

Finance, Resources, Audit and Governance Committee

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

Mr P Hardy (Chairman)

Mr T Palmer (Vice Chairman)

Mr L Dale

Mr W Kemp

Mr T Lewis

Mr R Savage

Mr G Wheatley

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Agenda

Date

Friday 23 November 2018

Time

9.30 am

Place

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

Contact

Sue Elliott
tel (01508) 533869
South Norfolk District Council
Cygnets Court
Long Stratton Norwich
NR15 2XE

Email: democracy@s-norfolk.gov.uk
Website: www.south-norfolk.gov.uk

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

Large print version can be made available

A G E N D A

1. **To report apologies for absence and identify substitute voting members (if any);**
2. **Any items of business the Chairman decides should be considered as matters of urgency pursuant to Section 100B (4) (b) of the Local Government Act, 1972.**
Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;
3. **To Receive Declarations of Interest from Members;**
(Please see guidance form and flow chart attached – page 7)
4. **Minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 27 July 2018;** (attached – page 9)
5. **Progress Report on Internal Audit Activity;** (attached - page 11)
6. **Follow Up Report on Internal Audit Recommendations;** (attached - page 33)
7. **Annual Audit Letter for the year ended 31 March 2018;** (attached - page 40)
8. **Review of the Local Government Ombudsman Report 2018;** (attached - page 64)
9. **Finance, Resources, Audit & Governance Committee Work Programme;**
(attached – page 68)

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 lobbying³ organisation for local councils

LGPS – *Local Government Pension Scheme*- Pension Scheme for all public-sector employees

LSVT - *Large Scale Voluntary Transfer* - the transfer of the Council's housing stock to Saffron Housing Trust

Moving Forward Together – The Council's internal programme to improve performance in a number of key areas

NFI – *National Fraud Initiative* – A national exercise to compare data across public sector organisation to aid identifying potential frauds

NHB – New Homes Bonus - grant paid by central government to local councils for increasing the number of homes and their use

NI – *National Indicator* – a measure used to identify how the Council is performing that is determined by central government

NNDR/NDR – (*National*) *Non-Domestic Rates* – commonly known as Business Rates

PI – *Performance Indicator* – measure used to identify how the Council is performing

PSN – *Public Services Network* - provides a secure private internet for organisations across Central Government and the Wider Public Sector and standardised ICT infrastructure

RAD - Rent Assisted Deposit scheme.

RFG – *Rules of Financial Governance* – the Council's rules governing the day-to-day financial activities undertaken

SLA – *Service Level Agreement* – an agreement that sets out the terms of reference for when one organisation provides a service to another

MTP – *Medium Term Plan* – sets out the future forecast financial position of the Council

SOLACE – *Society of Local Authority Chief Executives* – society promoting public sector management and development

SPARSE – *Sparsity Partnership for Authorities Delivering Rural Services* – an organisation that benchmarks and supports local rural councils

SUNDRY DEBTOR - A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the council e.g. the Sundry Debtors system which is a module within the financial system.

Audit Terminology

APB – *Auditing Practices Board* – the body that sets the standards for auditing in the UK

COUNT – *Count Once, Use Numerous Times* – a system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways

ISA – *International Auditing Standard* – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts

VFM Conclusion – *Value for Money Conclusion* – the Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts.

Accounting Terminology

BRRS – *Business Rates Retention Scheme* - provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)

CFR – *Capital Financing Requirement* – a calculated figure that establishes the amount of money the Council needs to borrow

Collection Fund – a separate account statement that records the transactions relating to the collection and redistribution of council tax and business rates

GAAP – *Generally Accepted Accounting Practice* – this provides the overall framework for accounting principles prior to IFRS adoption in local government (also “UK GAAP” – specific to the United Kingdom)

IAS – *International Accounting Standards* – these were the precursors for international financial reporting standards (see below).

IFRS – *International Financial Reporting Standards* – the underlying standards for the Council's accounting policies and treatment of balances

IPSAS – *International Public-Sector Accounting Standards* – these set out the accounting standards for public sector bodies and are based on the international financial reporting standards.

MRP – *Minimum Revenue Provision* – the amount of money the Council needs to set aside each year to fund activities from revenue balances

Non-current assets – assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)

RSG – *Revenue Support Grant* - one source of Council funding from Central Government

SeRCOP – *Service Reporting Code of Practice* – outlines how Council should classify income and expenditure across different services

SSAP – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK

The Code – *Code of Practice on Local Authority Accounting in the UK* – main guidance on accounting treatment required for the statement of accounts

Virement – The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval.

WGA – *Whole of Government Accounts* – an exercise undertaken to consolidate all the accounting records of government bodies

International Accounting and Financial Reporting Standards Reference Numbers

IAS1 – *Presentation of Financial Statements* – sets out the prescribed format for statements of accounts

IAS19 – *Employee Benefits* – essentially provides the basis for accounting for the pension fund

IAS20 – *Accounting for Government Grants* – establishes the accounting treatment for receiving government grants

IAS40 – *Investment Property* – how organisations should account for properties held as an investment

IPSAS16 – *Investment Property* – how public-sector organisations should account for properties held as an investment

IPSAS23 – *Revenue from non-exchange transactions (taxes and transfers)* – this determines how monies from taxes should be treated in the accounts

Council Systems

ALBACS CS – The Council's system to make payments to other organisations

AXIS - Income receiving system which interacts directly with Integra

Clubrunner – System used to manage bookings and activities at the leisure centres

eXpress – the electoral registration system

FAM – the system used by the accountancy team to record the Council's assets and associated transactions

IBS – the Revenues system, maintains all Council Tax, Business Rates and Benefits records

IDOX Uniform – IT platform covering Planning, Building Control, Environmental Services, Land Charges, Licensing, Estates, Street Naming and Numbering and Address Gazetteer.

Integra – general ledger used to record all accounting transactions, including purchases made by the Council and income received by the Council

LALPAC – system used to record licensing details



DECLARATIONS OF INTEREST AT MEETINGS

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda item to which it relates. In the case of other interests, the member may speak and vote. If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed. If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting. Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.

Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.

Does the interest directly:

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

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

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

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

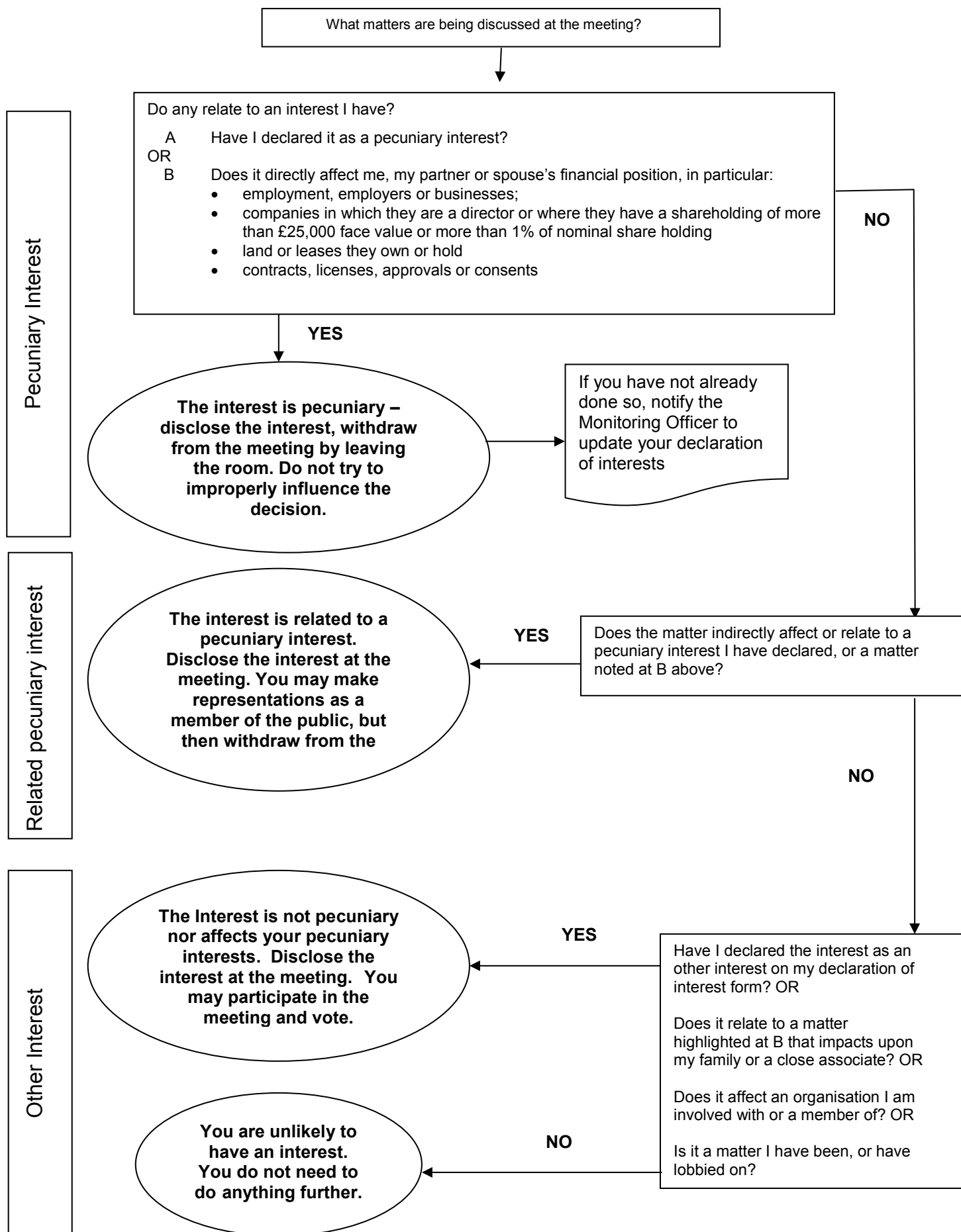
If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.

Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest but may participate in discussion and voting on the item.

Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.

**FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST
INSTANCE**

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF





FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Friday 27 July 2018 at 9.30 am.

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

Apologies: Councillor: R Savage

Substitute Member: Councillor: D Bills for R Savage

Cabinet Member in Attendance: Councillor: B Stone

Officers in Attendance: The Assistant Director of Resources (P Catchpole), the Accountancy Manager (M Fernandez-Graham), the Financial Services Manager (S Bessey) and the Group Accountant (J Brown)

Also in Attendance: Tony Poynton - Ernst & Young (EY) and Alex Younger - Norfolk County Council

184 MINUTES

The minutes of the meeting held on 22 June 2018 were confirmed as a correct record and signed by the Chairman, noting that Councillor Stone wished it to be recorded that he had been unable to attend the meeting.

185 STATEMENT OF ACCOUNTS 2017/18

The Accountancy Manager presented the Statement of Accounts for 2017/18, highlighting the changes that had been made since the accounts were presented to Committee members at the last meeting on 22 June 2018. Members noted that there were delays from Aston Shaw in producing information relating to the audit of the Council's subsidiary companies and that a technical accounting issue relating to the consolidation of a discontinued operation into the Group accounts was the key reason for the late production of the final document.

The Accountancy Manager explained how the CIPFA tool kit had been useful in the production of the cash flow statement and had enabled the team to resolve an issue regarding the collection fund that had been identified in the draft accounts.

Members considered the Audit Results report, which was presented by Tony Poynton from Ernst & Young (EY). Mr Poynton explained that he anticipated no change in the expected unqualified audit opinion. EY had not had sight of the final accounts, they had been unable to identify exactly what was needed to resolve issues in the group accounts to meet the deadline of 31 July. Officers advised that, although the deadline was likely to be missed, it was more important that the Council was satisfied with the accuracy of the accounts before they were submitted.

Responding to a member's question regarding uncorrected statements and the rationale behind them, Mr Poynton explained that a detailed schedule would be produced and that EY fully expected the Council to resolve these issues over the coming months. The Accountancy Manager referred members to paragraphs 4.1 and 4.2 of his covering report to highlight the work that had been undertaken by officers already, referring specifically to the reconciliation of credit card charges and supplier invoices.

Alex Younger from Norfolk County Council gave a presentation on the outline of the pension fund and IAS 19 reporting. After addressing questions from members, the Chairman thanked him for attending.

It was then

RESOLVED: To

1. Note the adjustments to the Statement of Accounts 2017/18;
2. Delegate authority to the Accountancy Manager, in consultation with the external auditor, to make any necessary adjustments to the Statements for sign-off by 31 July 2018, subject to the accounts being completed and ready for sign-off. The Committee agrees that the accounts must not be signed off until they are fully completed and considered to be accurate, even if this means the 31 July deadline cannot be achieved;

and

3. Delegate authority to the Chairman of the Finance, Resources, Audit and Governance Committee to sign the Letter of Representation and the Statement of Accounts, alongside the Assistant Director of Resources.

186 WORK PROGRAMME

Members referred to the Finance, Resources, Audit & Governance Committee's Work Programme. It was suggested and agreed that a review of governance arrangements would be added to the agenda for the 23 November 2018 meeting.

The meeting concluded at 10.55 am

Chairman

Eastern Internal Audit Services



SOUTH NORFOLK COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1 April 2018 to 14 November 2018

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 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 9 March 2018 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since then, the following changes have been made to the annual plan.

Audit description	Nature of the change
Build Insight	This review has been deferred until 2019/20 due to external independent assurance having been provided recently. Actions/recommendations raised from this review are now being actioned.
Elections and Boundary Review	This review has been split into two parts, with two extra days have been allocated. The first review will cover elections and the initial position as a result of the Boundary Review. The second half will follow up the progress of the boundary review audit in December 2018.
Risk Management	The risk management review has been reduced by two days to accommodate the additional elections assurance requirements.

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 72 days of programmed work has been completed, equating to 42% of the Audit Plan for 2018/19.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

- 4.4 During the period covered by the report Internal Audit Services have issued five final reports:

Audit	Assurance	P1	P2	P3
Elections (part 1)	Reasonable	0	3	0
Car Parks	Reasonable	0	2	2
Remote Access	Reasonable	0	3	1
General Data Protection Regulations	Reasonable	0	1	1
Procurement	Reasonable	0	5	2

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

- 4.5 As can be seen in the table above as a result of these audits 20 recommendations have been raised. Of these 20, all have been agreed by management and four Operational Effectiveness Matters have been proposed to management for consideration.
- 4.6 Progress has been made to mitigate the risks raised and we have been able to verify the following recommendations as complete.
- All three important recommendations relating to part 1 of the Elections review in quarter one have been verified as complete.
 - For Car Parks, one important and two needs attention are verified as complete.
 - One important recommendation relating to the Procurement audit report was verified as complete prior to finalisation of the report.
 - One needs attention recommendation as part of the remote access audit has been verified as complete.
- 4.7 It is also pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

5. PERFORMANCE MEASURES

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

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

- 5.3 The first quarter and second quarter 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.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that work allocated for quarter three is progressing as expected.

6. PROPOSAL

- 6.1 The Finance, Resources, Audit and Governance Committee are requested to receive and note the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.

7. RECOMMENDATIONS

- 7.1 That members note the outcomes of the five completed audits in the period covered by this report, and the position of the Internal Audit Plan for 2018/19.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Car Parks	SNC1904	10	10	10	Final Report issued 8 August 2018.	Reasonable	0	2	2	4	November 2018
Elections Part 1	SNC1902	10	6	6	Final Report issued 6 August 2018.	Reasonable	0	3	0	0	November 2018
TOTAL		20	16	16							
Quarter 2											
Corporate Governance - GDPR	SNC1903	5	5	5	Final report issued 3 Septembr 2018	Reasonable	0	1	1	0	November 2018
Procurement	SNC1905	12	12	12	Final Report issued 19 October 2018	Reasonable	0	5	2	0	November 2018
TOTAL		17	17	17							
Quarter 3											
Elections Part 2	SNC1902	0	6	1	Audit to start 21 November 2018						
Key Controls and Assurance	SNC1907	10	10	1	Audit to start 12 December 2018						
Build Insight	SNC1908	10	0	0							
Council Tax and NNDR	SNC1909	20	20	1	Audit to start 12 December 2018						
Housing Benefits	SNC1910	20	20	10	Audit underway						
Accounts Payable	SNC1911	12	12	10	Audit underway						
TOTAL		72	68	23							
Quarter 4											
Risk Management	SNC1901	10	8	0							
Payroll and Human Resources	SNC1912	15	15	0							
Building Control	SNC1913	12	12	0							
TOTAL		37	35	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
IT Audits											
Remote Access	SNC1906	10	10	10	Final report issued 13 August 2018	Reasonable	0	3	1	0	November 2018
Cyber Crime	SNC1914	15	15	0							
TOTAL		25	25	10							
Follow Up											
Follow Up	NA	12	12	6							
TOTAL		12	12	6							
TOTAL		183	173	72			0	14	6	4	
Percentage of plan completed				42%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARY

Assurance Review of the Elections Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Boundary Review	0	3	0	0
Total	0	3	0	0

There are no recommendations in relation to postal voting.

SCOPE

A review of elections postal voting was undertaken, and a review of preparations for the boundary review, to ensure that all necessary steps are being taken so that changes are made accurately and all stakeholders are aware of the implications.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

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

- New postal votes are promptly registered and applicants are notified that their application has been processed.
- The community governance review has been through two stages of consultation and formally approved by the Council, to ensure that all stakeholders have been consulted and their views considered.
- The Electoral Services team have contacted internal and external stakeholders who may be affected by the boundary reviews, to ensure that all necessary changes will be implemented.

ISSUES TO BE ADDRESSED

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

Boundary Review

- The boundaries to be clearly labelled and an audit trail of changes made on the geographical information system be introduced and be subject to regular review. This will reduce the risk of inaccurate or inappropriate changes being made to property boundaries.
- The final outcomes of the parish boundary review are to be communicated to all Council staff, to reduce the risk of impacts of the changes not being identified.

- A documented timetable for implementing the parish boundary changes is created, to reduce the risk of key actions not being completed at the necessary time.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other

Changes to the parish boundaries will be made on the Geographical Information System (GIS) initially, as the master version. Once the changes have been confirmed, the shape files produced from GIS will be used to update the other Council systems. These can be imported directly into the Uniform planning system. For the boundary changes on the Xpress elections system, the Council would need to purchase an add-on to enable a similar import and employ GIS resources to administer, otherwise the changes would have to be made manually to individual property records. Recruitment processes are in progress and plans have been determined to allow for both options.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations raised in our previous audit of electoral services (SNC/14/08), all of which have been implemented and verified through our separate follow up process.

Assurance Review of Car Parks

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Administration	0	1	0	0
Car parking income	0	1	1	3
Car park permits	0	0	1	1
Total	0	2	2	4

No recommendations have been raised in respect of penalty charge notices or accounting for VAT.

SCOPE

This area is regularly reviewed due to the risks associated with the flow of income. Areas reviewed included: administration arrangements, car parking income, car park permits, penalty charge notices and accounting for VAT. The service area is currently reviewing the operational and management aspects of this service which are likely to lead to imminent changes and therefore the audit was deferred from 2017/18 to allow for this period of change.

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 two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised four 'operational effectiveness matters', which 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.
- The previous audit report, issued in September 2015, also concluded in a 'Reasonable' assurance opinion, indicating that the assurance level is unchanged since the previous audit.

POSITIVE FINDINGS

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

- The Council uses the Norfolk Parking Partnership guidance for enforcement, for consistency across the county.
- Cash from car parks is securely collected and transported, with access to cash boxes restricted.
- The status of all pay and display machines is monitored, to ensure that they are functioning correctly and errors are addressed promptly.

ISSUES TO BE ADDRESSED

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

Administration arrangements

- Contingency arrangements to be put in place for issuing car parking permits in the absence of the Parking Services Manager, so as to reduce the risk of service failure with permits not being issued, resulting in financial and reputational damage to the Council.

Car parking income

- Variances above the agreed threshold, identified through the cash reconciliations, to be investigated, with outcomes reported back to the Council. This will reduce the risk of cash being lost or misappropriated, resulting in financial loss to the Council and circumstances remaining unabated.

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

Car park income

- Analysis of car parking trends is undertaken to ensure that the Council is providing an appropriate service to users and to reduce the risk of declining income not being noted and addressed, resulting in financial loss to the Council.

Car park permits

- A regular reconciliation of car park permits is performed, to reduce the risk of permits being issued without payment being received.

Operational Effectiveness Matters

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

- Reviewing and amending the cash collection arrangements when the current cash collection contract ends and a new one is procured, as cash takings in car parks have reduced since the beginning of the current contract.
- Reviewing the payment methods and terms offered for annual car park permits, to reduce the time required to administer these.
- Reviewing the potential to pro-rata the contractual payments made to Great Yarmouth Borough Council (GYBC) during the final period of the contract, as GYBC currently retains the first £7,500 collected in a given year.
- The level of performance data that can be provided by Borough Council of Kings Lynn and West Norfolk (BCKLWN) be confirmed, to ensure this meets the current level of performance data received by GYBC, as insufficient data may be provided to enable effective contract monitoring.

Previous audit recommendations

The previous audit of Car Parks (SNC/16/03) was undertaken by in August and September 2015. The final report was issued in September 2015, with a Reasonable assurance opinion. The report contained one 'important' and five 'needs attention' recommendations, all of which have been confirmed as implemented through internal audit's cyclical follow up checks.

Other points noted

The administration of penalty charge notices for off-street parking is currently managed by GYBC on behalf of the Council. The Council has received notice that GYBC is terminating the current arrangement and the BCKLWN will be taking over the service. However, the exact changeover date is not known and the Council is awaiting BCKLWN to provide a new management agreement. The Council has received assurance that GYBC will continue to provide the service until BCKLWN take over.

Assurance Review of Remote Access

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies & Procedures	0	1	0	0
Network Protection	0	0	1	0
Disaster Recovery Arrangements	0	1	0	0
Access Controls	0	1	0	0
Total	0	3	1	0

No recommendations were raised for Remote Access Change Controls and Remote Access Monitoring.

SCOPE

To provide assurance that remote access to the Council's systems is appropriately secure and via authorised users. The audit included a review of policy and procedures, management of user accounts to access the servers, granting and monitoring of access. Findings from this audit will support the cyber security review being carried out in quarter four of this year.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- The Council has documented a suite of relevant IT policies that collectively make up an IT Security Policy. These include a mobile device & remote access policy and a policy on responding to information security incidents. The policies were all noted as having been reviewed within the last year. Regular reviews help ensure that the policies continue to be relevant to the Council's requirements and are aligned to current best practice.
- The Council has implemented a process known as a Host Checker Policy, which scans all devices attempting to make a remote connection to the Council's network. The scan checks for the presence of certain files and confirms adequate Anti-Virus protection is in place. If the scan fails to validate the device, it is denied access to the network and a message is displayed explaining why. Such controls help ensure that only permitted devices can access the Council's network.
- The Council's remote access service includes 2-factor authentication which requires users to enter uniquely identifiable information such as a username a password and verify their identity using a physical token or approve access through an independent device such as a phone or tablet. At present, a mixture of legacy RSA tokens and the Microsoft Authenticator solution are used. All users will eventually migrate to the Microsoft solution by the end of October 2018. The implementation of 2-factor authentication helps ensure the security of the Council's network.
- All 3rd party access is currently controlled by the Microsoft Authenticator solution under the control of the IT department at the Council. All 3rd parties must contact the department for an Authenticator code before they can access their systems. Maintaining local control over 3rd party access in this way helps ensure that all such access is only granted as required.
- Access to the configuration management aspects of the Microsoft Authenticator solution is restricted to a limited number of Administrators from the IT department. The restrictions help to ensure the secure configuration of the solution to manage such things as adding and removing remote access user accounts.

ISSUES TO BE ADDRESSED

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

Policies & Procedures

- Remote working policy signoffs for 3rd parties require review following the recent migration to the Microsoft Authenticator 2-factor authentication model. This helps to mitigate the risk that 3rd parties do not comply with changing processes within the Council.

Disaster Recovery Arrangements

- The Council's remote access service capacity needs to be periodically tested to reduce the risk that the remote access service is unable to support an unplanned sustained increase in service usage following an incident.

Access Controls

- There is a need to ensure that user accounts are disabled in a timely manner and that all Active Directory permissions are revoked as part of the leavers process to reduce the risk of security vulnerabilities to the Council's network.

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

Network Protection

- The Council needs to ensure that added value configurations available within the Juniper Virtual Private Network solution are reviewed and implemented to provide assurance that the full value of the solution is adequately utilised, thus helping to provide a more enhanced secure connection to the Council's network from external locations.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

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

Assurance Review of GDPR

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Communication of GDPR (ICO 12-steps guide point 1)	0	1	0	0
Legal Basis for Processing Personal Data (ICO 12-steps guide point 6)	0	0	1	0
Total	0	1	1	0

No action points arose in the other ten Information Commissioner's Office (ICO) '12 steps' areas.

SCOPE

The review assessed compliance with the key GDPR elements of: Privacy Impact Assessments, Data Subject rights (e.g. Right to be forgotten); Data Classification and Asset management; Data Security & Breach Management; Governance & Consent; and Data Controllers & Processors.

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 one 'important' and one 'needs attention' recommendation being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- Broadland District Council and South Norfolk Council have worked closely together, making use of the expertise of the Information Governance Manager as a shared resource to help drive the implementation project and to avoid duplication.
- A GDPR information plan is being worked to, with a compliance chart being maintained to show work undertaken and tasks ongoing. This helps to demonstrate compliance with GDPR, including significant communication and liaison with staff, and to make clear the work still ongoing.
- The Senior Governance Officer & Deputy Monitoring Officer has been appointed as Data Protection Officer at both South Norfolk and Broadland District Council, a requirement of GDPR, and there are deputies in place.
- There is evidence of significant communication of GDPR, including the appointment of Data Champions to help embed good practice across the Council. This is important to ensure staff are aware of the implications of GDPR on their job roles.
- Training statistics relating to GDPR provided by the Senior Governance Officer & Deputy Monitoring Officer show that as at 7th August 2018 90% of staff had completed the introductory course and 94% have completed the advanced course.
- The Subject Access Request (SAR) procedure has been updated to reflect GDPR, and testing found that SARs are being responded to in line with the new regulations.
- The Incident Response Plan and the Internal Breaches Notification Procedure at both Councils have been updated to incorporate GDPR. This will help to ensure incidents are handled appropriately.
- The Data Protection Impact Assessment (DPIA) Framework and Template has been updated and testing confirmed the new templates are being fully completed with reference to GDPR. This will help to ensure that data protection is fully considered as part of projects and developments.

- Substantial additional evidence was provided showing the work being undertaken, including policies, the Incident Response Plan and the Internal Breaches Notification Procedure, GDPR broadcasts, website updates, Record of Processing Activity updates, a record of contract variations, and evidence of updates to senior management.

ISSUES TO BE ADDRESSED

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

Communication of GDPR (ICO 12-steps guide point 1)

- Confirmation to be obtained from Council members that they have read and understood the GDPR guidance sheet.

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

Legal Basis for Processing Personal Data (ICO 12-steps guide 6)

- The Records of Processing Activities document is currently work in progress at South Norfolk Council and should be fully populated to ensure that legal basis for processing and retention periods are included, ensuring that information is processed with a clear legal basis and is not retained longer than necessary.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area had not been audited previously.

Assurance Review of Procurement Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Procurement of works, services and supplies	0	3	0	0
Exemptions	0	2	1	0
Off contract spend	0	0	1	0
Total	0	5	2	0

SCOPE

The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place when procuring Works, Services and Supplies whilst remaining compliant with the Regulations, UK Law and Constitution. The review also included contract exemptions and off contract spend.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of five 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- This assurance opinion has indicated that the overall level of control has declined since the previous audit report issued in March 2017 with five important and two needs attention recommendations being raised here, as opposed to three important and one needs attention recommendations raised previously.

POSITIVE FINDINGS

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

- Contract Standing Orders (CSOs), Procurement Strategy and a quick guide to procurement, are available to all staff through the intranet for reference of the required processes and risk assessment. This ensures all staff are aware of the correct procurement processes to follow.
- The Council uses the online procurement portal Delta, which fulfils the requirements of the Public Contract Regulations 2015.
- Access to Delta is restricted and a review of access levels confirmed that only current staff are activated. This demonstrates that the Council's procurement data is adequately safeguarded.
- In addition to the Contracts Register, the Procurement Consortium Manager maintains a tender log of all procurement processes that his department are involved in. The Procurement Consortium Manager stated that this will also be used in future to ensure that contracts are recorded on the Contracts Register. This helps to ensure that the Contracts Register is kept up to date and complies with the requirements of the Local Government Transparency Code.

ISSUES TO BE ADDRESSED

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

Procurement of works, services and supplies

- To undertake a review of the Contracts Register against cumulative spend data thereby ensuring the accuracy of the Contracts Register. This reduces the risk failing to comply with the Local Government Transparency Code and the Council's CSOs and having a Contracts Register that is incomplete / inaccurate.
- To review the Contracts Register to confirm and exemptions are included, so as to reduce the risk of the Council not being compliant with the Local Government Transparency Code and not identifying contracts nearing expiration, thereby allowing them to cease without sufficient time for alternative procurement arrangements to be put in place. This could potentially increase costs to the Council where short term arrangements need to be made.
- To review all contracts and exemptions to ensure all key documentation is located including quotations/tenders and contracts and thereafter all records to be held centrally. Failing to retain all supporting documentation weakens the Council's position in terms of enforcing contractual arrangements and not being able to demonstrate correct procurements routes have been followed.

Exemptions

- For exemption forms to show details of all costs and suppliers, to reduce the risk of additional costs being added that exceed the original approval limits.
- Exemptions over £100k to be signed by the Leader of the Council and presented to the Cabinet thereby reducing the risk of unauthorised or inappropriate exemptions being processed.

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

Exemptions

- Exemption forms to be updated to include a facility for the Leader of the Council to sign for those over £100k. This mitigates against the risk of staff being unaware of the financial limits for the authorisation hierarchy for exemptions and against non-compliance with CSOs and inappropriate approval processes.

Off contract spend

- To review off contract spend on a 12 month rolling basis and initially highest spend areas to be targeted. This will reduce the risk of cumulative spend over £20k not being recognised due to limited data range and non-compliances in procurement rules remaining undetected.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit on Procurement (SNC/17/17) was undertaken in 2016/17, with a Reasonable assurance report issued in March 2017. The audit raised three important recommendations and one needs attention recommendation, all of which have been confirmed as implemented as part of our cyclical follow up process. Despite this, issues around Contract Register omissions, exemptions and setting up a standard numbering system, have lapsed with new recommendations raised in this report.

Eastern Internal Audit Services



SOUTH NORFOLK COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2018 to 14 November 2018

Responsible Officer: Internal Audit Manager 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 2015/16 internal audit raised 67 recommendations, we are pleased to confirm that all of these recommendations are now confirmed as complete.
- 2.4 In 2016/17 internal audit raised 83 recommendations; we are pleased to confirm that all of these recommendations are now confirmed as complete.
- 2.5 In 2017/18 internal audit raised 59 recommendations; 46 of which have been implemented, 13 of which are outstanding (five important and eight needs attention). The management responses in relation to the five outstanding important recommendations can be seen at **Appendix 2** to the report.

Number raised to date	59	
Complete	46	78%
Outstanding	13	22%

- 2.6 To date in 2018/19 internal audit have raised 20 recommendations, eight of which have been implemented. Two important recommendations are outstanding and 10 are not yet due. Management responses in relation to the outstanding important recommendations can be seen at **Appendix 3** to the report.

Number raised to date	20	
Complete	8	40%
Outstanding	2	10%
Not yet due	10	50%

- 2.9 Good progress is being made with implementing the recommendations made within the 2017/18 financial year and 2018/19 year to date.

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 14 November 2018.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31/03/2018 & 14/11/2018			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2015/16 Internal Audit Reviews															
SNC1601	Housing Standards	Reasonable		1								0			
2016/17 Internal Audit Reviews															
SNC1702	Early Help Hub	Limited			1							0			
SNC1706	Licencing and Food Safety	Reasonable			1							0			
SNC1710	Accounts Payable	Reasonable			1							0			
2017/18 Internal Audit Reviews															
SNC1805	Performance Management	Reasonable			1							0			
SNC1807	Key Controls & Assurance	Reasonable		1								0			
SNC1808	Accountancy Services	Reasonable			1						2	2			
SNC1811	Housing Standards	Reasonable						1				1			
SNC1812	Business Continuity and Disaster Recovery	Reasonable			1		1	1				2			
SNC1813	Corporate H&S	Reasonable			4							0			
SNC1816	Service Desk	Limited		3	5					4	4	8			
2018/19 Internal Audit Reviews															
SNC1902	Elections	Reasonable		3											
SNC1904	Car Parks	Reasonable		1	2					1					
SNC1903	Corporate Governance GDPR	Reasonable											1	1	
SNC1905	Procurement	Reasonable		1									4	2	
SNC1906	Remote Access	Reasonable			1					1			2		
TOTALS			0	10	18	0	1	2	0	6	6	13	0	7	3

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

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1812 Business Continuity and Disaster Recovery	Recommendation 1. The Council to develop, agree and implement an ongoing Disaster Recovery test plan once the Wymondham site has gone live.	2	Agreed.	ICT Manager	28/02/2018	31/12/2018	Outstanding	This is still in progress. The Wymondham Leisure Centre DR facilities are ready to use but there is still ongoing work surrounding the provision of IT services there. This is attributable to some required network services not being available, due to the third party supplier experiencing delays to resolve an outstanding issue on the installed comms line. With ongoing works the team are continuing to complete, it is envisaged that this task will be completed in December 2018.
SNC1816 Service Desk	Recommendation 1. Service Desk Service Level Agreement to be developed by IT and communicated to all staff. This is to include: Targets / objectives to enable the quality of the service desk to be monitored and reported upon; Functions and remit of the service desk; Call priorities and (consistent) recording of these; and Purpose and benefits of the service desk.	2	Agreed	ICT Manager	31/07/2018	31/12/2018	Outstanding	The latest draft SLA is awaiting ratification by SLT, which is expected by 31st December 2018.
SNC1816 Service Desk	Recommendation 4. The Council to develop processes that provide management information on a regular basis and make recommendations for service improvements.	2	Agreed	ICT Manager	31/10/2018	31/12/2018	Outstanding	The reporting functions within Vivantio are currently being adjusted to export regular statistics for this purpose.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1816 Service Desk	Recommendation 6. The Council to ensure that all major incidents /problems and changes from the previous week are discussed with relevant customers on a regular basis.	2	Agreed	ICT Manager	31/10/2018	31/12/2018	Outstanding	Can be achieved following ratification of the SLA.
SNC1816 Service Desk	Recommendation 7. The Council to design and implement an appropriate formal Change Management framework. The following elements to be considered as part of this work: The scope of Change Management activity is established within the Council. Agree and assign formal Change Management roles and responsibilities. A schedule of approved changes is routinely issued. Change slippages to be reported; and change is effectively monitored and reported, including the number of changes.	2	Agreed	ICT Manager	31/10/2018	31/03/2019	Outstanding	We are aiming to implement this as part of the replacement Service Desk platform. Expected in Q1 2019.

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

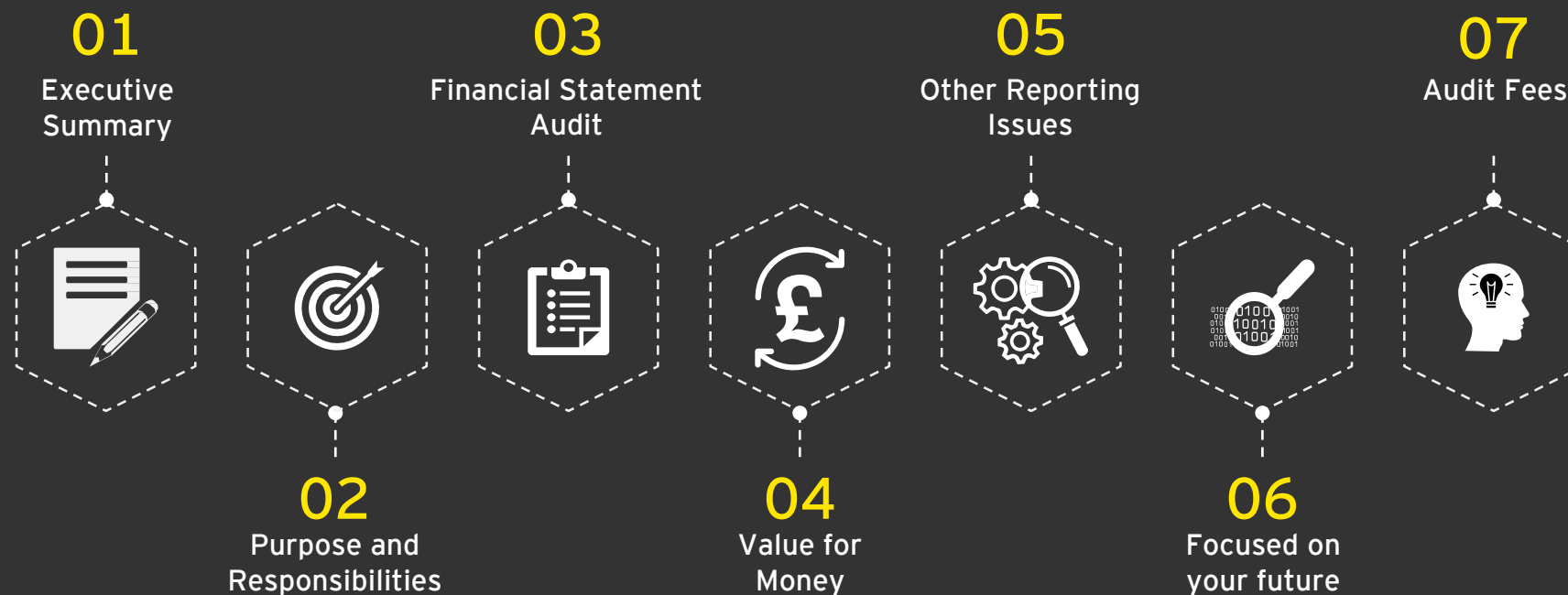
Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Previous Response
SNC1904 Car Parking	Recommendation 2: All variances over £5 in the cash collection reconciliations are to be followed up with Loomis, with reminders where a response is not received. In addition, cash reconciliations are to be brought up to date and signed and dated when completed.	2	Agreed	Parking Services Manager	31/08/2018	31/01/2019	Outstanding extension agreed	This recommendation has not yet been implemented due to sickness and A/L.
SNC1906 Remote Access	Recommendation 2. The Council to formulate an appropriate Disaster Recovery testing plan that periodically tests the ability of the remote access service to support an increased number of users requiring access to internally-hosted applications and file shares.	2	Agreed.	ICT Manager	28/09/2018	31/12/2018	Outstanding	This is in place and is due for a significant test in December 2018.

South Norfolk District Council

Annual Audit Letter for the year
ended 31 March 2018

October 2018

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

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter **South Norfolk District Council** following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our final Audit Results Report was issued on 25 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our certificate on 28 September 2018. This is two months after the deadline of 31 July 2018. The delay was mainly due to complex accounting issues in respect of the group accounts as noted on page 12.

In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the Finance, Resources, Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued in February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements, and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the Council

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

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



03

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 28 September 2018.

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

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Risk of fraud in revenue and expenditure recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having assessed the key income and expenditure streams of the Council, we judged that there was material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.	<p>We:</p> <ul style="list-style-type: none">▶ Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed.▶ Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature.▶ Amended our sample sizes when testing additions and REFCUS to reflect the existence of this risk. Agreed samples to source documentation to ensure the capital/revenue split was reasonable.▶ Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes. <p>Our testing did not identify any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.</p>

Financial Statement Audit (cont'd)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We:</p> <ul style="list-style-type: none">▶ Wrote to the s151 officer, Chair of the FRAG Committee, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses.▶ Documented our understanding of the controls relevant to this significant risk and considered whether they have been appropriately designed.▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.▶ Reviewed accounting estimates for evidence of management bias.▶ Evaluated the business rationale for any significant unusual transactions. <p>We did not identify any:</p> <ul style="list-style-type: none">▶ material weaknesses in controls or evidence of material management override;▶ instances of inappropriate judgements being applied; or▶ any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Property, Plant and Equipment Valuation</p> <p>The fair values of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Auditing standards require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We</p> <ul style="list-style-type: none"> ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▶ Sample tested key asset information used by the valuers in performing their valuation. ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer. ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated. ▶ Considered changes to useful economic lives as a result of the most recent valuation. ▶ Tested accounting entries had been correctly processed in the financial statements. <p>We had no issues to report. Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p>
<p>Pension Liability Valuation</p> <p>The Council is required to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the liability is required to be disclosed on the Council's balance sheet. The information disclosed is based on a report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.</p> <p>Auditing standards require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Liaised with the auditors of the administering authority (Norfolk County Council), to obtain assurances over the information supplied to the actuary in relation to South Norfolk District Council. ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>Our testing identified one misstatement arising from a £0.718 million difference between pension asset values estimated by the Actuary, and the actual pension asset values as at 31 March 2018. The Authority liaised with the pension fund and the Actuary to obtain revised figures that enabled the adjustment to be made to the pension scheme liability in the financial statements.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
Cash flow statement	<p>The Authority and Group cash flow statements contained material errors in the current and prior year as they were not prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.</p> <p>The 2017/18 and restated 2016/17 cash flow statements were prepared from scratch using the standard CIPFA toolkit. Prior year adjustment notes were added to the revised financial statements listing the material changes to the 2016/17 cash flow statements for the Authority and the Group.</p>
Group Accounts	<p>We were unable to complete our audit work in time for the 31 July 2018 deadline due to extended delays in the Council's production of a complete and accurate set of the group financial statements.</p> <p>During 2017/18 the Council part disposed of its investments in Build Insight Ventures; Build Insight and Build Insight Consulting. The Council took advice from external advisors on the most tax efficient way to effect this part disposal which involved:</p> <ul style="list-style-type: none">▶ Injection of capital finance into the Build Insight group.▶ conversion of the increased share capital in the Build Insight companies into capital redemption reserves.▶ Impairment of the investments in Build Insight in the Council and Big Sky Ventures as the fair value of the investments were now effectively nil.▶ Sale of the Build Insight Ventures (and its 2 subsidiaries) to South Norfolk Council▶ Creation of a joint venture in Build Insight via the sale of 50% of Build Insight Ventures to NORSE a subsidiary of Norfolk County Council <p>The transactions required to account for this disposal correctly at group level were complex and impacted on the Council's ability to produce the group financial statements in a suitable form to audit in the initial planned timetable to 31 July. Subsequently we required additional resource and time, working with the Council officers to establish where the errors lay in their initial attempt at the consolidation.</p> <p>Once identified, the Council made the appropriate revisions which we tested, which also impacted on the production of the final group cashflow statement as noted above.</p> <p>The Council has recognised that there is a need to improve their understanding and capacity in this area.</p>

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.187m (Audit Planning Report – £1.199m), which is 2% of gross expenditure on provision of services reported in the accounts of £59.3 million.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	We agreed with the Finance, Resources, Audit and Governance Committee that we would report to the Committee all audit differences in excess of £0.059m (2017: £0.06m)

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

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of most interest to users of the accounts we adopted judgement in ensuring that we tested the disclosures in sufficient detail to ensure they were correctly disclosed. In particular we confirmed the figures for senior officer remuneration in full.
- ▶ Related party transactions. Accounting standards require materiality of the disclosure to be considered from the point of view of either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- ▶ Members' allowances. As these disclosures are considered to be of interest to users of the accounts we adopted judgement in ensuring we tested the disclosures in sufficient detail to ensure they are correctly disclosed.

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

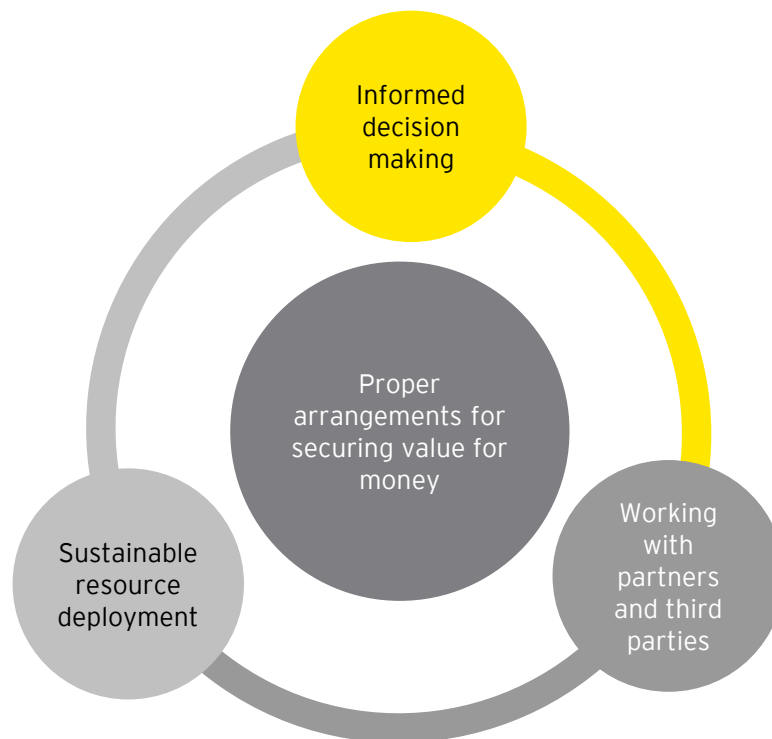


04 Value for Money

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

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

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



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

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

We therefore issued an unqualified value for money conclusion on 28 September 2018.



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

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

Annual Governance Statement

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

We had no issues to report.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

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



Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Finance, Resources, Audit and Governance Committee on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However as part of our work on cash and cash equivalents we noted weaknesses in the Authority's control over recording transactions through its income and payments general ledger bank account codes. We noted a total of £181,000 of transactions in the Authority's payments bank statement that were not matched to equivalent transactions in the Authority's general ledger. Similarly officers were unable to verify that transactions totalling £210,000 showing as Cash In Transit in the Authority's general ledger would be received by the bank after the year end. As a result of the above uncertainties the Council's cash and cash equivalents disclosed in the 2017/18 audited financial statements were overstated by £381,000.

We are aware that officers are working on reconciling these positions and we would encourage this to continue until the situation is under full control.



06

Focused on your future



Focused on your future

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

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>The 2018/19 Code introduces IFRS 9 on financial instruments. Your view is that the impact on the Authority's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because:</p> <ul style="list-style-type: none"> • The standard may impact balances with the Authority's subsidiaries • Statutory overrides may be introduced by Central Government
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. In your view IFRS 15 will not have a material impact on this Council's single entity financial statements as the vast majority of the Council's income streams are taxation or grant based.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



07

Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

Our fee for 2017/18 is in line with the scale fee set by the PSAA. We have updated the final fee position to reflect the additional work undertaken on the group accounts since we issued our Audit Results Report in 25 July 2018.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Audit Scale Fee	50,949	50,949	50,949	50,949
Audit Scale Fee Variations (note 1)	18,064	3,743	-	5,041
Total Audit Fee - Code work	69,013	54,692	50,949	55,990
Total non-audit services - Housing Benefit Subsidy	tbc	14,236	14,236	14,885

Note 1:

The 2017/18 planned fee included an estimated fee variation of £3,743 to reflect the fact that the Council produces group accounts based on prior year scoping.

The final fee for 2017/18 includes a proposed further variation of £14,321 from the scale fee. Of this further variation £11,721 relates to complexities with the audit of the group accounts and £2,601 due to other matters arising during the audit. This variation remains subject to agreement with the PSAA.

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

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Review of Local Government Ombudsman Report 2018

Report Author(s): Sandra Dinneen, Chief Executive
sdinneen@s-norfolk.gov.uk

Portfolio: Leader – Economy and External Affairs

Ward(s) Affected: All

Purpose of the Report: This report provides a summary of the Local Government Ombudsman Report of complaints referred for the year ending 31 March 2018.

Recommendation:

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

1. SUMMARY

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

2. BACKGROUND

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

3. CURRENT POSITION / FINDINGS

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

	Benefits and Tax	Corporate and Other Services	Env Services	Housing	Planning and Development	Total
Complaint Referred	2 (0)	2 (2)	1 (1)	0 (0)	5 (10)	10 (14)
LGO Decisions	Both referred back for local resolution	1 advice given, 1 closed after initial enquiry	Not upheld	none	1 Upheld 2 Not upheld 1 closed after initial enquiry.	

- 3.2 The number of complaints referred to the LGO has continued to decrease with just ten referrals compared to 14 last year. Of the complaints referred for investigation all but one were closed after their initial enquiry, referred back for local resolution or not upheld. Just one case was upheld, a planning case which related to a technical point rather than maladministration.

- 3.3 As with previous years, the highest number of referrals related to planning and development. South Norfolk Council receives over 2,500 planning applications to consider each year and it is inevitable that some planning decisions will be upsetting to neighbouring and nearby residents who feel that they have been affected or disadvantaged by a decision. When the applicant of a planning application is not satisfied with a planning decision they have the ability to lodge an Appeal but for the residents who feel disadvantaged by a planning decision the only course of action available to them is to complain to the Council.
- 3.4 Due to the reasons outlined above the Development Management Service has historically received the most complaints and in turn makes up the largest proportion of referrals to the Government Ombudsman when the complainant remains dissatisfied with the Council's decision. It is likely that most complainants who go down this route believe that the Ombudsman has the power to overturn a planning decision the Council has made but this is not the case. The Ombudsman's role is to investigate whether the Council has acted appropriately in reaching the planning decision and whether this has caused the complainant any injustice. The decision itself is not tested by the Ombudsman.
- 3.5 Of the 8 complaints decided by the Local Government Ombudsman for the year ending 31 March 2018, only 3 were subject to detailed investigation. Of these just one was upheld, an uphold rate of 33%.
- 3.6 The upheld complaint related to a planning case in which the Ombudsman had found fault with the Council's handling of the application "because officers did not make a valid material planning consideration known to the Committee before it made its decision". However, the Ombudsman did not consider this failing to be significant, or that it had affected the outcome of the planning application and concluded that there had not been any injustice caused to the complainant. Although the complaint was upheld, the final decision of the Ombudsman was to close the complaint because the outcome sought by the complainant could not be achieved through further investigation; namely that the Council amends or revokes the planning decision notice because of a minor flaw in the decision-making process.

4. RISKS AND IMPLICATIONS ARISING

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

5 OTHER OPTIONS AND COMPARISONS WITH OTHER NEIGHBOURING COUNCILS

- 5.1 The overall number of cases referred to the LGO for South Norfolk is small and comparable to other neighbouring councils; Breckland Council had 22 complaints referred to LGO with 33% uphold rate, Broadland District Council had 12 complaints referred to LGO with 33% uphold rate and Norwich City Council had 47 complaints referred with 33% uphold rate.
- 5.2 South Norfolk Council continually takes learning from all complaints received, not just those that have been referred to the LGO. The reduction in overall numbers of complaints, and the subsequent number of referrals to the LGO, shows that lessons learned, particularly in the Planning Service, have been successful.

6 RECOMMENDATION

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

FRAG Work Programme

08/03/2019	Certification of Claims & Returns Annual Report 17/18	External Audit	FORMAL
	Internal Audit Activity Report	Faye Haywood	FORMAL
	Strategic and Annual Internal Audit Plans 2019/20	Faye Haywood	FORMAL
	Annual Report of FRAG Committee	Faye Haywood	FORMAL
	External Audit Plan 18/19	External Audit	FORMAL
	Self Assessment of the FRAG Committee	Faye Haywood	FORMAL
21/06/2019	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Head of Internal Audit's Annual Report and Opinion for 2018/19, including Review of the Effectiveness of Internal Audit	Faye Haywood	FORMAL
	Annual Governance Statement 2018-19	Peter Catchpole	FORMAL
	Annual Report on Counter Fraud Activity 2018/19 (if anything to report)		FORMAL
	Draft Statement of Accounts		INFORMAL
26/07/2019	Audit Results Report	External Audit	FORMAL
	Final Statement of Accounts 18/19	Peter Catchpole	FORMAL
22/11/2019	Internal Audit Activity Report	Faye Haywood	FORMAL
	Internal Audit Follow Up Report	Faye Haywood	FORMAL
	Annual Audit Letter	External Audit	FORMAL
	Review of the Local Government Ombudsman Report 2019	Christine Baldwin	FORMAL
	Training Session for members to complete their Self Assessment	Faye Haywood	INFORMAL