South Norfolk Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control, and accompanies the 2019/20 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Finance, Resources, Audit and Governance Committee.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of South Norfolk Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Norfolk Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

An annual review of the Governance Framework at South Norfolk Council was completed prior to the preparation of the Annual Governance Statement, with key officers completing full assurance statements for their area of responsibility, and these being signed off by the relevant member of the Corporate Management Leadership Team (CMLT). These are in place to ensure the governance arrangements across the Council are adequate, and to also recognise where any further work needs to be done. In light of the recent events surrounding COVID key officers also provided assurance in terms of any changes or amendments to processes or internal controls and how staff working from home has impacted on service area work.

The code of corporate governance was in place for the 2019/20 financial year. This Code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

### The Council's Vision and Priorities:

As a Council, we are committed to making South Norfolk one of the best places to live and work in the country. The Council has a Corporate Plan 2016-2020 which confirms our vision for South Norfolk as a place and our ambition for South Norfolk Council as an organisation:



The main aims of the Corporate Plan are to:

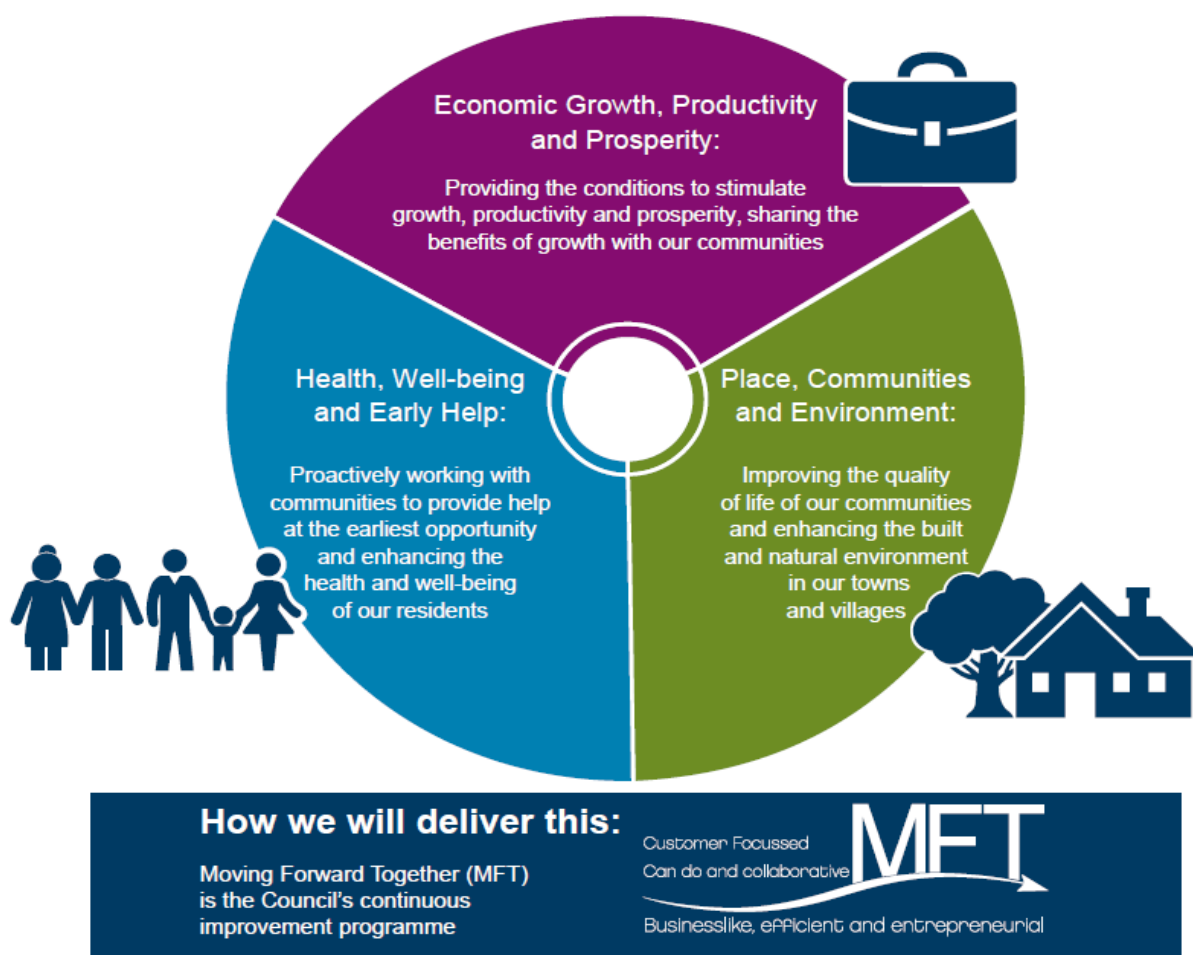
- Set our overall vision and priorities for the District and the organisation

- Present an overview of the key strengths of the District and the context in which we operate
- Demonstrate how all our activities link together to achieve our overall ambition
- Showcase the innovative work that the Council is undertaking
- Demonstrate our focus on delivering better results for South Norfolk- the people and the place

The Corporate Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

The vision and priorities are communicated through the Corporate Plan, plus regular briefings, press releases, website and the Link magazine, which is delivered 3 times a year to every household and business in the District.

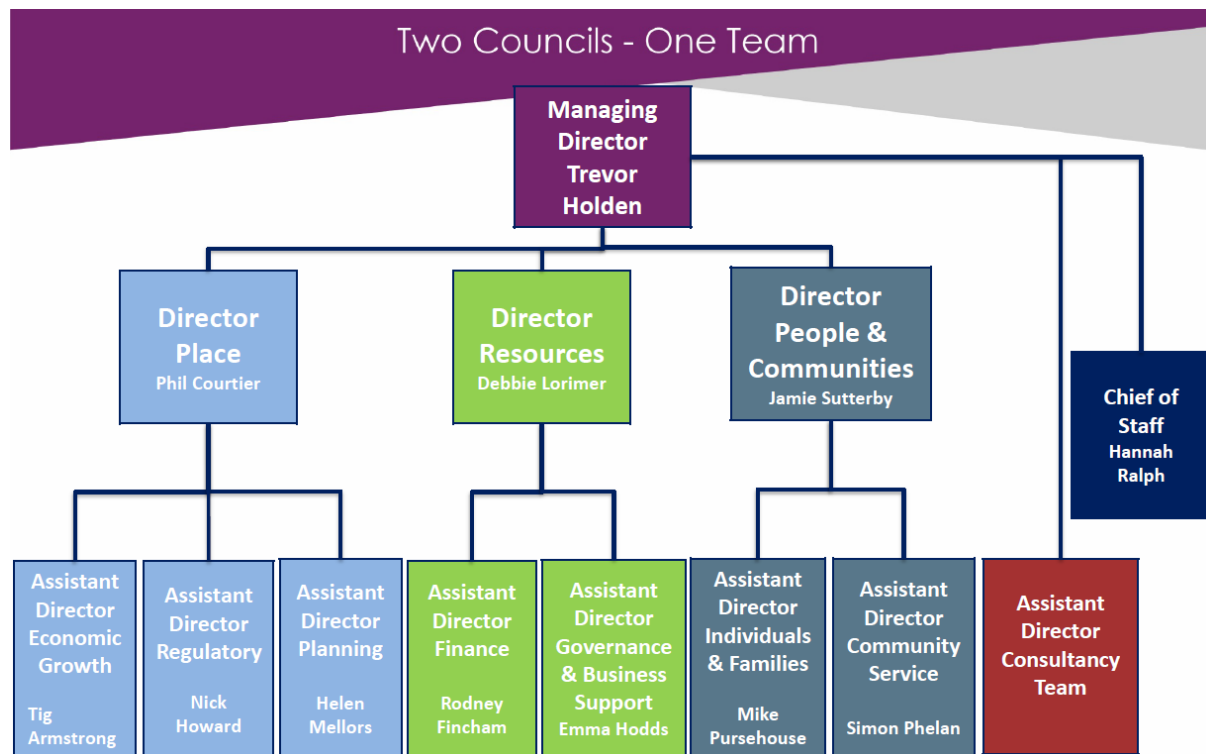
The 2016-2020 Corporate Plan identified three priority areas where we would focus our resources and efforts. These areas are supported by our customer focussed, collaborative and commercial approach to service delivery.



To underpin the Corporate Plan, a detailed Corporate Business Plan is produced annually. This describes our intended activities for the 12 months from April to March each year to support the priorities set out in the Corporate Plan. This plan is produced as an integrated process with the Council's annual budget setting and Medium-Term Financial Plan revision. The 2019/20 Plan can be accessed [here](#).

## Review of the Council's Governance Arrangements:

The Council regularly reviews its organisational structure as part of aligning resources with demand to deliver the priorities above. In addition, the progression with the Council's collaboration with Broadland District Council has resulted in the establishment of one team across the two Councils. This includes a Corporate Management Leadership Team (CMLT), consisting of the Managing Director, three Directors, and nine Assistant Directors, as follows:

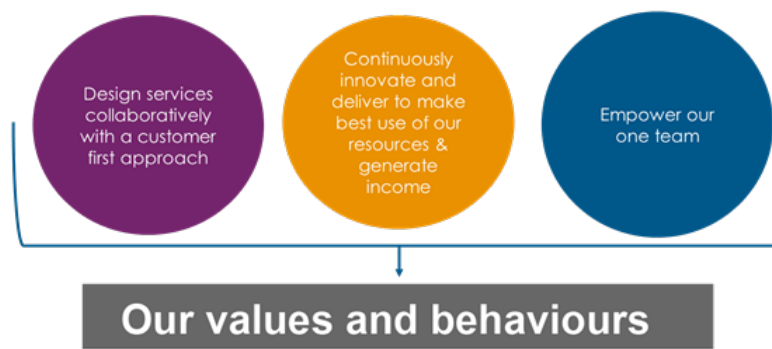


The Council has made ongoing savings through reviews of services and taking opportunities to make efficiencies; alongside this the authority has sought to grow income levels through a number of commercial initiatives.

Our annual staff awards continue to recognise staff achievement and Coaching and Leadership courses and workshops for staff at all levels of the organisation have been delivered in the financial year, particularly in light of the new one team officer structure.

A new process for identifying, organising and delivering our organisational transformation programme was introduced during 2019/20 that will support both Councils to deliver the ambitions set out in our new joint Strategic and Delivery Plan. This approach has been titled *Spark* and is designed around the three key philosophies outlined below, underpinned by our values and behaviours.

## The Spark philosophy



Measuring the Quality of Services for Users and ensuring they are delivered in accordance with the Council's objectives and best use of resources:

The 5-year Corporate Plan sets out our key corporate priorities together with 5-year targets for success. The 2019/20 Business Plan uses these priorities and shows the 'Strategic Measures' with year-end targets for each priority. The Strategic Measures are tracked and reported each quarter to Cabinet as part of our Performance Framework.

The Corporate Business Plan sets out the proposed activities and 'business as usual' operational services that will be undertaken for the financial year ahead commencing 1 April. Between February and April staff personal objectives are set for the year and reflect the proposed activities they will be working on from the Business Plan. These personal objectives are reviewed regularly during the year and are normally assessed as part of annual staff performance reviews in March/April each year.





Defining and Documenting Roles and Responsibilities of Councillors and Officers and how decisions are taken:

The Council's constitution, scheme of delegation, codes of conduct, Local Member Protocol, contract standing orders and rules of financial governance set the framework in which the organisation makes decisions.

Codes of Conduct Defining Standards of Behaviour for Councillors and Officers:

The Council operates Codes of Conduct for Councillors and Officers, with clear processes embedded to respond to any concerns raised regarding the standards of behaviour.

The Council conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

The Rules of Financial Governance explain the statutory duties of the Section 151 Officer including the responsibility under direction of the Cabinet for the proper administration of the Council's financial affairs. The Council's governance arrangements allow the Section 151 Officer to bring influence to bear on all material business decisions. The Section 151 Officer supports the CMLT and has the authority to bring matters directly to the attention of the Managing Director if required. Regular specific meetings are also held to discuss matters relating to the Section 151 role.

The Finance, Resources, Audit and Governance Committee

The Committee met regularly during the year. Its key tasks are to monitor the work of Internal and External Audit, to approve the statutory accounts, and to oversee the work in supporting the production of this Annual Governance Statement.

### Ensuring Compliance with Laws and Regulations, Internal Policies and Procedures:

Responsibilities for statutory obligations are formally established. The Head of Paid Service disseminates statutory instruments to Managers responsible for acting on them. The relevant professional officers are tasked with ensuring compliance with appropriate policies and procedures to ensure all Officers work within them.

Decisions to be taken by Councillors are subject to a rigorous scrutiny process by the Monitoring Officer, Section 151 Officer and in most cases CMLT before they are considered by Cabinet or Full Council.

Assistant Directors have completed an Assurance Statement covering key governance aspects with their area of responsibility. The outcomes of these Assurance Statements are described under *Managers' Assurance within Governance Issues*.

### Whistle-blowing Policies and Investigating Complaints:

As employees, councillors and others who deal with the Council are often the first to spot things that may be wrong or inappropriate at the Council, a Whistle-blowing Policy is in place to provide help and assistance with such matters. There is also a formal complaints procedure operated as part of the Council's performance management framework.

### Tackling Fraud and Corruption:

The Council has a Counter Fraud, Corruption and Bribery Strategy in place to ensure that we can deliver against our priorities whilst minimising losses to fraud, corruption and bribery. The Council has a Housing Benefit and Council Tax Support Anti-fraud and Corruption Policy.

Each Internal Audit undertaken recognises fraud risks and assesses the adequacy and effectiveness of the controls in place to mitigate such risks and an Annual Fraud Return is provided to the External Auditor which summarises the Head of Internal Audit's views on risk of fraud at the Authority. In addition, the Monitoring Officer, the Section 151 Officer and the Chair of the Finance, Resources, Audit and Governance Committee also complete such statements on an annual basis.

### Development Needs of Councillors and Officers:

There is a training programme in place for officers and Councillors. This is drawn up from new risks or legislation, in response to known and emerging key areas of focus and from the Business Plan and staff Performance Reviews. The Council has made extensive investment in training in line with its Learning and Development Strategy for staff.

In relation to Members, they have undergone a rigorous training schedule since being elected in May 2019, which begins with a general induction programme and continues throughout the year on more specific topics to ensure Members can take on all aspects of their role confidentially and legally.

### Establishing Communication with all Sections of the Community and Other Stakeholders:

The Council works with the County Council, other Norfolk District Councils, the Police, NHS, Central Government departments, businesses, and voluntary and community groups.

The Council consults with members of the public through a number of avenues from workshops, telephone calls, social media channels and the website, to gauge public opinion on a number of issues such as shaping the budget, the development of the Local Plan and the Council Tax Support Scheme.

### Good Governance Arrangements with Partnerships:

Partnership arrangements take the form of Service Level Agreements. These are reviewed as part of the budget setting process and in advance of the date of cessation. The Council maintains a formal protocol on how it enters into funding arrangements with voluntary and third sector organisations.

The CIPFA Framework for Corporate Governance places a high degree of emphasis on partnership working. In practice, the Council takes a collaborative approach to working, recognising that there are a variety of means to engage with third parties.

As the collaboration with Broadland District Council has progressed appropriate governance has been put in place such as Joint Committees and Joint Informal Cabinet.

## **Review of Effectiveness**

### The Role of the Council

South Norfolk Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Managers and Councillors within the authority who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and by comments made by the External Auditors and other review agencies. Full Council approve the Revenue and Capital Budget and the Treasury Management Strategy annually.

### The Role of the Cabinet

The Cabinet approved the Corporate Business Plan and reviewed a range of strategies and policies during the year, including the Treasury Management Strategy, the Medium-Term Financial Strategy and the Revenue and Capital Budget. It received regular reports on performance monitoring, projects and their financial implications. Cabinet received quarterly combined performance, risk and finance reports and delegates policy development to four policy committees.

### The Role of the Finance, Resources, Audit and Governance Committee

The activity of the Committee in the financial year is described above. It has also ensured that it is satisfied that the control, governance and risk management arrangements have operated effectively. The work of the Finance, Resources, Audit and Governance Committee is summarised in an Annual Report to Council.

### The Role of the Scrutiny Committee

The Scrutiny Committee can undertake any work relating to the four key principles of scrutiny as follows:

- Hold the Executive to account (Call-In of Reports before final decision)
- Performance management
- Assist policy reviews
- Internal/external scrutiny

The work of the Scrutiny Committee is summarised to Council in an Annual Report.

### Role of the Monitoring Officer

The Monitoring Officer has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. The Monitoring Officer has three main roles:

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
- To be responsible for Matters relating to the conduct of Councillors and Officers.
- To be responsible for the operation of the Council's Constitution.

The Monitoring Officer is supported in their role by the Council's legal service which is provided by nplaw and the Deputy Monitoring Officers.

### The Role of the Chief Financial Officer

The Assistant Director Finance is designated as the Section 151 Officer for the purposes of Section 151 of the Local Government Act 1972 and is responsible under the general direction of the Cabinet for the proper administration of the Council's affairs. This statutory responsibility cannot be overridden. Responsibilities include:

- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management

Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council, Cabinet and External Auditor if the authority or one of its Officers:

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- Is about to make an unlawful entry in the authority's accounts.

The Section 151 Officer has not been required to make such a report.

### The Role of Internal Audit

All audits are performed in accordance with the good practice contained within the Public Sector Internal Audit Standards (PSIAS) 2013. Internal Audit report to the Finance, Resources, Audit and Governance Committee and provides an opinion on the system of internal control, which is incorporated in the Head of Internal Audit's Annual Report and Opinion 2019/20.

Internal Audit is arranged through a consortium, Eastern Internal Audit Services, which comprises Breckland, Broadland, North Norfolk, South Norfolk and South Holland District Councils, Great Yarmouth Borough Council and the Broads Authority. The Head of Internal Audit is employed by South Norfolk Council and the operational and field management staff are employed by an external provider, TIAA Ltd.

The Internal Audit Service assesses itself annually to ensure conformance against the PSIAS, and are also required to have an external assessment every five years. The most recent external assessment in January 2017, concluded that the internal audit service conforms to the professional standards and the work has been performed in accordance with the International Professional Practices Framework.

### The Role of External Review Bodies

Ernst and Young LLP review the Council's arrangements for:

- preparing accounts in accordance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- managing performance to secure economy, efficiency and effectiveness in the use of resources

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors for 2018/19. The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made.

### Effectiveness of Other Organisations

The Council established a group structure in 2015/16 with all companies held by Big Sky Ventures Ltd. At the end of 2017, Big Sky Ventures Ltd transferred its shares in Build Insight Ventures Ltd to the Council and the Council proceeded to establish a

joint venture with Norfolk Property Services (NPS) Limited for the Build Insight group of companies. As at 31 March 2020, Build Insight Ltd, an Approved Inspector for Building Control, was actively trading, along with Build Insight Consulting.

Big Sky Developments Ltd, a property development company, and Big Sky Property Management Ltd, a property rental company, were also trading. Management have continued to monitor the effectiveness of internal controls within the companies over the course of the year. There were no significant control weaknesses identified during the year that are required to be included in this statement.

Training was organised for Directors in December 2019 which focused on the roles and responsibilities of Directors.

Following preparation of their accounts, the companies have been subject to independent review by Aston Shaw Ltd. The governance arrangements for Big Sky Developments were subject to internal audit review during 2019/20 which resulted in a "reasonable" assurance opinion.

## **Governance Issues**

### Looking back on the issues raised in 2018/19

During 2018/19 the following significant areas of development or risk were highlighted, with the current position also now noted:

- There was one specific area whereby improvement in awareness was needed: adherence to procurement rules. It was reported that exemptions were often relied on. An improvement has been noted during 2019/20 as work carried out to ensure compliance has resulted in assurances being provided in this area. The Contract Standing Orders were also updated and approved in year.
- Another issue that was often raised related to alignment of procedures across the two Councils. This area of work has progressed as the development of one team across two councils has moved on at pace during 2019/20. This will continue into 2020/21 as the Council continues to adjust.

### Managers' Assurance Statements for 2019/20

Assistant Directors (AD) across the Council completed an Assurance Statement relating to their service area. The Assurance Statements were based on 2019/20 and presented a broadened reflection compared to previous years. The statements were then signed off by the Managing Director or Director responsible for the service area.

The Assurance Statement asked specific questions about: policy and procedure, effectiveness of key controls, alignment of services with the Business Plan, human resources, finance, risks and controls, health and safety, procurement, insurance, information technology, data protection, freedom of information, business continuity, partnerships and equalities. A yes / partial / no response was required with evidence and action needed noted. Each AD also needed to note any issues that they felt

represented a significant control item or governance issue. In addition, a statement on the impact of COVID on internal controls and staff was also provided.

Overall, governance regarding closer working relationships with Broadland District Council emerged again as a key theme, as referenced above. Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration. This will be an area of work that is progressed at pace in light of the newly established *one officer team*, which it is recognised requires aligned processes and procedures to ensure the envisaged efficiencies.

More specifically, many service areas highlighted the need to update documentation in relation to business continuity and delegations to reflect the new officer structure.

The responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Assistant Director of Governance and Business Support will review progress during 2020/21, with updates being sought from ADs.

#### COVID-19 - How the control environment has changed during the period of disruption and steps taken

As a result of COVID, 90% of the workforce are now working from home: staff log onto their IT equipment using two-factor authentication – once the secure connection has been made all staff then utilise the folders and systems they need in the same way as they would in the office, therefore in this regard controls remain.

The Constitution has been amended in line with the legislation to enable the Council to continue with its democratic decision-making process, albeit virtually.

Any site visits that are required are still being carried out but in line with social distancing guidelines and the compliance checklist provided by central government.

With particular reference to finance controls the following has been implemented:

- Accepted approval by email (as opposed to wet signatures)
- Authorisation of business grants carried out by s151 officer (over and above normal authorised signatory limit)
- Held more monies in bank account than normal, to respond to payment requests (particularly the business grants)
- Business grant payments were made based on requests as submitted with limited pre-payment checks (as requested by Government, in order to get payments out quickly)
- A change of system to pay hardship payments, payments are personally authorised by Assistant Director twice a week to ensure quick payment

Following the closure of all leisure centres processes and controls for ensuring safe operation/maintenance of facilities during close down were revised and updated, with safety tests and risk assessments being updated in line with Govt guidance.

At the depot commencement of rounds were changed to separate crews from each other, operation of vehicles were changed with third member of staff being removed from Cab of RVC to travel in separate vehicle behind to maintain social distancing as far as possible.

The impact of COVID has enabled the teams to review processes and practices in the working from home environment, which has realised positive impacts, such as improved times to process benefit claims.

### Internal Audit

The Head of Internal Audit has concluded that the overall opinion in relation to the framework of governance, risk management and control at South Norfolk Council is reasonable. The Head of Internal Audit has highlighted that 10 of the 11 assurance audits completed within year resulted in a positive assurance.

The assurance report for Disaster Recovery resulted in a limited assurance opinion being raised with one urgent and four important recommendations agreed for implementation. One important recommendation remains open in relation to updating the Disaster Recovery Plan once the new solution is fully operational. This will be complete by November 2020.

In addition, the Head of Internal Audit reported that all urgent and important recommendations raised during the limited Cyber Crime report in 2018/19 and the limited Service Desk report from 2017/18 have now been addressed.

### Risk Management

A risk management framework is in place to ensure a consistent approach at the Council, with risks identified as Strategic, Directorate or Operational.

Reports on risk management were taken to the Cabinet on a quarterly basis during 2019/20. These reports cover all strategic risks that the Council actively manages; each risk has an agreed action plan managed by Officers and monitored on a quarterly basis by Councillors by way of the accompanied report. Directorate and Operational risks are reviewed quarterly with any significant changes also reported to Cabinet.

Risks are added to the register as and when they are identified and all risks are reviewed regularly with further consideration by CMLT.

During 2019/20 the Internal Audit Manager has undertaken a review of the risk management strategy and process for South Norfolk and Broadland, there has been facilitated sessions with CMLT resulting in an agreed approach to risk management with a view to embedding this. A Risk Strategy is being finalised, and the training for staff will be provided.

## **Review and Approval of the Annual Governance Statement**

The annual review of governance is coordinated by the Assistant Director Governance and Business Support, involving senior managers across the Council



and reviewed by the Corporate Management Leadership Team. This Annual Governance Statement is considered in draft by the Finance, Resources, Audit and Governance Committee and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement forms part of the Council's annual accounts.

## **Certification**

We are satisfied that appropriate arrangements are in place to address improvements in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored through the year and considered at our next annual review.

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Trevor Holden, Managing Director

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Philip Hardy (Chairman of the Finance, Resources, Audit and Governance Committee) – Lead Councillor

## **FRAG Work Programme**

17/07/20	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
	Revised Internal Audit Plans	Faye Haywood	FORMAL
	Risk Management Policy	Faye Haywood	FORMAL
	Annual Governance Statement 2019-20	Emma Hodds/Emma Goddard	FORMAL
	Annual Report on Counter Fraud Activity 2019/20 (if anything to report)	Bob Harvey	FORMAL
	Draft Statement of Accounts	Rodney Fincham/Julie Brown	INFORMAL
23/10/20	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts 19/20	Rodney Fincham/Julie Brown	FORMAL
	Review of Contract Standing Orders	Rodney Fincham	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
Mar-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