

Finance, Resources, Audit and Governance Committee

Agenda

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

Cllr P Hardy (Chairman)
Cllr C Brown
Cllr M Dewsbury
Cllr D Elmer
Cllr N Legg

Cllr S Ridley (Vice Chairman)
Cllr A Dearnley
Cllr B Duffin
Cllr T Laidlaw

Date & Time:

Friday 25 June 2021
9.30am

Place:

Council Chamber, South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

Contact:

Jessica Hammond tel (01508) 533610
Email: democracy@s-norfolk.gov.uk
Website: www.south-norfolk.gov.uk

PUBLIC ATTENDANCE:

If a member of the public would like to observe the meeting, or speak on an agenda item, please email your request to democracy@s-norfolk.gov.uk, no later than 5.00pm on Wednesday 23 June 2021. Please note that due to the current rules on social distancing, places will be limited. Please see further guidance on attending meetings at page 2 of this agenda

Large print version can be made available

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

Public Speaking and Attendance at Meetings

All public wishing to attend to observe, or speak at a meeting, are required to register a request by the date / time stipulated on the relevant agenda. Requests should be sent to: democracy@s-norfolk.gov.uk

Public speaking can take place:

- Through a written representation (which will be read out at the meeting)
- In person at the Council offices

Please note that due to the current rules on social distancing, the Council cannot guarantee that you will be permitted to attend the meeting in person. There are limited places in the Council Chamber and the numbers of public speakers permitted in the room will vary for each meeting.

All those attending the meeting in person must, sign in on the QR code for the building and arrive/ leave the venue promptly. The hand sanitiser provided should be used and social distancing must be observed at all times. Further guidance on what to do on arrival will follow once your initial registration has been accepted.

AGENDA

1. To report apologies for absence and to identify substitute members;
2. Any items of business which the Chairman decides should be considered as a matter 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 from and flow chart attached – page 9)
4. To confirm the minutes from the meeting of the Finance, Resources, Audit and Governance Committee held 5 March 2021;
(attached – page 11)
5. Strategic and Annual Internal Audit Plans 2021/22;
(attached – page 17)
6. External Audit Plan 2020/21;
(Please Note: as this document has been provided by an external source, we cannot guarantee that it is fully accessible)
(attached – page 40)
7. Annual Governance Statement 2020/21;
(attached – page 89)
8. Counter Fraud Activity 2020/21;
(Verbal Update)
9. Review of Contract Procedure Rules;
(attached – page 105)
10. Strategic Risk Register Q4 2020/21 Update;
(attached – page 122)
11. Finance, Resources, Audit & Governance Committee Work Programme;
(attached – page 138)

Working Style of Cabinet Policy Committees

Member Leadership

Members of the Committees will take the lead in understanding the direction provided by Cabinet and delivering work to Cabinet requirements. Whilst recognising political allegiances, members will work in a collaborative manner with officers and cabinet portfolio holders to consider the relevant issues when developing Council policy.

Collaborative Working

All meetings of the Committees will be constructive and conducted in a spirit of mutual respect and trust. Officers will commit to supplying meetings with information relevant to making informed decisions on policies and matters. Members will commit to thoroughly reading and understanding papers, raising questions that are pertinent to the issues at stake. Members will, where feasible, agree definable actions to be taken forward by officers to develop policy, rather than having items for noting or simply to discuss.

Frequency and Nature of Meeting

Each Committee will have at least 3 formal, public meetings per year. In assessing items delegated by Cabinet for review, the Committee may decide that it wishes to meet on a more or less frequent basis.

The Committee may also hold informal meetings should it require in order to progress specific items in detail. However, if the Committee is meeting to determine whether to refer items for Cabinet approval, the meeting should follow the Council's Standing Orders and thus be subject to a formal agenda, be held in public and the meeting recorded.

Informal meetings may be held in any manner suitable for conducting business (e.g. via meeting, conference call, circulation of information via e-mail, or site visits); while relevant information will be supplied by officers where appropriate, these meetings will not be subject to a formal agenda or minutes. Where business of the Committee is undertaken through informal meeting, all members of the Committee will be provided opportunity to participate. Members will expect to be able to participate in a free and frank exchange of views when deliberating subjects.

Training

Members commit to undertaking development – for example, attending formal training sessions, or reading relevant background material, in order to properly equip themselves to deliver their expected role fully.

Accountability

The Policy Committees will be accountable to Cabinet. They will not be able to make decisions themselves but can recommend decisions to Cabinet. Cabinet may review whether the Committees are discharging their duties effectively and may receive progress reports on how the Policy Committee is working to discharge its duties.

Work Programmes

The Work Programmes for the Policy Committee will be established by Cabinet. Members of the Committee will not be able to raise items to be included in the work programme. Where topics have been identified for inclusion in the work programme, the Committee will work to identify how it will discharge its responsibilities, including the resources required to do so.

Managing Time

However, the Committee is meeting, it will attempt to conclude the business of each meeting in reasonable time. The Chairman will be responsible for ensuring the meeting stays focused on pertinent issue, and does not become side-tracked on issues that are not relevant to the policy under consideration, or those that should be discussed by a separate committee.

Glossary

General Terms

AGS – *Annual Governance Statement* – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework

BAD DEBT PROVISION - To take account of the amount of debt which the Council estimates it will not be able to collect.

Build Insight – The Council's Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

CIPFA – *the Chartered Institute of Public Finance and Accountancy* – the accountancy body for public services

CoCo - *Code of Connection* – a list of security controls that the Council has to have in place in order to undertake secure transactions with other government bodies

CNC - a joint venture established with Norwich City Council, Broadland Council and Kings Lynn and West Norfolk Borough Council to deliver the Council's building control functions, ensuring buildings and developments comply with building regulations

CNC CS – CNC consultancy services, the private company administered by CNC

CREDITOR - A person or organisation which the Council owes money to for a service or goods.

CSO – *Contract Standing Orders* – outline the Council's rules when entering into contracts and buying large value goods

GIG - Gaining Independence Grant – a small grant to support residents with adaptations to allow them to live independently

GNDP – *Greater Norwich Development Partnership* – a partnership with Norwich City and Broadland Councils that manages delivery of the Government's growth strategies

GNGB – *Greater Norwich Growth Board* – a partnership with Broadland Council, Norwich City Council, Norfolk County Council and New Anglia Local Enterprise Partnership providing strategic direction, monitoring and coordination of both the City Deal and the wider growth programme for the Greater Norwich area

JCS – *Joint Core Strategy* – sets out the general vision and objectives for delivering the local development framework

JOURNAL - The transfer of a transaction to either a different cost centre or a different categorisation within the finance system e.g. transfer of an item of expenditure between HR and Planning or the transfer of expenditure from electricity to water. These are used to correct input errors, share costs/income between cost centres or to record expenditure or income which has not yet been invoiced.

KPI - Key Performance Indicator

LASAAC – *Local Authority (Scotland) Accounts Advisory Committee* – this Committee develops proper accounting practice for Scottish Local Authorities

LDF – *Local Development Framework*- outlines the management of planning in the Council

LEDGER - A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger.

LGA – *Local Government Association* – a lobbying organisation for local councils

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

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

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

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

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

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

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

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

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

RAD - Rent Assisted Deposit scheme.

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

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

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

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

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

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

Audit Terminology

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

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

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

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

Accounting Terminology

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

International Accounting and Financial Reporting Standards Reference Numbers

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

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

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

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

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

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

Council Systems

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

AXIS - Income receiving system which interacts directly with Integra

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

eXpress – the electoral registration system

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

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

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

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

LALPAC – system used to record licensing details

DECLARATIONS OF INTEREST AT MEETINGS

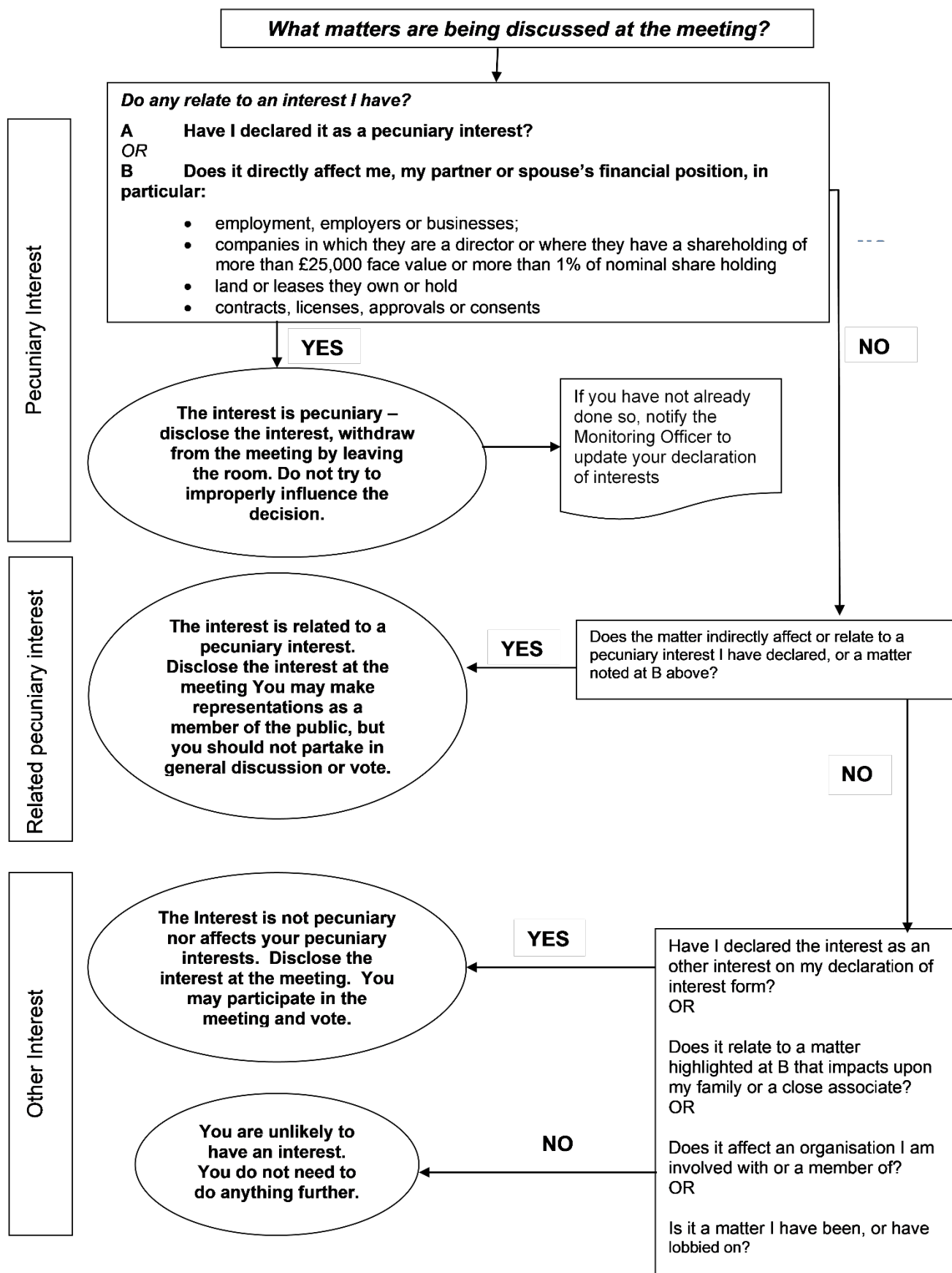
When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. Members are required to identify the nature of the interest and the agenda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

<p>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.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> 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 <p>If the answer is "yes" to any of the above, it is likely to be pecuniary.</p> <p>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.</p>
<p>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</p> <p>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.</p>
<p>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.</p>
<p>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.</p>

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



Agenda Item: 4

FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a remote meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk District Council, held on Friday 5 March 2021 at 9.30am.

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

Cabinet Member Present: Councillor: J Worley

Officers in Attendance: The Assistant Director of Finance, (R Fincham), the Assistance Director of Governance and Business Support (E Hodds), the Chief of Staff (H Ralph), the Finance Manager (J Brown), the Internal Audit Manager (F Haywood) and the Corporate Fraud Officer (I Kerrison)

Other Members Present: Councillor: D Bills

Also in Attendance: Mr M Hodgson (Ernst & Young (EY))

252 MINUTES

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 5 February 2021 were confirmed as a correct record.

253 ANNUAL AUDIT LETTER

The Chairman welcomed Mr M Hodgson from EY, to the meeting.

Mr Hodgson presented the Annual Audit Letter and informed the Committee that no risks had been identified in the report.

In response to a member's query regarding IFRS 16 Leases, Mr Hodgson advised that EY believed the Council already fully detailed most, if not all, of

their leases however it would be remiss of EY not to include it in their report. The Finance Manager further explained that leases were already fully detailed and included in the accounts, and that it was the imbedded leases within contracts that required further work. She reassured members that these would not materially impact the accounts.

Members discussed the audit fees as outlined on page 35 of the agenda, where the additional Covid related work was noted as well as the increase in the proposed scale fee. Mr Hodgson clarified to members that the revised proposed scale fee was still with the PSAA for determination.

The Chairman thanked Mr Hodgson for his report, and it was,

RESOLVED

To note the contents of the report.

254 REVIEW OF POLICIES

The Corporate Fraud Officer outlined his report which presented the new Counter Fraud, Corruption and Bribery Policy, the Anti-Money Laundering Policy and the Whistleblowing Policy for members to review and recommend to full Council. He informed members that these policies had been re-written to take into account current best practice.

The Assistant Director of Governance and Business Support advised members that the new Whistleblowing Policy put more routes in place for staff, contractors, auditors, etc to raise any concerns.

Members suggested that it would be helpful to see the tracked changes when reviewing amended policies. The Assistant Director of Governance and Business Support explained that these policies had been completely re-written and therefore tracked changes were not available. She agreed to take on board this suggestion for future changes to the policies.

One member queried whether there had been any procurement issues because of Covid. The Corporate Fraud Officer acknowledged that during these unprecedented times the emergency use of contractors had been required, however no issues had been found. He further explained that the new policy put measures in place to prevent any procurement issues from arising.

Members asked whether training would be provided to members and officers regarding the new policies. The Corporate Fraud Officer advised that once the policies had been approved by Council (subject to this Committee's recommendation), officer training would be provided through Skillsgate. The Assistant Director of Governance and Business Support further confirmed that

member training would also be provided through Skillgate to raise members awareness of the policies.

Whilst discussing the Counter Fraud, Corruption and Bribery Policy, one member raised a concern that planning incentives through S106 agreements had not been included and queried whether these should be noted as exceptions. The Corporate Fraud Officer advised members that the policy referred to personal bribes only, but he would look into whether Government and Council-wide incentives needed to be included.

Members queried whether an end of year report could be brought to the Committee which outlined the number of cases where the policies had been used. The Assistant Director of Governance and Business Support advised Members that such a report had always been on the agenda, however there had been no cases so far and no report had been needed.

A vote was then carried out by way of a roll call and it was unanimously,

RESOLVED

To recommend to full Council the following amended policies:

- Counter Fraud, Corruption and Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy

255 ANNUAL REPORT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE 2020/21

The Assistant Director of Governance and Business Support presented her report, which outlined the work the Committee had undertaken throughout the year, which included:

- Risk Management Policy
- Annual Governance Statement 2019/20
- Statement of Accounts
- External Audit
- Internal Audit
- MHCLG response to Redmond Review

The Chairman noted that it had been a very difficult year, but that officers had risen to the occasion to provide 'business as usual' alongside Covid support. It was then

RESOLVED

To recommend that Council approves the content of the Annual Report of the Finance, Resources, Audit and Governance Committee.

256 STRATEGIC RISK REGISTER – Q3 2020/21 UPDATE

The Chief of Staff presented the report and informed members that CMLT updated the register based on the risk to the Council and the risk to the delivery plan. She further advised members that there were currently 14 risks on the register, with 1 risk (failure to respond to economic impact of Covid-19 and Brexit) added since quarter 2.

The Chairman expressed his wish to review the risk register at the next FRAG Committee meeting in June, to gauge whether the lifting of lockdown had any impact on the risks to the Council.

In response to queries from members, the Chief of Staff advised members that the recommendations included in the report were in line with the risk management framework. The Internal Audit Manager further explained that in accordance with the Committee's terms of reference, the Committee was responsible to provide an overview of the framework and to review the risk register.

One member raised a concern over the reduction of risk 1 from 20 down to 12, given that there were still many unknowns around funding for the public sector. The Internal Audit Manager clarified that the reduced score was the level that Internal Audit expected the risk to be at, once all actions had been completed.

Members requested that the date the risk register was updated be included in future reports, and the Internal Audit Manager agreed to incorporate this in future.

It was then

RESOLVED

To note the Strategic Risk Register update for Q3 2020/21 for the Council.

257 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Internal Audit Manager presented her report which advised members on the progress made towards the delivery of the Annual Internal Audit Plan and summarised the completed work undertaken.

Officers highlighted the difficulties and delays in the Internal work because of the ongoing impact of Covid.

Members noted that debt recovery was placed on hold for several months and queried whether recovery had been overlooked or if there was reason for the hold. The Internal Audit Manager advised members that the Council made a conscious decision to halt debt recovery in 2020 because of the Covid pandemic. The Assistant Director of Finance explained that there were several reasons why the Council decided on this course of action, which included:

- Customers financial difficulties;
- Staff workload pressures;
- Restrictions on enforcement; and
- Court delays.

The Assistant Director of Finance further explained that debt recovery had since resumed, with individual customers' circumstances considered by the Council.

In response to a query, the Assistant Director of Finance informed members that the risk of underspend of capital from the Better Care Fund was due to delays in work carried out as part of the Disabled Facilities Grants. He assured members that more staff had been made available to roll out this work.

It was then,

RESOLVED

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

258 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2021/22

The Internal Audit Manager provided members with a verbal update on the Strategic and Annual Internal Audit Plans for 2021/22 and she highlighted that a more pragmatic approach had been taken this year in response to the changing environment surrounding Covid. She reassured members that progress had been made and that she was confident that all audit work would be completed, although outside of the normal deadlines.

The Committee thanked officers for their hard work, in light of the difficulties faced.

259 SELF ASSESSMENT OF THE FRAG COMMITTEE

The Internal Audit Manager introduced the report, which detailed the self-assessment undertaken for the FRAG Committee. She advised members that she had completed the self-assessment in consultation with the Chairman,

following the exercises carried out by the Committee last year and that members were requested to review the checklist at Appendix 1, to ensure that it was an accurate reflection of the operations of the Committee.

A few areas were noted where updates and/or further work was required, this included:

- Updates to the Committee's terms of reference, regarding risk management.
- Training on risk management to be provided to members.
- The self-assessment of knowledge and skills to be carried out again for the new members of the Committee.

During the discussion members felt more needed to be done to promote FRAG to non-Committee members and to encourage them to attend the meeting or even join the Committee in the future. It was suggested that an overview of the FRAG Committee could be included in future member inductions, or that the Chairman could provide more information during the annual report to Council.

It was then,

RESOLVED

To note the checklist at appendix 1 of the report.

260 WORK PROGRAMME

Members considered the Finance, Resources, Audit and Governance Committee's Work Programme and it was noted that an additional informal meeting would be scheduled to provide more training on the risk register.

(The meeting concluded at 10.37am)

Chairman

Eastern Internal Audit Services



SOUTH NORFOLK COUNCIL

Strategic and Annual Internal Audit Plans 2021/22

Responsible Officer: Head of Internal Audit for South Norfolk Council

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The 2020/21 Internal Audit plan was significantly revised in-year to respond to the Covid-19 Pandemic. The revised plan aimed to provide assurance over key themes that were identified as having an impact on the Council at that time and as a result of this exercise, it was identified that six of the originally agreed internal audit areas would be replaced and deferred.
- 1.6 A total of three areas have been carried over into the 2021/22 plan as they are considered to pose a risk to the achievement of the Council's objectives and pandemic recovery efforts. The remaining areas will continue to be assessed each year during internal audit planning.
- 1.7 The following factors are also taken into account when developing the internal audit plan:
 - The risk profile and maturity of the Council;
 - Previous assurance gradings given in each area;
 - Any declarations to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Finance Resources Audit and Governance Committee (FRAG), the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.8 In accordance with best practice, FRAG should *'review and assess the annual internal audit work plan'*.

2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to Senior Management and FRAG every two years, or as required for review. The Charter was approved in 2019 and is therefore provided as part of this report for approval at **Appendix 1**. Please note that no significant changes have been made to the Charter since its approval in 2019.
- 2.2 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Audit Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Eastern Internal Audit Services.

3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy **Appendix 2** is to confirm:
- How internal audit services will be delivered;
 - How internal audit services will be developed in accordance with the internal audit charter;
 - How internal audit services links to organisational objectives and priorities; and
 - How the internal audit resource requirements have been assessed.
- 3.2 The Internal Audit Strategy has been amended this year to reference the required procurement of the Internal Audit services contract in consultation with all Councils across the Consortium.

4. STRATEGIC INTERNAL AUDIT PLAN

- 4.1 The overarching objective of the Strategic Internal Audit Plan **Appendix 3** is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 The coverage over the forthcoming three years has been discussed with the Corporate Management and Leadership Team to ensure audits are undertaken at the right time, at a time where value can be added, as well as ensuring sufficient coverage for an Annual Opinion on the framework of governance, risk management and control. The discussions also went into greater detail in relation to the scope of the audits for the forthcoming financial year.

5. ANNUAL INTERNAL AUDIT PLAN

- 5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 4**). The plan includes the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a brief summary and purpose of the review.
- 5.2 The Annual Internal Audit Plan for 2021/22 totals 152 days in total, encompassing 14 Internal Audit reviews, two of which cover IT processes.

- 5.3 For 2021/22, the Internal Audit team intend to provide cross cutting reviews of high-risk areas to compare controls against best practice and the approach taken at other Council's in the consortium for added value. These areas are as follows:
- Business Strategy and Performance Management – In response to the Covid-19 Pandemic, Strategy and Performance of the Council will need to adapt to local needs, increasing pressures on resources and potentially continued outbreaks of the virus. This consortium wide review will evaluate how the Council plans to adapt and measure success.
 - Counter Fraud and Corruption – The new Fighting Fraud and Corruption Locally strategy has been launched highlighting the increasing risks faced by Local Authorities in tackling and staying ahead of successful fraud attempts the cost of which is estimated to be around 7.8bn - *Annual Fraud Indicator – Crowe Clark Whitehill 2017*.
 - Covid relief grants – Post award assurance will be provided over the Council's handling of national and discretionary Covid-19 grants and compare its approach to local Councils in the consortium drawing out lessons and best practice suggestions where appropriate.
 - Annual Governance Statement – A consortium wide review will be undertaken to evaluate each Councils interpretation of the Delivering Good Governance in Local Government Framework in relation to the preparation of an Annual Governance Statement sharing best practice where identified.
- 5.4 A total of nine internal audit reviews will be carried out jointly with Broadland District Council this year allowing Internal Audit to provide assurance that people and processes are working together for the same goal, supporting collaboration and that any inconsistencies can be remedied through formal recommendations where appropriate.
- 5.5 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.
- 5.6 Depending on any changes to the control environment over the year, the annual internal audit plan may need to be revised to respond to emerging risks. The Head of Internal Audit will regularly review the Strategic Risk Register and report through to the Committee any necessary changes to the plan of work.

6. PROPOSAL

- 6.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensures that the appropriate and proportionate level of action is taken.

7. RECOMMENDATIONS

- 7.1 That the Committee approve:
- a) the Internal Audit Charter;
 - b) the Internal Audit Strategy;
 - c) the Strategic Internal Audit Plans 2021/22 to 2024/25; and
 - d) the Annual Internal Audit Plan 2021/22.

APPENDIX 1 – INTERNAL AUDIT CHARTER



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT CHARTER FOR 2021/22

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
- Breckland District Council;
 - Broadland District Council;
 - Great Yarmouth Borough Council;
 - North Norfolk District Council
 - South Holland District Council;
 - South Norfolk Council; and
 - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter.

1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”

1.7 This charter:

- Establishes the position and reporting lines of internal audit;
- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;

- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

- 1.8 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. The charter will be reviewed annually by the Chief Audit Executive and Internal Audit Manager to confirm its ongoing completeness and validity and presented to Senior Management and the Board every 2 years for review.

2 Purpose, Authority and Responsibility

2.1 Purpose

- 2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

- 2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

- 2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body must; *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.3 Responsibility

- 2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).
- 2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.
- 2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive and Internal Audit Manager responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.
- 2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

3 Key Relationships and Position in the Organisation

- 3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

- 3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members except for South Norfolk Council and Broadland District Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Chief of Staff role, administratively reporting to the Managing Director of South Norfolk and Broadland Council. Due to responsibilities undertaken as part of the Chief of Staff role and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role for South Norfolk Council and Broadland District Council is undertaken by a contractor to ensure that independence is safeguarded.

- 3.2.2 The Head of Internal Audit and the Internal Audit Manager also report functionally to each Section 151 Officer or Section 17 Officer at all other members of the consortium.
- 3.2.3 The Head of Internal Audit and the Internal Audit Manager also have a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority.
- 3.2.4 The delivery of the Annual Audit Plans and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Internal Audit Manager manages the contract.

3.3 Board

- 3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.
- 3.3.2 This functional reporting includes;
- Approving the audit charter, audit strategy and risk based annual plans;
 - Receiving regular reports on the outcomes of internal audit activity and performance;
 - Receiving regular reports on management action in relation to agreed internal audit recommendations;
 - Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
 - Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- 3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and

governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

- 3.4.2 The Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and also responds as required.

3.5 External Audit

- 3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

3.6 Other Internal Audit Service Providers

- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.
- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4 Rights of Access

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5 Objective and Scope

- 5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.
- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.

- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.
- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit and Internal Audit Manager are either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

6 Independence and Objectivity

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.3 The Head of Internal Audit and Internal Audit Manager have responsibility for the strategic direction of the Internal Audit Service. At South Norfolk and Broadland District Council where a shared service arrangement is in place the Chief of Staff carries out additional responsibilities that fall outside of internal auditing. These include;
- Monitoring Officer
 - Democratic Services
 - Legal Services
 - Freedom of Information
 - General Data Protection Regulation
 - Human Resources
 - Communications and Marketing

Safeguards exist to limit any impairments that may occur to the independence and objectivity at Broadland and South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work

carried out by the contractor and does not have any involvement in the above-mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk and Broadland District Council will be carried out by a fully qualified contractor responsible for overseeing the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.

- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

7 Professional Standards

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

8 Internal Audit Resources

- 8.1 The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Internal Audit Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

9 Audit Planning

- 9.1 The Internal Audit Manager overseen by the Head of Internal Audit develops a strategy, alongside a strategic and annual internal audit plan, using a risk-based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk-based approach, discussed with Senior Management and approved by the Audit Committee. The Internal Audit Manager is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

10 Audit Reporting

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.

- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.
- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The Annual Opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

10 Quality Assurance and Improvement Programme

- 11.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Internal Audit Manager will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

11.3 Internal Assessment

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Internal Audit Manager for review.
- 11.3.2 On conclusion of audit reviews a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

11.4 External Assessment

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders,

supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

11.4.2 An external assessment will:

- Provide an assessment on the internal audit function's conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"

APPENDIX 2 – INTERNAL AUDIT STRATEGY



EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT STRATEGY FOR 2021/22

1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
 - how internal audit services will be developed in accordance with the internal audit charter;
 - how internal audit services links to the organisational objectives and priorities; and
 - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter and the annual plan.

2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years ending 31 March 2020. In line with the terms of this contract an extension has been agreed which will allow the contract to run for a further year terminating on 31 March 2022. The Head of Internal Audit and Internal Audit Manager in consultation with all consortium members will be procuring the internal audit contract during 2021.

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements,

and to make recommendations to improve these provisions, where further development would be beneficial.

- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit and Risk Committee and the Section 17 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all the audits that could be performed; and
 - Previous Internal Audit plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 17 Officer and Senior Management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by Management Team prior to these being brought to the Audit and Risk Committee. In addition, External Audit is also provided with details of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Audit and Risk Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
 - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. How internal audit services links to the organisational objectives and priorities

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

5. How internal audit resource requirements have been assessed

5.1 Through utilising a contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be

supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk & Reference	2021/22	2022/23	2023/24	2024/25	Joint Review
Annual Opinion / Governance audits							
Key Controls and Assurance	2018/19 Reasonable 2019/20 Reasonable	Critical to annual internal audit opinion	15	10	15	10	√
Corporate Governance	2017/18 - Reasonable 2019/20 - Reasonable	Critical to annual internal audit opinion		6			
Annual Governance Statement	New area	Critical to annual internal audit opinion	8				
FOI's Complaints and Comms	New area				10		
Performance Management, Corporate Planning - Deferred from 2020/21	2017/18 - Reasonable		10				√
Project Management - Deferred from 2020/21	New area				8		
Coronavirus Pandemic Recovery	2020/21 Position Statement	High 5					
Counter Fraud and Corruption Framework	New area	Significant external risk	8				
Procurement and Contract Management	2018/19 - Reasonable 2020/21 - Position Statement	High 8		10			
Risk Management	2016/17 - Substantial 2019/20 Risk Maturity Assessment			6			
Big Sky	2016/17 - Reasonable 2019/20 - Reasonable	Very High 2	10		10		
Corporate Health and Safety - Deferred from 2020/21	2017/18 - Reasonable	High 9	8				√

Audit Area	Last review & assurance	Associated Risk & Reference	2021/22	2022/23	2023/24	2024/25	Joint Review
Fundamental Financial Systems							
Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management	2017/18 - Reasonable 2019/20 - Reasonable	Very High 1	15				
Accounts Payable	2016/17 - Reasonable 2018/19 - Reasonable			12		12	
Accounts Receivable	2017/18 - Reasonable 2019/20 - Reasonable		10		10		
Income (remittances)	2017/18 - Reasonable 2019/20 - Reasonable		8		8		
Local Council Tax Support and Housing Benefit	2018/19 - Reasonable 2020/21 Reasonable	High 15		15		15	
Covid-19 Business Grants	New area	High 15	8				
Council Tax and National Non-Domestic Rates	2018/19 Reasonable 2020/21 Reasonable	High 15		15		15	
Payroll and Human Resources	2018/19 - Substantial 2020/21 - Reasonable	High 12		10		10	

Audit Area	Last review & assurance	Associated Risk & Reference	2021/22	2022/23	2023/24	2024/25	Joint Review
Service area audits							
Economic Development	2020/21 Position Statement	High 14		10			
Tourism and Market Towns	New area				10		
Collaboration Feasibility	New area	Very High 6		10			
Democratic Services - members services, training, allowances and expenses	2015/16 - Reasonable					8	
Legal Services	2014/15 - Reasonable					10	
Elections and Electoral Registration	2013/14 - Reasonable 2018/19 Substantial				8		
Environmental Health - includes Business Continuity, Emergency Planning, Environmental Protection, Dog Warden & Pollution Control, Licencing, Food Safety and Health and Safety. - Deferred from 2020/21	2015/16 - Reasonable 2016/17 - Reasonable		10		10		√
Waste Management includes refuse collection, street cleansing, recycling, clinical waster, abandoned vehicles and grounds maintenance	2016/17 - Reasonable 2019/20 - Reasonable					10	
Wellbeing and Safeguarding	New area					10	
Early Help Hub	2016/17 - Limited	High 15		10			
Homelessness & Housing Options	2017/18 - Reasonable 2019/20 - Reasonable		10				√
Housing Strategy and Affordable Housing	2016/17 - Reasonable				10		
Housing Standards includes DFGs and discretionary grants	2017/18 - Reasonable 2019/20 - Reasonable			10			
Planning & Development Management	2014/15 - Reasonable, 2019/20 - Reasonable				15		
Leisure - Deferred from 2020/21	2017/18 - Reasonable 2019/20 - Reasonable	Very High 13		10			
CNC - Building Control	2016/17 - Reasonable 2018/19 - Reasonable				10		
Car Parks	2015/16 - Reasonable, 2018/19 Reasonable				10		
Transit Sites	New area				10		

Audit Area	Last review & assurance	Associated Risk & Reference	2021/22	2022/23	2023/24	2024/25	Joint Review
ICT Audits							
Cyber crime	2018/19 - Limited	Very High 11	10				√
Remote Access	2018/19 - Reasonable 2020/21 - Reasonable						
Disaster Recovery	2017/18 - Reasonable 2019/20 - Limited	Very High 4	10				√
Network Security and Infrastructure Management	2013/14 Reasonable			10			
Service Desk	2017/18 Limited 2020/21 - Reasonable						
Data Centre - Deferred to 2021/22	2019/20 Position Statement						
IT audit reviews to be determined				10	20	20	
Follow Up of audit recommendations							
All agreed internal audit recommendations			12	12	12	12	
Total number of days			152	166	166	132	

APPENDIX 4 ANNUAL INTERNAL AUDIT PLAN 2021/22

Audit Area	No of days	Q1	Q2	Q3	Q4	TBC	Joint	Notes
Annual Opinion Governance Audits								
Key Controls and Assurance	15				15		√	This is an annual review of key financial controls and informs the Head of Internal Audit's overall opinion on the control environment and feeds into the Statement of Accounts. For those systems not subject to a full audit review within the year, assurance will be provided. In 2021/22 this review will cover; Accounts Payable, HR and Payroll, Council Tax and NNDR and Housing Benefit and Council Tax Support.
Performance Management, Business Planning	10		10				√	This review was deferred from the 2020/21 plan to allow for urgent Covid-19 audit coverage. Due to the significance of the Covid-19 Pandemic, the Corporate Plan for the Council will be reviewed taking lessons learnt, new ways of working and changes to local needs into account. Our review will provide assurance that the new strategy reflects the environment, that reliable information has been used to inform the process, that risks to delivery have been considered and that performance measures have been revised that are achievable yet challenging. This review will be undertaken consortium wide to draw on similarities and good practice where relevant.
Annual Governance Statement	8			8			√	A deep dive review will be undertaken to provide assurance that compliance with the governance code can be evidenced and that Annual Governance Statement is compiled following the Cipfa and Solace Delivering Good Governance in Local Government. This review is to be carried out consortium wide to draw on similarities and relevant good practice interpretations.
Big Sky	10			10				A reasonable assurance report was provided on Big Sky in 2019/20. A number of governance findings were raised and recommendations completed. The strategic risk register contains a high scoring risk in relation to commercial uncertainties impacting the Council financially and reputationally. Our review will provide independent assurance that the controls used to mitigate this risk down within the Councils appetite are adequate and will focus on the assurances available showing the SLA between Big Sky and South Norfolk Council is being effectively managed.

Audit Area	No of days	Q1	Q2	Q3	Q4	TBC	Joint	Notes
Annual Opinion Governance Audits								
Corporate Health and Safety	8		8				√	This review was deferred from 2020/21 to respond to Covid-19. A Medium High risk has been raised in the strategic register in relation to a major incident occurring. Norfolk County Council currently provides health and safety related advice and support. Our review will provide independent assurance over the controls in place to mitigate this risk such as; key roles and responsibilities, inspections and reporting to provide assurance that the service is operating effectively. Our review will also examine the adequacy of procedures in relation to lone working and the dangerous persons register.
Counter Fraud and Corruption	8		8				√	The latest Fighting Fraud and Corruption Strategy has highlighted an increasing threat of fraud related risks for local authorities. Our review will examine the Council's approach to Fraud in line with the checklist provided as part of this new strategy and suggest practical recommendations for improvement where required. This review will be carried out consortium wide to examine areas of best practice.
Fundamental Financial Systems								
Accounts Receivable	10			10				These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Where reviews are undertaken in earlier quarters, top up testing will be completed if required in the key controls audit to provide adequate coverage.
Income	8			8				
Accountancy Services	15			15				
Covid-19 Business Grants	8		8					Post award assurance will be provided on relief payments and discretionary based payments administered by the Council during Covid-19. The end to end process will be examined and evidence of due diligence requested to provide assurance that grants have been paid correctly. Consortium wide review.

Audit Area	No of days	Q1	Q2	Q3	Q4	TBC	Joint	Notes
Service area audits								
Homelessness & Housing Options	10					10	√	A limited assurance grading was raised at Broadland in 2019/20 in this area. Our review will evaluate the effectiveness of improvements in this area and provide assurance that the service is being delivered in line with statutory obligations following the significant pressures placed on the service at both Councils during the Covid-19 pandemic.
Environmental Health	10		10				√	This area was deferred from the 2020/21 Plan to allow for urgent Covid-19 audit coverage. This area was last reviewed in 2016/17 at SNC, 2018/19 at BRD and focused licencing and food safety where a reasonable assurance grading was given. This audit will revisit these controls at both Councils now that this area has come together as one team and provide assurance that licencing and Food Health and Safety at work regulation and enforcement controls are operating effectively.
ICT Audits								
Cyber Security	10				10		√	A limited assurance grading was issued in 2019/20 at SNC in relation to cyber security controls. At Broadland a reasonable was given. This review will confirm that the improvements suggested during these reviews have been embedded and that cyber security risks are well managed.
Disaster Recovery	10				10		√	A limited assurance grading was issued in 2019/20 at SNC in relation to disaster recovery controls. At Broadland a reasonable was given. This review will confirm that the improvements suggested during these reviews have been embedded and provide assurance that investment to improve resilience at both Councils is on track and is being well managed.
Follow Up of audit recommendations								
Follow up of agreed internal audit recommendations SNC	12	3	3	3	3			Bi-monthly follow up of agreed recommendations and evidence of closure verified.
Total number of days	152	3	47	54	38	10		

South Norfolk District Council

Provisional Audit Plan

Year ended 31 March 2021

10 May 2021



South Norfolk District Council
Finance, Resources, Audit and Governance Committee Members
South Norfolk House, Swan Lane
Long Stratton, Norfolk
NR15 2XE

10 May 2021

Dear Committee Members

Provisional Audit Plan - 2020/21 Audit Year

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Finance, Resources, Audit and Governance (FRAG) Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Governance and Assurance Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the FRAG Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 25 June 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the FRAG Committee and management of South Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the FRAG Committee, and management of South Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the FRAG Committee, and management of South Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finance, Resources, Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme.
Incorrect apportionment of recharged expenditure overheads between South Norfolk District Council and Broadland District Council	Fraud risk	No change in risk or focus	<p>The partnership with Broadland District Council has resulted in an agreement for apportioning expenditure overheads shared between the two councils.</p> <p>The allocation of these expenditure overheads provides opportunity for management to manipulate accounting records directly or indirectly and prepare fraudulent financial statements.</p>
Covid-19 Related Grant Income	Significant Risk	New risk and area of focus	The Council has received a significant level of additional Government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	<p>The valuation of land and buildings represent significant balances in the Council's accounts. 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>There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.</p>
Pension Liability Valuation	Inherent risk	No change in risk or focus	<p>The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Omission or Understatement of NDR Appeals Provision	Inherent Risk	New risk in 2020/21	<p>We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. It is expected that the number of appeals by businesses will have increased from prior year due to inoperability of businesses throughout the COVID-19 pandemic. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

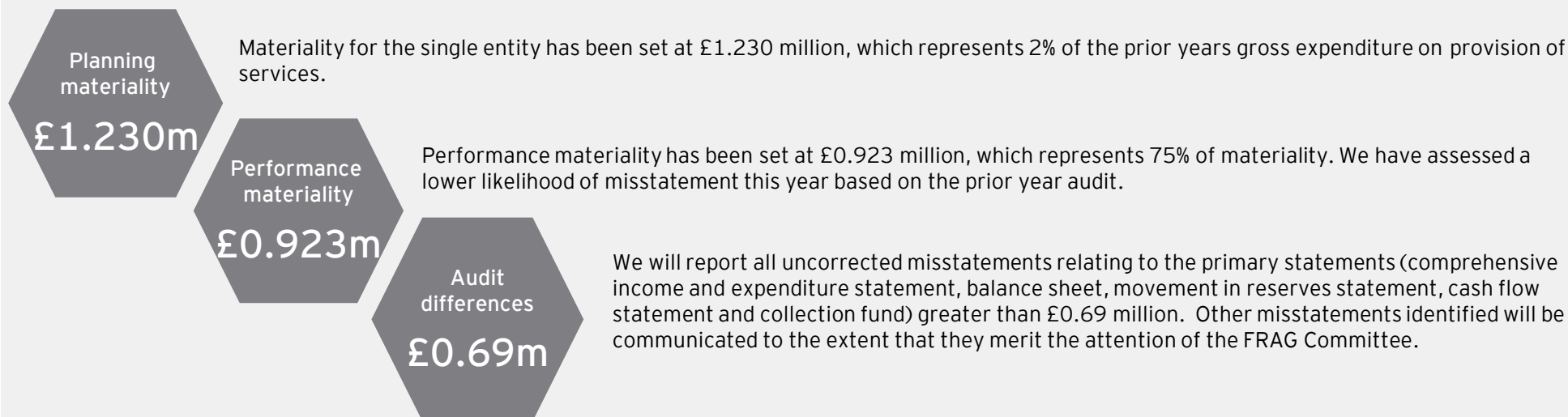
Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Collection Fund Accounting	Inherent Risk	New risk and area of focus	Businesses in the retail, hospitality, and leisure sections will not have to pay business rates for the 2020/21 fiscal yearend which is automatically applied by the council. Management will be required to update internal applications of the business rates. There is a risk that business rates are overstated. Furthermore, there is a risk that Council Tax will not be fully collected related to 2020/21 and that any related deficits will need to be rebalanced over the next three year period.
Recoverability of Receivables (Bad Debt Provision)	Inherent Risk	New risk and area of focus	There is increased risk that Receivable balances become irrecoverable due to the Covid-19 pandemic as an increased number of businesses and residents unable to meet financial obligations. As a result, an impairment of the year-end Receivables balance may be required.
Going Concern Disclosure	Other Area of Focus	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality



Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of South Norfolk District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of South Norfolk District Council's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*	What is the risk?	What will we do?
	<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. We identify and respond to this fraud risk on every audit engagement.</p> <p>As part of our audit work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.</p> <p>In addition, we have identified those areas of the where the risk of manipulation could specifically manifest itself.</p> <p>These areas are set out on the following two pages.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages; ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management's processes over fraud; ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; and ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. <p>To address the residual risk of management override we perform specific procedures which include:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing; ▶ Assessing key accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (continued)

<p>Misstatements due to fraud or error – Incorrect capitalisation of revenue expenditure*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.</p> <p>We consider the risk applies to the capitalisation of revenue expenditure and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' Statement.</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 (see above).</p> <p>As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:</p> <ul style="list-style-type: none"> the capitalisation of revenue expenditure on Property, Plant and Equipment as a specific area of risk given the Council's £37.6 million capital programme in 2019/20. 	<p>In addition to our standard procedures we will:</p> <ul style="list-style-type: none"> Walk through controls designed and implemented to address the significant risk; Review expenditure capitalised in the year and review the GL to identify whether there are any potential transactional items that should be revenue in nature; Sample test additions to a higher degree than would otherwise be the case if the risk was not present; and Design specific journal procedures to review adjustment journals from across the financial year that move amounts from revenue to capital codes.

Our response to significant risks (continued)

Misstatements due to fraud or error - Incorrect apportionment of recharged expenditure overheads between South Norfolk District Council and Broadland District Council *

Financial statement impact

We have identified a risk of recharged expenditure misstatement that could affect the Income and Expenditure accounts.

We consider the risk applies to the measurement of recharged overheads and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.

What is the risk?

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 (see above).

As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:

- ▶ the incorrect application of recharges between South Norfolk District Council and Broadland District Council thus manipulating the financial position of one or both Councils.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing the appropriateness of recharges and that they are in line with the agreed cost sharing arrangement;
- ▶ Performing sample testing on recharge invoices to ensure that they are in line with the cost sharing agreement; and
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements purporting to recharges.

Our response to significant risks (continued)

Accounting for Covid-19 related Government grants	What is the risk?	What will we do?
<p>Financial statement impact</p> <p>We have identified a risk of Government grant income misstatement that could affect the Income and Expenditure accounts.</p> <p>We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.</p>	<p>The Council has received a significant level of additional Government funding in relation to Covid-19. In 2020/21.</p> <p>Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> • Sample testing Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature. • Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body. <p>We will encourage the finance team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment.</p>

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings – Inherent Risk</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</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. At 31 March 2020 the value of PPE and IP totalled £43.7 million.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Consider 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 test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider 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 and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Where there are significant changes in valuation, or a lack of change where a movement is expected, we may need to engage our own EY valuation experts to perform a review of valuation assumptions and methodologies, particularly on those more complex methodologies such as depreciated replacement cost; and ▶ Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Pension Liability Valuation – Inherent Risk</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>At 31 March 2020 this totalled £57.1 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Administering Authority (Norfolk County Council).</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Liaise 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; ▶ Assess the work of the Pension Fund actuary (Hymans) 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; and ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Omission or understatement of NDR appeals provisions - Inherent Risk

We have identified the omission and incorrect valuation of the NDR appeals provisions as a separate inherent risk. It is expected that the number and magnitude of appeals by businesses will increase in the fiscal period as a result of the COVID-19 pandemic impacting the operability of Non-Domestic Properties. The lockdown and closure of businesses throughout the pandemic may give rise to appeals on the basis of hardship.

The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Testing the calculation of the NDR Provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing is performed we will apply a lower testing threshold to ensure the Appeals Provision is calculated on an appropriate basis and has been correctly valued; and
- ▶ Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of the provision.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Recoverability of Receivables (Bad Debt Provision) - Inherent Risk</p> <p>As a result of the COVID-19 pandemic there was a negative impact on the overall national economic position. This gives rise to an expectation of an increase in Debtor Receivable balances in comparison to prior periods and therefore requires the Council to perform additional assessment over the recoverability of outstanding balances.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Obtaining an understanding of Bad Debt Provision policies applied by The Council including any updates to the policies throughout the fiscal period; ▶ Obtain and review the aged debt report for increases in non-current outstanding balances and sample test the report to underlying source documentation to ensure the accuracy of aging; and ▶ Identify significant overdue balances and assess the appropriateness of the bad debt provision recorded by The Council to address these balances.
<p>Collection Fund Accounting - Inherent Risk</p> <p>Central government has announced that businesses in the retail, hospitality, and leisure sectors in England will not have to pay business rates in the current fiscal period. Furthermore, there is a risk that Council Tax will not be fully collected related to 2020/21 and that any related deficits will need to be rebalanced over the next three year period. This represents a change in the calculation from prior period and presents the potential for misstatement,</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Perform analytic procedures over NDR and Council Tax factoring in new assumptions; ▶ Review impact of increased reliefs due to COVID-19 within the Collection Fund and flow through to the CIES; and ▶ Review of Collection Fund Statement and related disclosures for appropriateness in line with the Code

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Going Concern Compliance with ISA 570 – Area of Focus</p> <p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure it's going concern assessment is thorough and appropriately comprehensive.</p> <p>The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.</p>	<p>We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Challenging management's identification of events or conditions impacting going concern; ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▶ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties; <p>We will discuss the detailed implications of the revised Auditing Standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.</p>

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard will affect the nature and extent of information that we request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We will place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We will provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We will make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's as a result of the above procedures.



03

Value for Money Risks





Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

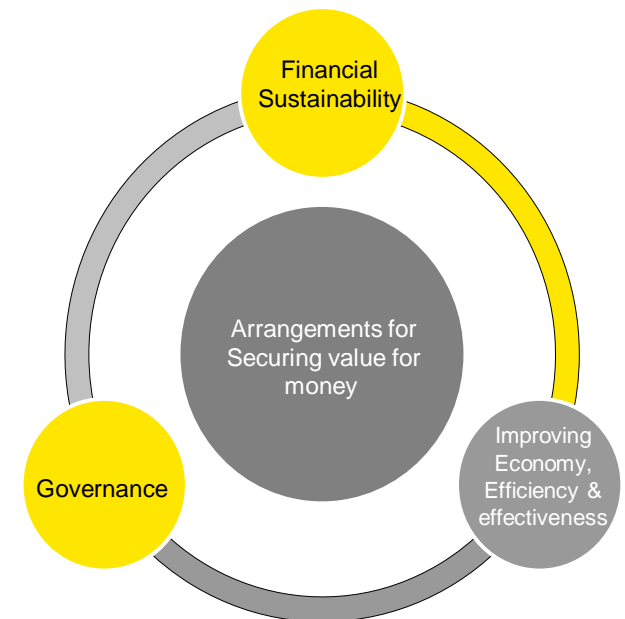
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning.

We will update a future FRAG Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.



04

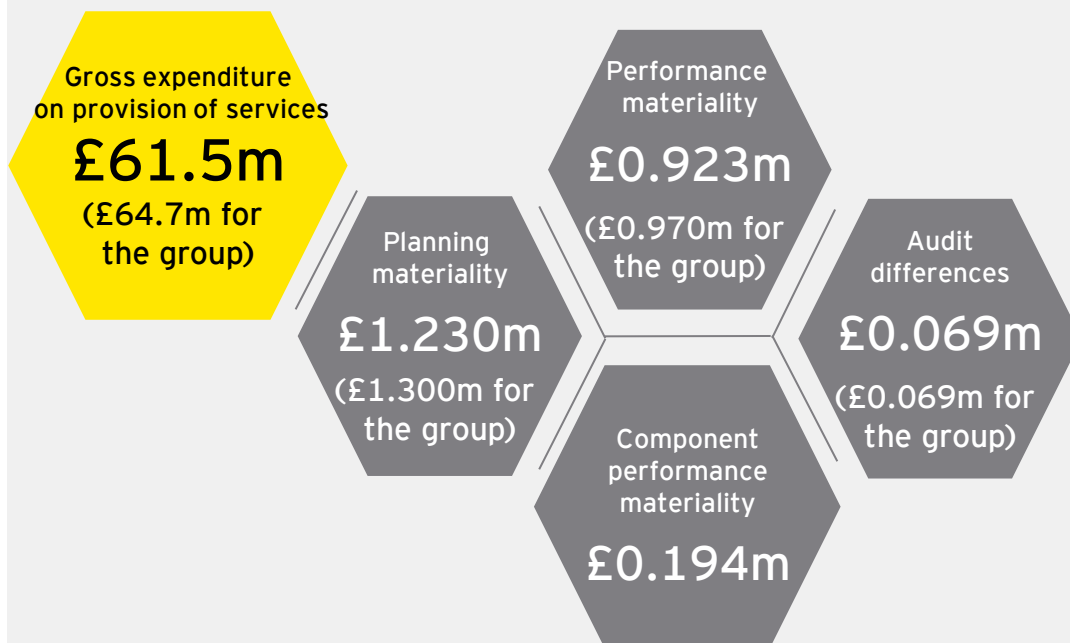
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1.230 million (Group: £1.300 million). This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have used this basis primarily due to the fact that the main function of the entity is to provide services to the local community. We have provided supplemental information about audit materiality in Appendix C.



We request that the Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.923 million (Group: £0.971 million) which represents 75% of planning materiality (2019/20: 75%). Performance materiality for the group is set at £0.975 million.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. We have set this at £0.194 million for Big Sky Developments and £0.194 million for Big Sky Property Management.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. A marginally higher threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund. The Group audit differences threshold has been set at £0.069 million.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

Internal audit:

As in prior years we will review internal audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

2	A	Full scope audits (SNDC/BSD)
0	B	Specific scope audits
0	C	Review scope audits
1	D	Specified procedures (BSPM)
2	E	Other procedures (BI, BSV)

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

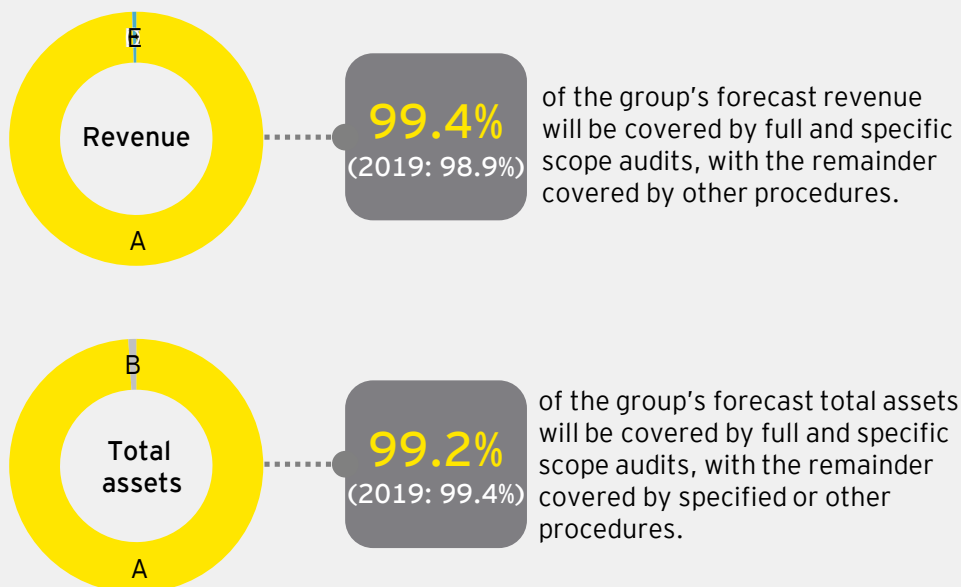
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, and in aggregate these components do not exceed more than 1% of the Group's surplus on the provision of services before tax.

Scope of our audit

Scoping the group audit (continued)

Coverage of Revenue/Surplus before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the: surplus on provision of services before tax; group's revenue, and total assets.



Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Key changes in scope from last year

No key changes in 2020/21. Big Sky Ventures continues to be scoped as 'other procedures' in the current year as it is a holding company with no unusual transactions expected in the year.

Details of specified and other procedures

We will agree the consolidation entries in respect of Big Sky Ventures to supporting accounts and review for any unexpected material changes.



06

Audit team



Audit team

The engagement team is led by Mark Hodgson for his second year as Associate Partner on the audit. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Mark is supported by Andrew Paylor, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Finance Manager. Andrew replaces Dan Cooke in this role.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	South Norfolk Council's property valuer. We will also consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary)
Fair Value Investment Measurement	Link Asset Services (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





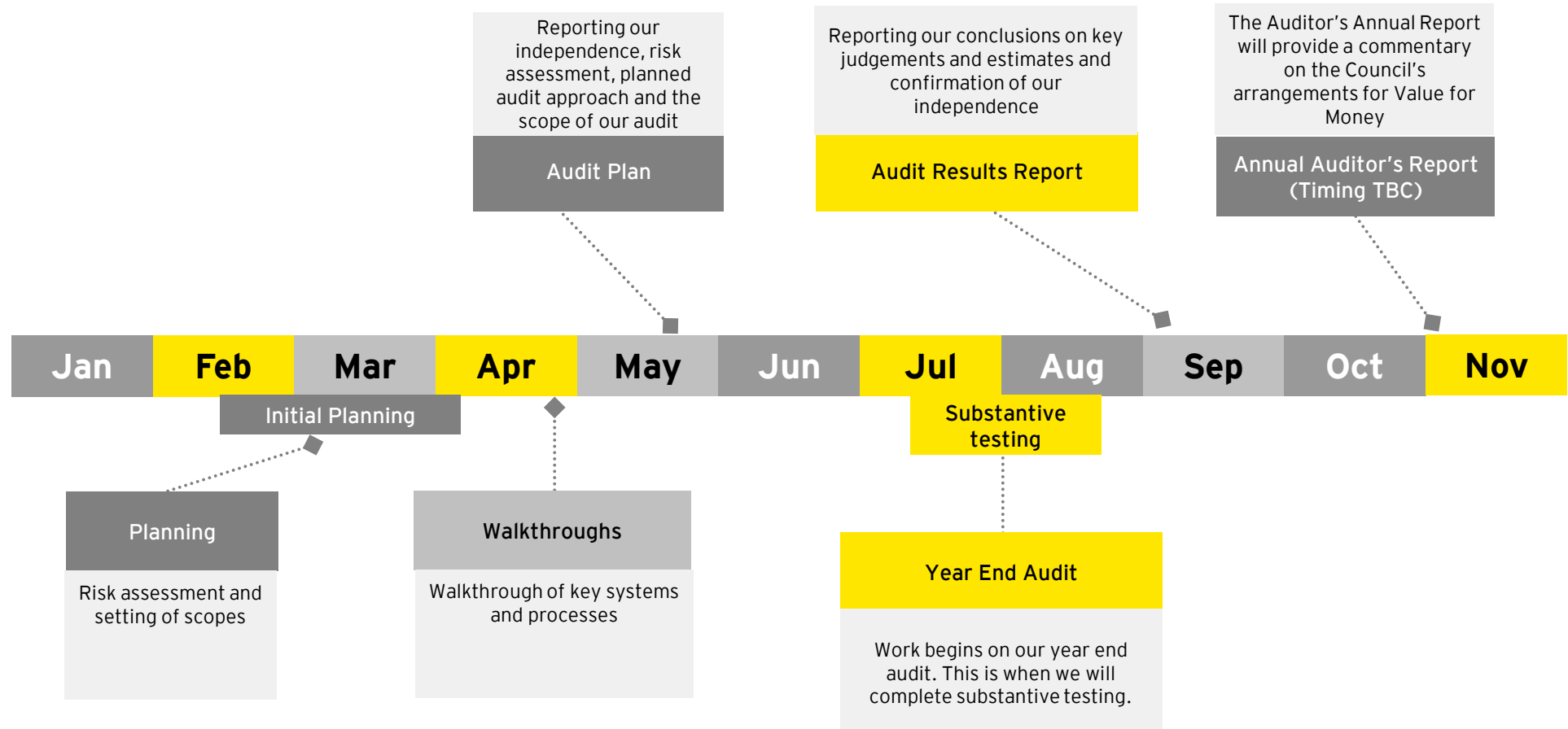
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the FRAG Committee and we will discuss them with the FRAG Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 0%. We do however, provide Agreed Upon Procedures work in relation to the Housing Benefit Certification in line with DWP guidance. This falls outside of the audit fee set by PSAA Ltd for a Code of Practice engagement. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2020/21. Our current fee level is £14,500 (based on 2019/20), however, we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2020/21 financial statements.	Relates to 2020/21 return for the period to 31 March 2021.	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2020/21.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 16 March 2021. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 16 March 2021 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£		£
Total Fee - Code work	39,231	39,231	39,231
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	29,165	-	29,165
Revised Proposed Scale Fee	68,396	39,231	68,396
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter			16,383
Non-audit services - Housing Benefit			12,600
Total fees	68,396	39,231	97,379

All fees exclude VAT




Note 1 - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20.

This revised scale fee has been discussed with Management and is subject to review and approval by the PSAA Ltd in respect of both financial years.

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the FRAG Committee .

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the FRAG Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - 25 June 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 24 September 2021




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - 24 September 2021
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - 24 September 2021
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the FRAG Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - 24 September 2021
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - 24 September 2021





Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Results Report - 24 September 2021</p> <p>Audit Plan - 25 June 2021</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - 24 September 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report - 24 September 2021
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - 24 September 2021

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 24 September 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 24 September 2021
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 September 2021
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 25 June 2021 Audit Results Report - 24 September 2021 Annual Auditors Report - 4 February 2022

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Annual Governance Statement 2020/21

Report Author(s): Emma Hodds
Chief of Staff & Monitoring Officer
01508 533791
ehodds@s-norfolk.gov.uk

Portfolio: Governance & Efficiency

Ward(s) Affected: All

Purpose of the Report:

The Committee is requested to review the Annual Governance Statement for 2020/21 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committee's general understanding of the Council's governance arrangements.

Recommendations:

1. To approve the Annual Governance Statement for 2020/21

1. Summary

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

2. Background

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

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

3. Current position/findings

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

- Internal Audit Progress Reports, which contains the findings and associated recommendations agreed with management to address weaknesses and risks;
 - Reports on the progress made in addressing the findings and recommendations; and
 - Strategic and Annual Internal Audit Plans.
- 3.2 The work of Internal Audit on the 2020/21 internal audit plan has been completed and a “reasonable” opinion has been given on the framework of governance, risk management and control.
- 3.3 During the year, Cabinet received regular reports on performance and financial monitoring in relation to both the capital and revenue budgets, and quarterly reports on Risk Management were taken to the Cabinet, alongside the performance and financial reports.
- 3.4 In addition, this year this Committee has overseen the adoption of a new Risk Management Policy and now regularly receives reports on the strategic risk register, to provide oversight of the management of these risks by the Council.
- 3.5 Assistant Directors (ADs) have again this year completed an Assurance Statement which covers key areas of responsibility as follows:
- Procedures;
 - Effectiveness of key controls;
 - Alignment of Services with Business Plan;
 - Human Resources and Finance;
 - Risks and Controls;
 - Health and Safety;
 - Procurement;
 - Insurance;
 - Information Technology;
 - Data Protection and Freedom of Information;
 - Business Continuity;
 - Partnerships; and
 - Equalities.
- 3.6 In addition, the Chief of Staff, the Head of Internal Audit, and the AD - Regulatory have also provided statements in relation to specific role queries.
- 3.7 The responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. However, ADs have highlighted some development areas which are service specific in relation to *risk and control*; and *business continuity*, which will be reviewed over the forthcoming months.

4. Proposed action

- 4.1 The Committee is requested to review the Annual Governance Statement for 2020/21 to ensure that it reflects the reports that have been considered over the past year and that it supports the Committees general understanding of the Council's governance arrangements.

5. Issues and risks

5.1 **Resource Implications** – none

5.2 **Legal Implications** – none

5.3 **Equality Implications** – none

5.4 **Environmental Impact** – none

5.5 **Crime and Disorder** – none

5.6 **Risks** – none

6 Recommendations

- 6.1 To approve the Annual Governance Statement for 2020/21.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

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

This statement explains how South Norfolk Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control, and accompanies the 2020/21 Statement of Accounts of the Council. The Annual Governance Statement is subject to detailed review and approval by the Finance, Resources, Audit and Governance Committee.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at South Norfolk Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

The Governance Framework

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

The code of corporate governance was in place for the 2020/21 financial year. This Code is the framework of policies, procedures, behaviours and values which determine how the Council will achieve its priorities and is based upon the seven principles of the International Framework for Corporate Governance in the Public Sector.

The Council's Vision and Priorities:

The Council works in collaboration with Broadland District Council and as a result we share a Strategic Plan (2020 – 2024) and Delivery Plan (2020/21). These set out our shared Vision and Priorities:

THE VISION: Working together to create the best place and environment for everyone, now and for future generations

OUR PRIORITIES, OUR PEOPLE, OUR APPROACH:

1. Growing the economy;
2. Supporting individuals and empowering communities;
3. Protecting and improving the natural and built environment, whilst maximising quality of life; and
4. Moving with the times, working smartly and collaboratively.

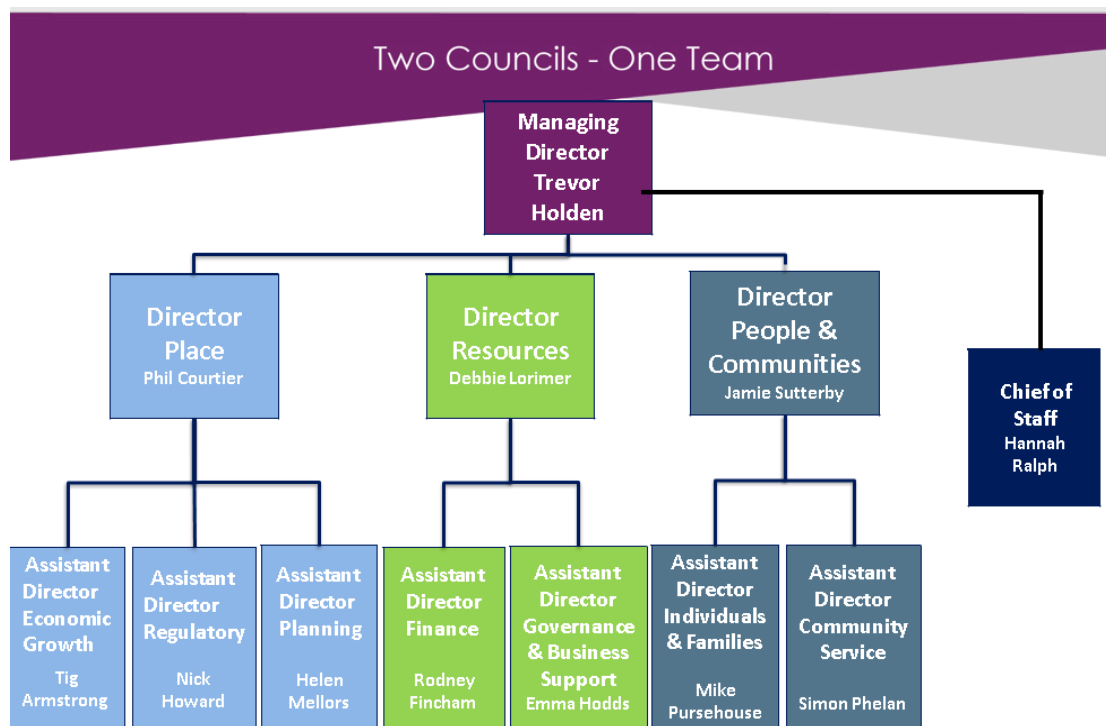
The Strategic Plan is a digital and interactive document which acts as a gateway for more in-depth details of the priorities and work of the Council and can be found [here](#).

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

To underpin the Strategic Plan, a detailed Delivery Plan is produced annually. This describes our intended activities for the 12 months from April to March each year to support the priorities set out in the Strategic Plan. This plan is produced as an

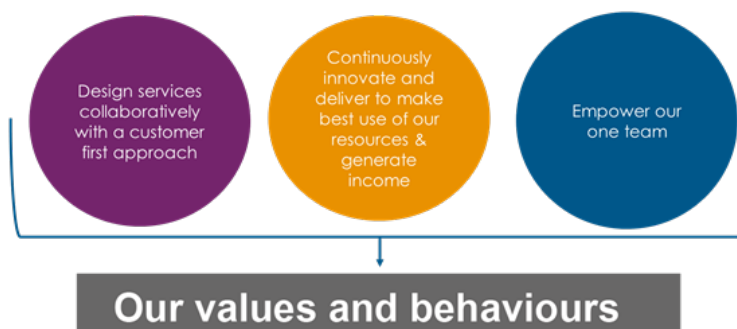
integrated process with the Council's annual budget setting and Medium-Term Financial Plan revision. The 2020/21 Plan can be accessed [here](#).
Review of the Council's Governance Arrangements:

The Council regularly reviews its organisational structure as part of aligning resources with demand to deliver the priorities above. The Council's collaboration with Broadland District Council established one officer team across the two Councils, which includes a Corporate Management Leadership Team (CMLT), consisting of the Managing Director, three Directors, and eight Assistant Directors, as follows:



The SPARK transformation programme has continued through the past year, with key transformational programmes being delivered across the Council. The One Team has internal consultants in place across the organisation to lead on changes and work with the service areas to drive forwards efficiencies. The programme of work was impacted on by COVID, with staff being redeployed to other areas of the Council, where there was a critical need to help our Communities and residents. The transformational approach is designed around the three key philosophies outlined below.

The Spark philosophy



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

The 4-year Strategic Plan sets out our Priorities together with targets for success over this time. The 2020/21 Delivery Plan uses these priorities and shows the 'Delivery Measures' which aim to track the performance of our services and how well we are achieving our key ambitions. The Delivery Measures are tracked and reported each quarter to Cabinet as part of our Performance Framework.

The Delivery Plan sets out the proposed activities and 'business as usual' operational services that will be undertaken for the financial year ahead commencing 1 April. A new performance management scheme has been launched, with the end of year discussions being held to reflect on the past year and then to set objectives for the forthcoming year in line with the delivery plan. The objectives will be reviewed through continuous conversations over the course of the year.

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

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

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

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

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

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

CIPFA Financial Management Code

The Council has assessed itself against the CIPFA Financial Management code and has concluded that it complies with the key requirements therein, alongside this conclusion an action plan has been developed to make further improvements.

The Finance, Resources, Audit and Governance Committee

The Committee met regularly during the year. Its key tasks are to monitor the work of Internal and External Audit, support risk management, to approve the statutory

accounts, and to oversee the work in supporting the production of this Annual Governance Statement.

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

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

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

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

Whistle-blowing Policies and Investigating Complaints:

As employees, councillors and others who deal with the Council are often the first to spot things that may be wrong or inappropriate at the Council, a Whistle-blowing Policy is in place to provide help and assistance with such matters. There is also a formal complaints procedure operated as part of the Council's performance management framework. The Council's Whistleblowing Policy and Procedure were reviewed and updated during 2020/21 and updated versions were formally approved at the beginning of 2021/22.

Tackling Fraud and Corruption:

The Council has a Counter Fraud, Corruption and Bribery Strategy in place to ensure that we can deliver against our priorities whilst minimising losses to fraud, corruption and bribery. This has been reviewed and updated during 2020/21 and updated versions were formally approved at the beginning of 2021/22. The Council has a Housing Benefit and Council Tax Support Anti-fraud and Corruption Policy.

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

Development Needs of Councillors and Officers:

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

for staff, which also includes an online platform that allows staff to undertake learning remotely, at a time that is convenient for them. The online platform has been extremely useful during the COVID-19 pandemic, whilst the majority of officers worked from home, and ensured that we can continue to provide training and development as required. This has also included more informal sessions on stress awareness etc.

In relation to Members, they undertook a rigorous training schedule in 2019/20 after they were elected, which began with a general induction programme and continued throughout the year on more specific topics to ensure Members can take on all aspects of their role confidently and legally. The majority of training undertaken by Members has been online, and often centred on regulatory matters that are required for accreditation purposes to allow members to sit on specific Committees. Members also have access to the online training platform referred to above.

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

The Council works with Norfolk County Council, other Norfolk District Councils, the Police, NHS, Central Government departments, businesses, and voluntary and community groups. This has increased due to the need for various agencies to work together during the COVID-19 pandemic.

In particular during the year staff have been redeployed to the Norfolk and Norwich Hospital to assist during the crisis, this was achieved through a mutual aid agreement.

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

Good Governance Arrangements with Partnerships:

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

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

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

Review of Effectiveness

The Role of the Council

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

The Role of the Cabinet

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

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

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

The Role of the Scrutiny Committee

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

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

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

Role of the Monitoring Officer

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

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration (such a report has not been required).
- To be responsible for Matters relating to the conduct of Councillors and Officers.
- To be responsible for the operation of the Council's Constitution.

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

The Role of the Chief Financial Officer

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

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

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

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

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

The Role of Internal Audit

All audits are performed in accordance with the good practice contained within the Public Sector Internal Audit Standards (PSIAS) 2013. Internal Audit report to the Finance, Resources, Audit and Governance Committee and provides an opinion on the system of internal control, which is incorporated in the Head of Internal Audit's Annual Report and Opinion 2020/21.

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

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

The Role of External Review Bodies

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

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

Ernst & Young LLP were appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditors. The auditors give their opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March and of the income and expenditure for the year then ended; and they also provide an opinion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money). The Council takes appropriate action where improvements need to be made.

Effectiveness of Other Organisations

The Council established a group structure in 2015/16 with all companies held by Big Sky Ventures Ltd. At the end of 2017, Big Sky Ventures Ltd transferred its shares in Build Insight Ventures Ltd to the Council and the Council proceeded to establish a joint venture with Norfolk Property Services (NPS) Limited for the Build Insight group of companies. The Build Insight Ventures Ltd consisted of Build Insight Ltd, an Approved Inspector for Building Control and Build Insight Consulting Ltd. As at 22nd March 2021, the Council transferred its sole share in Build Insight Ventures Ltd, to Norfolk Property Services (NPS) Limited in order to exit the group in advance of Norfolk Property Services (NOS) Limited transferring the whole group to Broste Rivers Limited.

Big Sky Ventures Ltd is the holding company for Big Sky Developments Ltd, a property development company, and Big Sky Property Management Ltd, a property rental company, both were actively trading during 2020/2021. Management have continued to monitor the effectiveness of internal controls within the companies over the course of the year. There were no significant control weaknesses identified during the year that are required to be included in this statement.

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

During the year a review was undertaken of the Governance arrangements relating to the Big Sky Group and following recommendations from the Council as the shareholder the Board of Big Sky Ventures Ltd was increased to three Directors of which two are drawn from Members of the Council. This change was in recognition of the increased scale of operation of Big Sky Developments Ltd and the increase in investment in the Big Sky Group by the Council to deliver the ambitions of Big Sky Developments Ltd.

Governance Issues

Managers' Assurance Statements

On an annual basis, Assistant Directors (AD) across the Council complete an Assurance Statement relating to their service area. The statements are then signed off by the Managing Director or Director responsible for the service area.

Assurance Statements - looking back on the issues raised in 2019/20

The assurances provided in 2019/20 highlighted that there were no significant governance issues and governance arrangements were mainly consistent across the Council. Overall, governance regarding closer working relationships with Broadland District Council emerged as a key theme, as it did in the previous year. Although not resulting in non-compliance, officers noted in their responses that policies, procedures etc would require review in light of the collaboration. Much work has been done during the last year to address this and review policy documentation etc, resulting in this not being a highlighted issue for 2020/21. However, the Council's response to the COVID-19 pandemic has slowed progress as resources were diverted as required, particularly initially.

Assurance Statements for 2020/21

The Assurance Statement asked specific questions about: policy and procedure, effectiveness of key controls, alignment of services with the Delivery Plan, human resources, finance, risks and controls, health and safety, procurement, insurance, information technology, data protection, freedom of information, business continuity, partnerships and equalities. A yes / partial / no response was required, with evidence and action needed to be noted. Each AD also needed to note any issues that they felt represented a significant control item or governance issue. As mentioned, key officers have also provided statements on the impact of COVID on processes and controls, and how these are now managed in the new environment.

In terms of emerging themes for the organisation, two areas have been highlighted as requiring further attention to become fully compliant for numerous teams:

1. Risk and control

A number of managers referred to the need for further development of registers for operational risks within their Directorate. Templates and guidance have been made available to managers and the Strategy was approved. Further training is being planned for 2021/22 in this regard, which should address this issue and push this work forward.

2. Business Continuity

A number of service areas have highlighted the need for their Business Continuity Plans to be updated. This was raised by a small number last year as a result of the establishment of the new one officer team across South Norfolk and Broadland District Councils. Work is currently ongoing in terms of a joint template, therefore it is hoped that this issue will be addressed in early 2021/22.

Crucially, the responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the Assistant Director of Governance and Business Support will review progress during 2021/22, with updates being sought from ADs.

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

As reported last year as a result of COVID, 90% of the workforce are currently working from home, with agile working being the way forward for the Council, with staff only coming back into the office where there is a personal or business need. Staff log onto their IT equipment using two-factor authentication – once the secure connection has been made all staff then utilise the folders and systems they need in the same way as they would in the office, therefore in this regard controls remain.

The Constitution was amended in 2020/21 in line with the legislation to enable the Council to continue with its democratic decision-making process, albeit virtually. These amendments were temporary and cease to be in place from 7 May 2021.

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

With reference to finance controls there has been a move away from the use of manual signature to acceptance of electronic approval, and new processes were put in place to deal with the payment of Covid grant to support businesses.

At the leisure centres processes and controls for ensuring safe operation / maintenance of facilities have been put in place, with safety tests and risk assessments being updated in line with Govt guidance.

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

Internal Audit

Currently being drafted.

Risk Management

A risk management framework is in place to ensure a consistent approach at the Council with regard to risks. The risk management strategy was reviewed during 2019/20, which resulted in a new Risk Strategy being finalised in 2020/21.

Reports on risk management were taken to the Cabinet on a regular basis during 2020/21. These reports cover strategic risks that the Council actively manages within a Risk Register that details actions to support risk mitigation.

The Finance, Resources, Audit and Governance Committee also has regular oversight of the strategic risks.

The Register and mitigation action required is managed by Officers and is monitored by Councillors by way of the accompanied report.

Review and Approval of the Annual Governance Statement

The annual review of governance is coordinated by the Assistant Director Governance and Business Support, involving senior managers across the Council and reviewed by the Corporate Management Leadership Team. This Annual Governance Statement is considered in draft by the Finance, Resources, Audit and Governance Committee and amended to reflect the Committee's considerations and the views of the external auditor. The (revised) Annual Governance Statement forms part of the Council's annual accounts.

Certification

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

Trevor Holden, Managing Director

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

REVIEW OF CONTRACT PROCEDURES RULES

Report Author: Angela Butcher
Senior Procurement Officer
01508 533619
abutcher@s-norfolk.gov.uk

Portfolio: Finance & Resources

Ward(s) Affected: All

Purpose of the Report:

To propose a number of amendments to the Council's Contract Procedure Rules (CPRs).

Recommendation:

To recommend to Full Council the amended Contract Procedure Rules attached as **Appendix A**.

1 BACKGROUND

- 1.1 The CPRs form part of the Council's constitution. They provide the framework within which the purchase of Works, Supplies and Services are undertaken.
- 1.2 The current version of the CPRs were adopted by Full Council on 16 December 2019.
- 1.3 It is good practice that CPRs are regularly reviewed, to ensure that they remain fit for purpose.

2 REVIEW OF CONTRACT PROCEDURE RULES

- 2.1 The Council's Procurement team have reviewed the current Contract Procedure Rules. This has included seeking feedback from key officers who use these.
- 2.2 The main proposed changes are detailed below.

Statement of Intent

- 2.3 The wording and formatting of the Statement of Intent has been amended to make this clearer.

Section 2: Standard Terms & Section 16 Contract Terms

- 2.4 Paragraph 2.2 has been moved to section 16 and amended to reflect that when using a Framework, it is appropriate to adopt the Framework Terms.

Section 7: Contract Value used to Determine Contract Process

- 2.5 Wording has been added to provide clarity that when determining the procurement process to follow, the contract value you need to take into account includes any potential usage by both Councils and / or other procurement partners.

Section 12: Tender Evaluation

- 2.6 A paragraph has been added to reiterate that due diligence must be taken to ensure the financial stability of contractors and sub-contractors

Section 15: Contract Award

- 2.7 The Council's current contract award levels are as out of step with practice in the other Norfolk authorities.

Breckland	All award decisions are delegated to officers.
North Norfolk	£50k to £250k Chief Exec / Head of service after consultation with appropriate Cabinet Member, and notification to all members.
Great Yarmouth	£100k to £200k single cabinet member. Over £200k Cabinet

Kings Lynn	All award decisions are delegated to officers.
Norwich City	Up to European Limits – Officers Above EU limits - Cabinet

- 2.8 It is therefore proposed to amend out contract award levels as follows. This will make the contract award process slightly quicker.

Value	Current Approval	Proposed Approval
Up to £20,000	Assistant Director	Assistant Director
£20,001 to £50,000	Director	Assistant Director
£50,001 to £100,000	CMLT	Director
Above £100,001	Cabinet	Cabinet

Section 26: Contract Management

- 2.9 This section has been updated in line with current practice.

Section 28: Review of CPRs

- 2.10 Given that the CPRs are now well established, it is not considered necessary to review these each year. Instead a review at least every 2 years is recommended.

Other changes

- 2.11 A number of other minor changes are proposed to correct minor errors and discrepancies, and to improve clarity. **Appendix A** provides the full tracked changed version of the CPRs.

3 OTHER OPTIONS

- 3.1 Members could propose other amendments to the Contract Procedure Rules.

4 ISSUES AND RISKS

- 4.1 **Resource Implications** – Ensuring that the CPRs remain up to date helps ensure we deliver value for money from our procurements.
- 4.2 **Legal Implications** – The CPRs have been complied in line with best practice.
- 4.3 **Equality Implications** – There are no direct equality implications. CPRs help ensure we treat all potential suppliers fairly and equally.
- 4.4 **Environmental Impact** – The amended CPRs reiterate that use of environmental criteria in contracts is recommended.
- 4.5 **Crime and Disorder** – No direct impact on crime and disorder.
- 4.6 **Risks** – There are no other risks to consider.

5 RECOMMENDATION

To recommend to Full Council the amended Contract Procedure Rules attached as **Appendix A**.

Background Papers

None.

Appendix A:

Broadland District Council and South Norfolk Council

Contract Procedure Rules (CPRs)

As adopted by:

Broadland District Council on XXX

South Norfolk Council on XXX

Statement of Intent

Subject to the overriding principles in section 2 below, there will be a focus on, wherever appropriate:

- enabling social value,
- encouraging participation by local businesses to support the local economy, and
- ~~assist to~~ protecting the environment using environmental criteria in ~~all~~ contracts ~~when appropriate~~
~~when bidding for Council procurement opportunities.~~

1. COMPLIANCE

- 1.1 These Contract Procedure Rules (CPR) are the Council's contract standing orders under section 135 of the Local Government Act 1972. They must be followed every time the Council enters into a contract for works, supplies or services.
- 1.2 All public procurement and other applicable laws (including any European Union law directly or indirectly in force in England at the relevant time) must be followed. Such laws override any conflicting provision of the CPR.
- 1.3 These, the CPR must be read in conjunction with the Council's Constitution, including its Financial Procedure Rules, Procurement Quick Step Guide, (QSG) decision making processes and delegated authorities.
- 1.4 These CPR are the minimum standards which must be adhered to. Particular procurements may require a more thorough procedure than one defined by value alone, depending on the identifiable risks to the Council, or it may be beneficial to the Council to secure greater competition. If in any doubt as to the position on any procurement, consult the Procurement Team.
- 1.5 The CPR aim to promote the highest standards of probity, integrity and impartiality using the key procurement principles of transparency, equal treatment, non-discriminatory and proportionate manner. They thereby offer the best justification against allegations of purchases having been made fraudulently or incorrectly.
- 1.6 If it comes to notice of an Officer that there has been non-compliance with these CPR ~~in respect for any contract which s/he is responsible as the Officer of the procuring section,~~ s/he shall without delay notify the Director of Resources who shall take such action as deemed necessary.

2. PROCUREMENT PRINCIPLES

- 2.1 The aim of every procurement process should be to achieve Value for Money, compliance with all legal requirements, and support the Council's policies and objectives. ~~as part of the general requirement to secure Best Value~~
- 2.2 Paragraph moved to section 16
- 2.3 These CPR apply to the appointment of Consultants, sub-contractors and any other legal entity (when acting on behalf of the Council). ~~and must be followed in accordance with.~~
- 2.4 Approval for any advance payments to the supplier before receiving the relevant works, supplies or services, must be sought **in writing** from the Director of Resources before proceeding to ensure protection of the Council's interests.
- 2.5 Tenders and Quotations received by fax or email must be rejected if above £20,001 as detailed in 2.6.
- 2.6 Tenders **and Quotations** over the value of £20,001 must be returned electronically via the Council's e-tendering system and opened by the procurement team and/or nominated officer.
- 2.7 All contracts except where lowest price was predetermined to be the appropriate contract award criterion shall be awarded based on the offer that represents the Most Economically Advantageous offer to the Council.

3. EXCLUDED CONTRACTS

The following contracts are not subject to these CPRs ~~if they are of the following and will be managed by the relevant specialist team at the Council in accordance with the Council's Constitution:~~

- 3.1 Contracts of employment ~~which make an individual a direct employee of the Council;~~
- 3.2 Agreements regarding the acquisition, disposal or transfer of land only (i.e. without any connected development);
- 3.3 Contracts where the price of the goods or materials is wholly controlled by government order or otherwise and no reasonably satisfactory alternative is available;
- 3.4 For other reasons where there would be no genuine competition, or where the requirements of the competition have already been met e.g. frameworks;
- 3.5 The disposal of obsolete assets ~~(see Financial Procedure Rules).~~

4. COMPLEX PROCUREMENTS

Where the procurement involves any of the following criteria the Procurement Team and the Director must be consulted:

- 4.1 Where the Total Value exceeds the relevant Public Procurement Thresholds (see QSG).
- 4.2 Where the opportunity is likely, in view of its characteristics, to be of cross-border interest and therefore attract potential suppliers from outside the UK.

- 4.3 Where any staff of the Council or an existing supplier spend the majority of their time providing the services which are to be procured (investigation would be needed to identify any potential TUPE implications in advance and obtain/provide employee liability information).
- 4.4 The procurement involves leasing agreements.
- 4.5 Where it is proposed to use a supplier's own terms or any other form of contract which is not one of those normally used by the Council for other matters.
- 4.6 Procurement of application software with a Total Value above £75,000.
- 4.7 Agreements involving the development of land for public benefit.
- 4.8 Where it is proposed to extend or vary an existing contract.
- 4.9 Any collaborative procurements where the Council is working with other authorities to procure.
- 4.10 Where it is proposed to enter into a new contract with an existing supplier without competition (such as a new contract for a line of business software system).
- 4.11 Where the procurement is complex in any other way or involves unusual risks.

5. PRE-PROCUREMENT PROCEDURE

Before commencing a procurement process, it is essential that the Officer leading the procurement is fully aware of the QSG. Consideration shall be given to the Council's Procurement Strategy.

6. PRELIMINARY MARKET CONSULTATION

Before commencing a procurement process the Officer may conduct market consultations with a view to preparing the procurement and informing potential suppliers of the Council procurement plans and requirements. This should be proportionate to the value of the contract.

- 6.1 Before commencing preliminary market consultation advice must be sought from the Procurement Team ensuring that the market consultation, would not have the effect of distorting competition and would not result in a violation of the principles of non-discrimination and transparency.

7. CONTRACTS PROCEDURES

The following table outlines the minimum selection procedure to be used where the procurement is within these CPR and is not complex (see Rule 4 above) and a suitable existing corporate contract or appropriate framework is not being used.

Estimating the Contract Value

The Estimated Total Value is the total estimated contract value, over the total contract period, and must include any potential usage by all procurement partners.

Minimum Contracts Procedures for Works, Supplies or Services:

Estimated Total Value (Inc all partners)	Selection procedure	Selection recommendations
Less than £20,000	Single quotation in writing including demonstration of value for money	Assistant tee Director or delegated to Officer
£20,001 to £75,000	At least three quotations in writing	Officer or Procurement Team
Above £75,001 but below the Public Contract Regulations 2015 Financial Threshold see QSG	Invitation to Tender issued to a minimum of three suppliers or an open tender.	Officer or Procurement Team
At or above the Public Contract Regulations 2015 Financial Threshold	Advice must be sought from the Procurement Team and/or Director	Consult with the Procurement Team and the Director

The Council should make the best use of its procurement power by aggregating purchases wherever possible. It is not acceptable to split Works, Services or Supplies in attempt to avoid these CPR or the Public Contract Regulations.

~~Estimating the contract value must consider the value of the total contract duration. To determine the contract process, consult with the Procurement Team.~~

8. SINGLE QUOTATION PROCEDURE (Value less than £20,000)

Single quotes can be obtained in a variety of ways which may include phone, internet, letter, face to face, however the information needs to be recorded. Where quotations are obtained via phone or face to face interaction, these should be confirmed in writing (e.g. send e-mail or through third party providing written quote).

All quotes are subject to the following processes;

- 8.1 Although a formal procurement process does not need to be followed, value for money needs to be demonstrated.
- 8.2 Officers should select a supplier by any reasonable means.
- 8.3 Request a final written quote from the supplier.
- 8.4 Reasons for the selection are to be recorded centrally.
- 8.5 Raise an appropriate Purchase Order to the supplier using the Council's financial software, prior to placing the order ensuring this refers to or incorporates the relevant contract document(s).

9. MULTIPLE QUOTATION PROCEDURE (Value £20,001 to £75,000)

Having followed QSG:

- 9.1 Identify the appropriate contract to be used or contact the Procurement Team.
- 9.2 Develop and include in the relevant sections of the Council's invitation to bid documents, so that prospective suppliers (including at least one local supplier where practicable without improperly excluding other suppliers) can provide their quotations based on:

The evaluation criteria and

Specification of services/supplies/works required by the Council); and

Performance indicators (if appropriate).

The Procurement Team can assist with developing the relevant criteria/specification/performance indicators.

Open quotation opportunities should use the Council's e-sourcing system if appropriate and publishing the opportunity nationally using Contracts Finder with or without any other advertisement. Best practice would be to publish the opportunity for contracts over £20,000.

- 9.3 The period allowed for responses should be adequate, considering the complexity of the Council's requirements, to provide a reasonable opportunity for suppliers to prepare and submit a quotation. This will normally be at least 10 working days.
- 9.4 Invitation to bid documents should be sent or made available to the suppliers via the Council's e-sourcing system either to the selected suppliers or in an open opportunity. Access to the Council's e-sourcing system will be arranged by the Procurement Team on request.
- 9.5 Any bids received after the appointed date/time will not be considered and advice must be obtained from the Procurement Team as to next steps.
- 9.6 Bids will remain electronically sealed until the appointed time and date and will be opened by the Procurement Team and nominated officer.
- 9.7 Bids must be evaluated against the specified evaluation criteria, liaising with the Procurement Team and the Finance Team to check the information provided by the suppliers and when appropriate investigate the financial status of the supplier(s).
- 9.8 If less than two bids are received, consult with the Procurement Team and follow their recommendations as to whether to arrange a new invitation to bid or obtain other evidence demonstrating that (because of the nature of the opportunity, an absence of suitable competitor suppliers or otherwise) the bid(s) received represent Value for Money.
- 9.9 Record centrally the details of the procurement, including reasons for the selection of the winning bid and/or bids received.

10. TENDER PROCEDURE (Value more than £75,001 but below the Public Contract Regulations 2015 Financial Threshold):

Having followed the QSG

Identify the appropriate contract to be entered by using the QSG.

- 10.1 Officers should engage the assistance of the Procurement Team as soon as it is anticipated that a tender may be required.
- 10.2 The Procurement Team will assist Officers with the following steps, including design of scope, evaluation criteria, performance indicators (if appropriate) and mitigation of risks/costs.
- 10.3 Officers should then either:

Select three or more specific potential suppliers to invite to tender (including at least one local supplier, where practicable without improperly excluding other suppliers), or

Open tender opportunities should use the Council's e-sourcing system if appropriate and publishing the opportunity nationally using Contracts Finder with or without any other advertisement. Best practice would be to publish the opportunity for contracts over £20,000.
- 10.4 Justification for inviting only selected potential suppliers must be approved by the Procurement Team and recorded with procurement documentation.
- 10.5 The period allowed for responses should be adequate, considering the complexity of the Council's requirements; to provide a reasonable opportunity for suppliers to prepare and submit a tender. This will normally be at least 20 working days.
- 10.6 Invitation to tender documents should be sent or made available to the suppliers via the Council's e-sourcing system either to the selected suppliers or in an open opportunity. Access to the Council's e-sourcing system will be arranged by the Procurement Team on request.
- 10.7 Any bids received after the appointed date and time will not be considered and advice must be obtained from the Procurement team as to next steps.
- 10.8 Bids will remain electronically sealed until the appointed time and date and will be opened by the Procurement Team and nominated officer.
- 10.9 The Procurement Team will manage evaluation of tenders against the specified evaluation criteria and liaise with the Finance Team to check the information provided by the suppliers and if appropriate investigate the financial status of the supplier(s).
- 10.10 The Procurement Team will assist in seeking approval, awarding the contract and completion of the procurement process.
- 10.11 Record centrally the details of the procurement, including reasons for the selection of the winning bid and/or bids received.

11. TENDER PROCEDURE FOR ABOVE PUBLIC CONTRACT REGULATIONS 2015

Advice must be sought from the Council's Procurement Team where the estimated value is likely to exceed the PCR 2015 Financial Thresholds.

The Procurement Team will manage the procurement process to ensure compliance of the PCR 2015.

The evaluation criteria and weightings must be prepared to enable the Most Economically Advantageous Tender or bid (MEAT), to be identified, ensuring that all such criteria are appropriate for and proportionate to the relevant contract.

A report for Corporate Management Team Leadership Team must be prepared for all procurements over the PCR **before the contract award** to include and not limited to:

- Nominated contract manager.
- Risk assessments and risk register.
- Contingency measures (including early termination and exit strategy).
- Annual review of insurance policy.
- Contractual performance.
- Innovations.
- Social Value delivery.
- Complaints and compliments.
- Data Protection issues (if appropriate).

12. TENDER EVALUATION

Tenders must be evaluated in accordance with the evaluation criteria as set out in the invitation to tender documents.

The arithmetic in tenders must be checked by the appropriate officer as defined in the procurement documentation. If arithmetical errors are found they should be notified to the supplier, who should be requested to confirm or withdraw their tender.

When evaluating tenders including Frameworks, appropriate due diligence must be undertaken to assure the Council of the financial stability of contractors and sub-contractors.

13. DECLARATION OF INTEREST

If it comes to the knowledge of a Member or Officer (or other appropriate person) of the Council that a contract in which they have a pecuniary interest has been, or is to be, entered by the Council then they must immediately give written notice to the Monitoring Officer. This needs to be recorded on the annual return.

The Monitoring Officer shall maintain records of all declaration of interests notified by Members and Officers (or other appropriate person).

14. POST TENDER NEGOTIATION

Post tender negotiation is to be the exception and such negotiations shall be conducted strictly in accordance with the following:

- They shall take place at predetermined times and places.
- The Procurement team, Monitoring Officer and the Section 151 Officer or their Deputies, must be notified of the time and venue of all negotiations.

- More than one officer of the Council shall always be present, including either the Monitoring Officer or the Section 151 Officer or their Deputies, or their senior representative.
- The signed record of all meetings shall be kept on file.
- In the event of a contract being awarded, the relevant signed records of meetings shall be bound into the contract.

15. CONTRACT AWARD

- 15.1 The approval level for accepting tenders and quotations is ~~shown in the table below.~~ ~~follows:~~

~~Note: The process to follow for contract award is based on the cost to the individual council (not the total cost for all partners, therefore the contract award process may be different for each council).~~

Value Cost to Council	Approval
Up to £20,000	Assistant Director
£20,001 to £50,000	Assistant Director
£50,001 to £100,000	Director GMLT
Above £100,001	Cabinet

- 15.3 Officers in conjunction with the Procurement Team must notify all suppliers simultaneously and as soon as possible of the intention to award the contract to the successful supplier and stipulating the standstill period (if any) applied in the notification. If an unsuccessful supplier challenges the decision, the Officer shall not award the contract and shall immediately seek the advice of the Procurement Team ~~and Director of Resources.~~
- 15.4 Where a contract has been tendered below the PCR 2015 and above £20,000 the Council shall publish a contract award notice on Contract Finder.
- 15.5 Where a contract has been tendered pursuant to the PCR 2015 the Council shall publish a contract award notice as detailed by the PCR 2015.

16. CONTRACT TERMS ~~AND CONDITIONS~~

Contractual arrangements should be made, ~~wherever possible,~~ on:

- the Council's standard general terms, or
- standard form contracts, ~~or~~
- ~~industry standard model contract terms, or~~
- ~~if using a Framework, the Framework Terms.~~

~~When appropriate it is acceptable to use industry standard model contracts, with supplemental terms for contracts.~~

Contracting on the supplier's terms should be avoided ~~and only done when agreed with (and with the changes to those terms required by) Director of Resources and the Procurement Team.~~

~~Contracts shall be entered on the Council's terms and conditions, which shall be included with each purchase order and invitation to quote or tender.~~ Exceptions to this rule must be approved in advance by the Director of Resources ~~including terms and conditions used under Framework Agreements.~~

16.1 Every formal contract in writing within the meaning of CPR shall specify or contain (as a minimum) wherever possible:

- (a) the services, supplies or works to be provided.
- (b) the price to be paid, with a statement of discounts or other deductions.
- (c) the time or times within which the contract is to be performed.
- (d) that all relevant health and safety legislation and codes of practice must be complied with and that any specific health and safety requirements set out in the invitation to tender prior to contract award have been satisfied.
- (e) in appropriate cases (to be determined by the Director of Resources) provide for the payment of liquidated damages by the supplier where they fail to complete the contract within the time specified in the contract or any amendment thereto made in accordance with the terms of the contract.
- (f) a clause empowering the Council to cancel the contract and recover from the supplier the amount of any loss resulting from such cancellation, if the Supplier or any person acting on their behalf shall, in relation to the obtaining or execution of the contract or any other contract with the Council, have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or shall have given any fee or reward the receipt of which is an offence under Section 117(2) and (3) of the Local Government Act 1972, Bribery Act 2010, Data Protection Act 2018 and Modern Slavery Act 2015.
- (g) a clause requiring the supplier to provide information to the Council for the Council to fulfil its obligations under the Freedom of Information Act 2000 and Environmental Information Regulations 2004.
- (h) appropriate Employers Liability Insurance minimum of £10,000,000 or lower figure based on Officer's risk assessment in consultation with Finance (but not less than £5,000,000).
- (i) appropriate Public Liability Insurance minimum of £10,000,000 or lower figure based on Officer's risk assessment in consultation with Finance (but not less than £5,000,000).
- (j) appropriate Professional Indemnity Insurance minimum of £1,000,000 or lower or higher depending on the risks and based on Officer's risk assessment in consultation with Finance.

17. EXECUTION OF CONTRACTS

Any contracts valued at above £100,000 shall be formal, made in writing and executed as a deed by the affixing of the Council's common seal or signed by the Director of Resources or other person duly authorised in this regard (as considered appropriate).

All other contracts i.e. less than £100,000) may be signed by the relevant Director or other person duly authorised in this regard (as considered appropriate) ~~of the section.~~

18. CONTRACT REGISTER AND FORWARD PROCUREMENT PLANS

~~All~~ Assistant Directors shall be responsible for the Contracts Register and Forward Procurement Plans and all prospective contracts entered into by the Council in excess of £5,000 unless the contract is less than three months duration.

Information required for maintaining the Contracts Register and Forward Procurement Plans will be provided in a timely manner to meet quarterly publication requirements.

19. FRAMEWORK AGREEMENTS AND DYNAMIC PURCHASING SYSTEMS

Framework Agreements and Dynamic Purchasing Systems (DPS) will contain instructions for use within its terms, and potentially include a requirement for a further competitive process between those suppliers who are parties to the Framework Agreements and DPS.

In these cases, a Framework Agreement and DPS shall be tendered in accordance with these CPR and the Public Contract Regulations.

Where the Council has entered into a Framework Agreement and/or through procurement or is able to place orders from existing Framework Agreements and/or procured by central government agencies, other local authorities or other third parties, then the Council may benefit from using those contracts without entering into a separate procurement.

Procurement Team advice should be sought in advance before awarding a contract to a supplier using a Framework Agreement or DPS not procured directly by the Council.

~~If an appropriate Framework Agreement is available, it must be considered.~~

20. COLLABORATIVE PROCUREMENT

These CPR shall apply to any procurement where tenders are invited by the Council on behalf of any partnership, consortium, association or similar body of which the Council is a member, unless such tenders are invited in accordance with the method prescribed by such consortium, association or body and where necessary with the requirements of the PCR 2015.

21. CONTRACT EXTENSIONS

No contract may be extended except in accordance with its terms (subject to financial resources and satisfactory value for money assessment) and comply with the PCR 2015.

Prior to any contract extensions advice should sought from the Procurement Team ~~as required~~.

22. WAIVERS OF CONTRACT PROCEDURE RULES

Waivers of any of these CPR shall only be given in exceptional circumstances provided the value does not exceed the PCR financial thresholds. Waivers may not be made retrospectively.

- 22.1 An Officer empowered to let a contract may seek a waiver from a Director and Section 151 Officer or their deputies and if above £100,000 Cabinet. All waivers shall be recorded on the Waiver Form and saved centrally.

23. BONDS, GUARANTEES AND INSURANCE

The Officer shall consider in all contracts the appropriate type (employee liability, public liability, professional indemnity, etc.) and level of insurance requirements for each contract. The Officer shall consult with Finance when determining the appropriate levels of insurance.

- 23.1 For all contracts over £100,000 (and any other circumstances deemed appropriate by the Officer and the Director of Resources), some form of security may be required from the potential supplier as part of the pre-procurement process.

24. OPERATIONAL EMERGENCY

In the event of circumstances rendering emergency measures necessary which cannot expediently be approved through normal Council procedures, the appropriate Officer(s) in consultation with the Managing Director (or a nominated officer), or not less than two Cabinet Members may, notwithstanding anything contained in the Council's CPR or Financial Procedure Rules, authorise the Officer to enter into a contract on behalf of the Council.

In a continuing emergency any action taken, or contract entered into shall be reported to a special Cabinet meeting as soon as possible which shall take such action as necessary to deal with the situation.

Prior to reference to Cabinet, such process of emergency measures shall be subject to a total limit of expenditure up to PCR 2015 Financial Thresholds.

Any adoption of these powers must be reported to the next Cabinet.

25. DISPOSAL OF ASSETS

Disposal and/or reallocation of assets needs to be managed with the same diligence as the acquisition process. Before any disposal and/or reallocation of assets reference must be made to the Council's Disposal Strategy **and/or Constitution**. The Council has a duty of care regarding the disposal of equipment where environmental issues are appropriate.

- 25.1 Records must be retained for the disposal of assets in a similar way as for procurement decisions.
- 25.2 Any items of stock (other than land) deemed obsolete or surplus to requirements must, where the expected loss on disposal is no more than £20,000, be sold or disposed of only on the authorisation of the Director. Where the expected loss on disposal exceeds £20,000 the approval of the appropriate Director (s) must be obtained.
- 25.3 The method of disposing of surplus or obsolete stocks / stores or assets other than land must be determined as follows:

Total Value	Method
Up to £20,000	By whatever means the relevant Director shall decide consistent with the asset disposal rules
£20,000 and above	Tender sought by public advertisement, by public auction or such other means as the Section 151 Officer shall approve after consultation with the Monitoring Officer

- 25.4 Before an item is disposed of, consideration should be given as to whether there is a use for the item elsewhere within the Council. All options must be explored, and a record kept of the decisions made. It is the responsibility of each Director to establish that legal title rests with the Council prior to the disposal of any item. Disposal of land will in all cases require advice and guidance from the appropriate body as set out in the Council's Financial Regulations.

26. CONTRACT MANAGEMENT

Efficiencies secured under competitive processes will only be realised with effective contractual management.

- 26.1 Named Officer(s) ~~within the relevant section~~ will be responsible for the day to day operational management of ~~any new all contracts in their section.~~
- 26.2 ~~The Procurement Team will assist in contract management, particularly in cross-functional (or cross-authority) agreements, with roles being established with sections at contract mobilisation.~~
- 26.3 Requirements for contract management are to include and not limited to: (as a minimum);
- 26.4 An annual review (in consultation with the Finance Team) of the financial status of any ~~key~~ suppliers in contract with the Council.
- 26.5 Annual check for validity of any required certifications and evidence of current insurance cover.
- 26.6 Regular review meetings at agreed intervals to discuss:
- 1) Contractual performance (key performance measures).
 - 2) Social value delivery.
 - 3) Innovations or other potential savings in areas relating to the contract or opportunities to improve the range of services provided.
 - 4) Risk identification, evaluation and management on subjects relating to the contract.
 - 5) Customer complaints and compliments.
 - 6) Any data protection issues.

Intervals for these review meetings will vary depending on the complexity of the contract/commodity and the total value. Generally, the review meetings for any contract with a high-risk element or above the Public Contract Regulations financial threshold should be held at least six monthly and can be more frequent where performance or risk management are identified as an issue.

- 26.7 ~~For all agreements with a total value above the PCR 2015 financial threshold a report must go annually, via the Managing Director, to the relevant Cabinet Member regarding:~~ For key strategic contracts a report must go annually to the relevant Cabinet Member regarding:

Achievement of contractual objectives within the period

Current contractual direction (continue, review, exit, retender).

27. RETENTION OF DOCUMENTS

It is a legal requirement for commercial records to be retained for inspection by various Government authorities including HMRC.

- 27.1 The retention period commences once the Tender, Purchase Order or Contract is closed: all "open" documents are retained indefinitely.
- 27.2 The records to be retained, the retention period and which section retains them are detailed below:

Document	Retained by	Retention Period
Tenders/Quotations	e-procurement system/centrally	7 Years
Purchase Orders	Finance System/Section	7 Years
Contracts	Officer/Deed Room	7 Years
Suppliers Invoices	Finance System/Section	7 Years

The records should be kept in a format that facilitates accessibility for future use.

28. REVIEW AND AMENDMENT OF THE CONTRACT PROCEDURE RULES

These CPRs shall be reviewed and updated ~~at least every 2 years. on an annual basis.~~

Strategic Risk Register – Q4 2020/21 Update

Report Author(s): Sinead Carey
Strategy and Programmes Manager
01508 533661
Scarey@s-norfolk.gov.uk

Portfolio: Governance and Efficiency

Ward(s) Affected: None

Purpose of the Report:

The purpose of this report is to provide an overview of the Q4 2020/21 position of the Strategic Risk Register for South Norfolk Council.

Recommendations:

1. Review and note the Strategic Risk Register update for Q4 2020/21 for the Council.

1 SUMMARY

- 1.1 This report provides the committee with an update and overview of the current position in terms of strategic risk for South Norfolk Council.

2 BACKGROUND

- 2.1 The updated Risk Management Policy agreed by Cabinets in 2020, sets out the approach for the Council in terms of how it will identify, manage, reduce and mitigate risks of all levels to the organisation.
- 2.2 To facilitate the management of risk throughout the organisation, the Council maintains a system of risk registers. The risks are identified through the Corporate Management Leadership Team's (CMLT) assessment of the risks to the Council's Strategic Plan and Delivery Plan. The Strategic Risk Register (SRR) records the strategic risks faced by the Council. Attached to this report is the latest update of the SRR.
- 2.3 The SRR forms part of the Council's quarterly (reported three times a year) performance, risk and finance reports, where updates on strategic risks, delivery measures and finance position are brought through to Cabinet for review.
- 2.4 As set out in the Policy, Cabinet has ultimate responsibility for:
- Setting the culture for risk management at the Council
 - Approving the Policy
 - For developing and approving Risk Appetite
- 2.5 Detailed oversight of the risk management process is delegated to the Finance, Resources Audit and Governance Committee, who are responsible for scrutinising the scope and effectiveness of the risk management systems in place.
- 2.6 In developing the SRR, CMLT are responsible for identifying, evaluating and reporting on significant strategic risk faced by the Council. Strategic risks are risks that are significant in size, impact and duration and could impact on the performance of the Council as a whole. This may include operational risks escalated from particular services to the leadership level due to the potential scale of their impact.
- 2.7 Risks in the SRR are assessed for both their likelihood (on a scale of 1-5) and their impact if they were to happen (on a scale of 1-5), which are then combined to give each risk a severity score. Once all ongoing and planned mitigating actions are taken in consideration, each risk's "residual severity score" is recorded. The higher the severity score, the more significant the risk is.
- 2.8 Alongside the SRR, each directorate across the Council manages their Directorate Risk Registers (DRR). DRR detail the more operational risks to the organisation and are the responsibility of the Director and Assistant Directors in that directorate to manage. If a risk on a DRR scores a high severity score above our risk appetite as a council, this will be escalated to the SRR and reported to Cabinet and the

Committee. There is also support, guidance and templates on identifying and managing risk (including project risk) available on our internal intranets for staff, as well as risk training available on our training platform Skillsgate. We are also currently reviewing options for providing more detailed guidance for managers.

- 2.9 As set out in the agreed Policy, the SRR is presented to Cabinet and Finance, Resources Audit and Governance Committee in its entirety three times a year.

3 CURRENT POSITION/FINDINGS

- 3.1 During Q4, CMLT have reviewed and updated the SRR to ensure we are managing the risks effectively and that we are taking the right action to prevent the risk from escalating and ultimately reduce the risk where possible.
- 3.2 The below table provides an overview of the SRR for Q4 20/21. As can be seen, the organisation currently has no 'very high' risks and is currently managing 15 strategic risks which fall into the high/medium high and medium categories.
- 3.3 CMLT have reviewed the registers and actions being taken and have subsequently, made no changes to the severity score this quarter.

Risk Category	Category Description	Number of Risks	Change from previous quarter
Very High	Risks scored here represent a severe threat to the delivery of Council objectives and service delivery and are outside of the risk appetite of the Council.	Total number of risks - 0	No change in severity scores
High/Medium High	Risks scored here represent a significant threat to the delivery of Council objectives and service delivery and are outside the risk appetite of the Council.	Total number of risks - 8 Risk 1 - An uncertain funding landscape for the public sector makes the Council finances unsustainable Risk 4 – Failure to respond to wide scale disaster or business disruption Risk 5 – Failure to respond to future waves of Covid-19 Risk 6 – Failure to take advantage of Local Government reform/devolution Risk 7 - Failure to anticipate and respond to changes in the external political environment Risk 11 - Failure to handle and manage data adequately	No change in severity scores Risk 1 – A review of the MTFP has taken place so this action has been completed and is now being tracked as ongoing. Risk 4 – This risk was originally down for completion by the end of Q4, however due to the impact of Covid has been delayed. Proposals to strengthen the Councils ability to respond to emergency out of hours incidents will be brought forward to Cabinet.

		<p>Risk 13 - Council is unable maintain memberships and income levels at its Leisure Centres as a consequence of Covid-19</p> <p>Risk 15 - Withdrawal of Covid-19 support funding leads to increased levels of unemployment and financial hardship for our residents.</p>	<p>Risk 5 – An updated Recovery Plan was brought through to Cabinet in June and agreed, the implementation is now ongoing.</p> <p>Risk 6 – timeline for White Paper has been delayed and it is now expected in Autumn 2021.</p> <p>Risk 13 – Action 13f has been completed, with pricing for the Leisure Centres now set and a strong marketing campaign now underway.</p>
Medium	Risks scored here represent a moderate threat to the delivery of Council objectives and service delivery and are within the risk appetite of the Council with some proportionate mitigation and regular monitoring required.	<p>Total number of risks – 7</p> <p>Risk 2 – Commercial uncertainties</p> <p>Risk 3 – Failure to uphold trusted reputation</p> <p>Risk 8 - Major contractor or supplier fails to deliver on an agreed contract or service delivery</p> <p>Risk 9 – Major H&S incident of which Council is responsible for</p> <p>Risk 10 - Council is unable to take advantage of the benefits and opportunities from collaborative working</p> <p>Risk 12 - Capability and capacity of the workforce is not aligned effectively to key priorities and organisational requirements</p> <p>Risk 14 - failure to respond to economic impact of Covid-19 and Brexit and the Covid vaccination programme fails to provide adequate coverage for the population of South Norfolk, impacting the health of our communities</p>	<p>No change in severity scores</p> <p>Risk 3 - Actions 3b and 3c initial development of Communications Strategy and Customer Satisfaction Strategy have been completed and delivery will continue into Q1.</p> <p>Risk 12 – Action 12 a and 12b initial development of the talent management programme and projects has been completed and delivery will now be ongoing into 21/22.</p>

		and pace of economic recovery	
Low	Risks here represent a minor threat to the delivery of Council objectives and service delivery and are within the risk appetite of the Council.	Total number of risks - 0	No change in severity scores
Very Low	Risks scored here represent an insignificant threat to the delivery of Council objectives/service delivery and are within the risk appetite of the Council.	Total number of risks - 0	No change in severity scores

4 PROPOSED ACTION

- 4.1 The SRR, alongside the DRRs will continue to be managed and reviewed into the next quarter. As we move into a new financial year, CMLT will also be conducting a full detailed review of the SRR in line with our new delivery plan for 21/22 and the committee will receive an update on this in their next committee meeting.

5 OTHER OPTIONS

- 5.1 None.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** – each risk has associated resources aligned to each action.
- 6.2 **Legal Implications** – no implications.
- 6.3 **Equality Implications** – no implications.
- 6.4 **Environmental Impact** – no implications.
- 6.5 **Crime and Disorder** – no implications.
- 6.6 **Risks** – no implications.

7 RECOMMENDATIONS

1. Review and note the Strategic Risk Register update for Q4 2020/21 for the Council.

Appendix 1

South Norfolk Council – Strategic Risk Register Update

Appendix 1 provides a detailed overview of the Strategic Risk Register for the Council covering Quarter 4.

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
Moving with the times, working smartly and collaboratively	1	<p>Risk - An uncertain funding landscape for the public sector makes the Council finances unsustainable.</p> <p>Consequence - General fund expenditure exceeds budget and income targets not achieved. The Council is unable to deliver on its longer-term Strategic Plan or in year Delivery Plan.</p>	<p>Medium Term Financial Plan (MTFP) budget process and scenario planning.</p> <p>Budget monitoring.</p> <p>Investment and Income targets.</p> <p>Implementing Broadland/South Norfolk Collaboration.</p>	4	5	20	Reduce	<p>1a Continued development and review of MTFP to address budget gaps (particularly in light of the Covid-19 Pandemic and the ongoing impacts of this on our financial position).</p> <p>1b Delivery of the savings from collaboration with Broadland District Council</p> <p>1c Delivery of our Spark Transformation programme to release savings and generate income.</p> <p>1d Increased Marketing Activity and Promotion of services, including reviewing options for commercialisation.</p> <p>1e Effective budget monitoring and training for staff at all levels.</p> <p>1f Regular monitoring of our current position and reporting to Members.</p> <p>1g Lobby government for adequate funding.</p> <p>1h Review the services we offer.</p>	Director of Resources	<p>1a – February 2021 (completed and now ongoing)</p> <p>1b – March 2022</p> <p>1c - Ongoing</p> <p>1d - Ongoing</p> <p>1e - Ongoing</p> <p>1f - Quarterly</p> <p>1g - Ongoing</p> <p>1h - Ongoing</p> <p>1i - Ongoing</p>	3	4	12	No	<p>1a A Revised MTFP was presented to Cabinet in October 20 and Feb 21, and this will continue to be updated during the budget process for 22/23 budgets.</p> <p>1b Officers continue to work towards the savings target however, due to Covid-19, some projects have been delayed which may in turn delay the release of some savings.</p> <p>1c The Spark transformation programme was halted during the first wave of Covid-19 and projects have now been prioritised and are underway some of which will secure savings.</p> <p>1d Marketing of services such as garden waste have continued. The impact of Covid-19 on the economy has meant that Members postponed the introduction of some aspects of commercialisation such as charging for planning pre-applications, these charges have come into effect from 1.4.21.</p> <p>1e Monthly budget information is provided to budget holders, with regular meetings to discuss any variations.</p> <p>1f Q3 figures were reported to Cabinet in March.</p> <p>1g Officers continue to respond to government consultations and to work with the DCN to lobby with regards to New Homes Bonus and clarity on future funding. The Government is expected to recommence the introduction of the new fairer funding scheme and also the revaluation of business rates which will have an impact on funding.</p> <p>1h This is ongoing, however the impacts of Covid-19 continue to drive an increase</p>

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
								1i Look for further income generating opportunities							in demand for services such as regulatory and housing. 1i Future funding of Big Sky Developments has been agreed, which will generate a return on investment for the Council. Proposals for charging for some Council services will be brought forward for consideration in 21/22.
Moving with the times, working smartly and collaboratively	2	Risk - Commercial uncertainties associated with decisions taken as part of the Councils Commercial Strategy E.g. Property Development activities through the Council owned Big Sky Development, Commercial Waste etc Consequence - Reputational damage, lack of income generation and inability to repay council loans and associated interest.	Governance arrangements for commercial activities. Budget monitoring. Close management and monitoring of investments. Quarterly reporting against the commercial strategy.	4	5	20	Reduce	2a Robust oversight and governance arrangements for all commercial activities. 2b Robust budget management for commercial activities. 2c Thorough project management and business case development where required. 2d Respond to market conditions, supply and demand.	Managing Director	2a - Ongoing 2b - Ongoing 2c - Ongoing 2d - Ongoing	3	3	9 ↕	Yes	2a-2d The Council has set up a new Portfolio and Policy Panel to focus on Commercial Trading and Customer Focused Activities. Revised Governance arrangements for Big Sky Ventures agreed in Dec 2020 with Councillors joining the Board to provide strategic oversight. Big Sky Developments has drafted a business plan which is currently being progressed through the Big Sky decision making process prior to sharing with the Council to support the request for additional funding for the St Giles Park development. The impact of Covid-19 on the Leisure income is a separate risk below.
Moving with the times, working smartly and collaboratively	3	Risk - The Council fails to uphold a positive and trusted reputation and fails to meet customer and stakeholder expectations. Including making an unlawful decision or failure to comply with agreed policies or legal compliance.	Internal and external communications. Project Management with clear milestones for delivery and communication. Freedom of Information (FOI) responses and complaints handling Provide Officer and	4	4	16	Reduce	3a Delivery of an effective internal and external Communications Strategy, with clear deliverables and milestones. 3b Development and delivery of a Customer Satisfaction Strategy and action plan.	Chief of Staff	3a – Q4 21/22 3b - Q4 20/21 (development /completed, delivery to continue into Q1) 3c – Q4 20/21 (development completed,	3	3	9 ↕	Yes	3a Work has been underway to develop a new internal comms strategy to support effective communication following a survey with staff. A new senior communications officer role is now in post to lead the internal communications for the business. 3b A project is currently in progress to develop a customer satisfaction strategy. A draft strategy and customer charter has been produced, alongside a new complaints policy and review of

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		Consequence - Reputation declines, negative impact on staff and Member morale, negative impact on trust of residents and businesses on the Councils ability to provide effective services. This may include a negative financial impact.	Member training to ensure an awareness of policies					3c Implement effective programme and project management approach and ensuring all external facing projects have clear communication messages and effective methods. 3d Strong management and response to complaints handling, including Freedom of Information requests. Build a business case for an electronic system to manage FOIs.		delivery to continue into Q1) 3d – Q4 21/22					resourcing for customer services. The strategy has been developed looking at current practice within teams and models of best practice from other public and private sector bodies. The draft strategies and charter will be going to members for review later in Q1. 3c A delivery plan is in place for the Council for 2020/21 and 2021/22 that sets out the key programmes of work for the organisation. A new project and programme management framework has been developed to support the effective delivery of project and programmes across the business and this is currently being implemented. 3d FOI requests are responded to in line with the statutory requirement, the process is currently being reviewed to ensure that this is more efficient across the One Team. The business case for an electronic FOI system is part of the business case for a Committee System. A review of the complaints process has developed new draft policies to be reviewed by members, to ensure that complaints are handled in a more effective way.
Supporting individuals and empowering communities	4	Risk - The Council is unable to respond effectively to a wide scale disaster or business disruption, such as loss of key staff, loss of accommodation to deliver services etc. Consequence - Unable to support our residents and businesses as there	Councils form part of the Norfolk Resilience Forum (NRF). Business Continuity Plans in place and tested. Remote working for key staff tested and in place. Covid-19 response has demonstrated flexibility of staff, providing added	4	5	20	Reduce	4a Continue to ensure we have effective emergency plans and business continuity plans in place, working with key partners such as the NRF where possible. 4b Test our plans through regular practice exercises where appropriate until commencement	Director of Place	4a - Ongoing 4b - Ongoing 4c - Q4 20/21 (currently ongoing) 4d - Ongoing	3	4	12 ↕	No	4a-e Prior to Covid-19, work had commenced on refresh and review of Business Continuity Plans in consultation with ADs. This process has inevitably been delayed by the additional burden of dealing with the pandemic. It remains a high priority and will be resumed as work priorities allow. Proposals to strengthen the Council's ability to respond to an emergency incident out of hours are being developed and will be presented to Cabinet in the near future

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		is the potential of significant impact on service delivery and decline in reputation.	<p>resilience to organisation.</p> <p>County and District Memorandum of Understanding (MOU) in place to provide support in an emergency.</p> <p>Two councils provides resilience e.g. two buildings which have two work area recovery sites.</p>					<p>of usual exercise program.</p> <p>4c Promote and expand the reach of community emergency plans work being carried out internally and with county based community resilience group to capture & engage with new and existing volunteer groups and voluntary agencies.</p> <p>4d Conduct lessons learnt activities to ensure that we continuously adapt and improve.</p> <p>4e Develop an assured, resourced capacity to respond effectively out-of-hours to serious emergency incidents impacting on our communities.</p>							
Supporting individuals and empowering communities	5	<p>Risk - The Council is unable to respond effectively to future waves of the Covid-19 Pandemic.</p> <p>Consequence - Unable to support our residents and businesses as there is the potential of significant impact on service delivery</p>	<p>Councils part of Norfolk Resilience Forum (NRF)</p> <p>Strategic and Tactical Coordination Groups established</p> <p>Business Continuity Plans in place and tested.</p> <p>Recovery Plan agreed by Cabinets and Councils</p>	4	4	16	Reduce	<p>5a Implement the organisational Recovery Plan, based on the 3 themes of: Economy, Communities and Organisation and Governance.</p> <p>5b Closely monitor and respond to the impacts of the pandemic on our</p>	Managing Director	<p>5a - Quarterly</p> <p>5b - Ongoing</p> <p>5c - Ongoing</p> <p>5d - Ongoing</p> <p>5e - Ongoing</p>	4	3	<p>12</p> <p>↔</p>	No	<p>5a Cabinet reviewed a recovery plan paper in April 2021. A subsequent updated recovery plan will be brought to Cabinets in June 2021.</p> <p>5b The Council's Covid Coordination Group, alongside supporting cells, closely monitors the impact of the pandemic in order to ensure the Council effectively responds to the second wave.</p> <p>5c Additional funding is being provided by government to support part of this</p>

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		resulting in a negative impact on our residents and businesses, decline in reputation, increase in staff absence and inability to address the Councils budget gaps in the future.	and in the process of being implemented. Majority of staff enabled to work from home. HR processes refined and in place to support staff					economy and communities, working with key partners where possible. 5c Continue to lobby government for adequate funding to support recovery. 5d Implement phase 1 of the new ways of working project. 5e Emergency Planning team running scenario-based exercises to document good practices from Covid-19 response and how we can be more effective against a 2nd wave.							response. The council recently received additional COMF funding to support its continued response. The Recovery Plan to be reviewed by members in June will outline how this funding will be utilised to support the recovery plan. 5d The New Ways of Working Programme is underway and has supported the remote working of staff. This includes a roll out of laptops to all staff to enable effective home working. The offices were also reopened to customers on 12/04/21, in line with government guidelines, and this was managed under the remit of this project. 5e Emergency Planners sit on the Covid Coordination Group and Silver Group to provide advice and guidance on best practice.
Moving with the times, working smartly and collaboratively	6	Risk - The Council fails to take advantage and act quickly and proactively on the opportunities of Local Government Reform and devolution. Consequence - Failure to achieve potential for greater devolved funding and/or decision making to the region and the benefits this would bring for residents	Regular Horizon Scanning. Active Membership of different groups such as the DCN, LGA, RSN etc Implementing Broadland/South Norfolk Collaboration. Quarterly review of performance and risks to the organisation. CMLT relationship building and liaison with key stakeholders such as central Government	4	5	20	Reduce	6a Review the outcomes of the Devolution White Paper when it is released. 6b Continued regular horizon scanning and policy updates to CMLT and management team to ensure we stay abreast of changes and are able to have influence.	Director of Resources	6a - Expected in Autumn 2021 6b - Monthly	3	4	12 ↕	No	6a The devolution white paper has been delayed by government following the announcement of a small number of areas who were invited to make reorganisation bids. Officers will continue to monitor any future government announcements and developments. 6b Officers continue to horizon scan for any policy developments and impacts for the council.

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		and businesses in our area.	departments and professional bodies.												
Moving with the times, working smartly and collaboratively	7	<p>Risk - The Council fail to anticipate and respond to changes in the external environment such as political changes in the national priorities from Central Government.</p> <p>Consequence - Lack of ability to influence external drivers for greater change and additional resources required to achieve the new priorities or changing direction of travel.</p>	<p>Regular Horizon Scanning.</p> <p>Active Membership of different groups such as the DCN, LGA, RSN etc</p> <p>Implementing Broadland/South Norfolk Collaboration.</p> <p>Quarterly review of performance and risks to the organisation.</p> <p>CMLT relationship building and liaison with key stakeholders such as central Government departments and professional bodies.</p>	3	4	12	Reduce	7a Continued regular horizon scanning and policy updates to CMLT and management team to ensure we stay abreast of changes and are able to have influence.	Director of Resources	7a - Monthly	3	4	12	No	7a Regular horizon scanning updates are produced to ensure that key policy changes are addressed.
Moving with the times, working smartly and collaboratively	8	<p>Risk - A major contractor or supplier fails to deliver on an agreed contract or service delivery.</p> <p>Consequence - Material effects to our service delivery, potential large-scale financial impacts, increased resources to handle and manage customer expectations/complaints</p>	<p>Procurement processes in place to develop robust contracts.</p> <p>Strong communication channels between suppliers and the Council.</p>	3	4	12	Reduce	<p>8a Ensure staff are equipped with the right knowledge to ensure effective and proactive management of our contracts.</p> <p>8b Ensure contract registers are up to date.</p> <p>8c Work with partners to review, amend and embed the social value policy to develop a more inclusive economy including through the</p>	<p>8a and b - Director of Resources</p> <p>8c – Director of People & Communities</p>	<p>8a - Ongoing</p> <p>8b - Ongoing</p> <p>8c - Ongoing</p>	2	3	6	Yes	<p>8a The procurement team support officers with any issues that arise from existing contracts and also work with Officers on the larger or more complex procurements to ensure future contracts are fit for purpose.</p> <p>8b Contract registers have been updated and are reviewed by senior management at CMLT on a quarterly basis.</p> <p>8c Work is planned into the delivery plan to review the way we procure services to improve social value, both at the Council but as part of the wider Norfolk public sector system.</p>

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
								Councils' procurement processes.							
Moving with the times, working smartly and collaboratively	9	<p>Risk - A major health and safety incident occurs (internal or external e.g. leisure centres/waste depot) of which the Council are responsible for.</p> <p>Consequence - Potential injury/harm to either staff or customers, service disruptions and potential cost implications</p>	<p>Risk assessments and action plans in place where needed.</p> <p>Lone Working Controls in place.</p> <p>Health and Safety Contract with Norfolk County Council in place.</p> <p>Risks and mitigations are reviewed and managed through the Health and Safety Committee and CMLT.</p>	4	4	16	Reduce	<p>9a Ensure we have risk assessments and action plans in place where needed.</p> <p>9b Provide organisational wide Health and Safety training where applicable.</p>	Director of Resources	9a - Ongoing 9b - Q2 21/22	2	4	8	Yes	<p>9a Covid Risk Assessments are in place for each service. As part of this each service has reviewed their existing risk assessments. A corporate Risk Assessment template is available on Connect to ensure consistency of approach.</p> <p>9b A corporate wide training plan has been instigated, which includes any statutory H&S training. The Corporate Management Leadership Team is undertaking Health & Safety Training in April 21 to ensure they are fully aware of their responsibilities.</p>
Moving with the times, working smartly and collaboratively	10	<p>Risk - The Council is unable to take advantage of the benefits and opportunities from collaborative working with Broadland Council and other key partners through autonomous policy decision-making.</p> <p>Consequence - Failure to achieve efficiency savings through economies of scale and increased chance of not delivering upon key priorities set out in the organisations Strategic Plan.</p>	<p>Transformation Approach and initial programme of work in place.</p> <p>JLMG established to have Member oversight and steering of the collaboration programme.</p> <p>Regular updates and briefings to CMLT and JLMG (monthly) on the collaboration.</p> <p>Collaboration costs and savings tracked quarterly and reported through to JLMG and in formal finance updates quarterly.</p>	4	4	16	Reduce	<p>10a Review and update the transformation programme in light of the recent Covid-19 pandemic and updated Delivery Plan and Recovery Plan.</p> <p>10b Continue to deliver transformation training to all staff.</p> <p>10c Continue to review opportunities for further collaborative working with key partners.</p>	Chief of Staff	10a - Ongoing 10b - Ongoing 10c - Ongoing	3	3	9	Yes	<p>10a Following the reprioritisation of the programme last year, officers continue to monitor the resourcing levels for the continued delivery of the transformation programme.</p> <p>10b In the last quarter, the internal consultancy network have completed training in change management and project management and Connect continues to be updated with tools and guides for the wider organisation. Work continues to identify areas for further training opportunities.</p> <p>10c The Council is working collaboratively with partners in a wide range of areas to support our businesses and communities.</p>

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
Moving with the times, working smartly and collaboratively	11	Risk - The Council fails to handle and manage data adequately. Consequence - Potential loss of data, unlawful sharing of data, reputational damage and significant financial penalties.	Online GDPR training provided to all staff to raise awareness of how to handle and manage data correctly. Remote access controls in place including two factor authentication. Any breaches are identified internally and recorded as and when necessary.	5	4	20	Reduce	11a Deliver the System Architecture Review project. 11b Ensure all systems meet our data security requirements. 11c Review of how data is managed whilst working remotely	Director of Resources	11a - Q1 21/22 11b - Ongoing 11c - Ongoing	3	4	12 ↕	No	11a The System Architect Review project is in its final stages. 11b Access to all systems on our network is through secure log in when office based, or through a two-factor authentication when remote working. 11c As above with regards to remote working and staff are continually reminded in terms of safeguarding information when working from home. In addition, any breaches are recorded and actioned, with training and lessons learnt exercises undertaken.
Moving with the times, working smartly and collaboratively	12	Risk - Capability and capacity of the workforce is not aligned effectively to key priorities and organisational requirements. Consequence - Poor standards of service delivery, service disruption, slow or minimal transformation and inability to meet savings targets as a result.	Four-year Strategic Plan developed and in place which sets out the ambitions for the Council over the coming years. Delivery Plan for the Council developed and in place which sets out the detailed projects and BAU for the Council in the coming year to 2021. Management/Leadership Training and Development in progress.	3	4	12	Reduce	12a Scope and develop a talent management programme. 12b Build our own talent - Develop projects to consider our use and opportunities of apprenticeships, internships, career placement, graduates etc 12c Effective project and programme management processes and model in place to support delivery of priorities.	12a and b Chief of Staff 12c Director of Resources	12a - March 2021 (completed) / Ongoing 12b – March 2021 / Ongoing 12c – Q3 2021/22	3	3	9 ↕	Yes	12a The development of a Management Development Programme has been completed and we will be rolling this out to all Managers over the next year ensuring that senior managers, middle managers and first line managers undertake the development programme. 12b The approach that the Council takes to apprenticeships, graduates and internships is underway, with the view that this will have greater emphasis on approach in the 21/22 year and onwards. 12c A new project and programme management framework has been developed to support the effective management of programmes and projects - this is currently being implemented.
Moving with the times, working smartly and collaboratively	13	Risk – The Council is unable maintain memberships and income levels at its Leisure Centres as a consequence of Covid-19.	Detailed Covid-19 procedures in place Regular contact with existing members Marketing campaigns to increase membership	4	5	20	Reduce	13a Reduced membership fee as a loyalty offer to existing members to encourage them back into Centres. 13b Provide a range	Assistant Director Community Services	13a – Until May 2021 13b - Ongoing 13c - Ongoing 13d - Ongoing	3	4	12 ↕	No	13a-13f Centres reopened in April in a Covid secure manner in keeping with the Government's roadmap, with plans to be fully open from the 21st June. Uptake of members has been strong with 1814 live paying members, including 118 new members. Pricing has been set at £25 p.m. rate initially to retain members and

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		Consequence – Membership levels decrease. Expenditure levels exceed income levels and the commercial viability of the service decreases.	Review of existing member offer Budget monitoring					of incentives to encourage existing and new members to return 13c Delivery of the savings through reduced staff resources and utility costs 13d Review existing procedures and restrictions in response to changing Government guidance 13e Look for further income generating opportunities and review of membership offer 13f Review product and pricing structure		13e – Ongoing 13f – April 2021 (completed)					in keeping with the sector's reopening offers. A strong marketing campaign is underway and all frozen members will be asked to 'opt out' from July, re-instating their membership fee unless they ask not to. Swim School return remains strong with 78% of spaces filled, on average, across the two sites. The online offer continues to develop with 1086 live members and 5274 individual uses of live streamed or on-demand classes (2778 and 2496 respectively). A new governance structure has been developed and is being rolled out to provide greater commercial tension to the service and ensure delivery against the agreed three-year subsidy offered by the Council, which will include external specialist advice. A restructure is underway which will both create a recurring saving as well as create more capacity for business development and sales which will be completed by June 2021.
Growing the Economy/ Supporting individuals and empowering communities	14	Risk - The Council is unable to respond effectively to the economic impact of Covid-19 and Brexit and the resultant impact upon local businesses and the local economy. In addition, the roll-out of the Covid-19 vaccination programme fails to provide adequate coverage for the population of South Norfolk, in particular	Administering grant funding to businesses Providing an ongoing package of business support Using all levers available to us to help our businesses retain cash in the business where appropriate.	3	4	12	Reduce	14a Improve the quality of business intelligence we are gaining in order to enable the Council to respond to the needs of our businesses 14b Continue to provide support to the roll-out of the vaccination programme across South Norfolk, working in collaboration with partners, to provide	14a Director of Place 14b Director of People and Communities	Ongoing	2	4	8 ↕	Yes	14a The draft Covid Recovery Plan provides a comprehensive package to support businesses to thrive as well as help people who want and need to get back into work. In addition the Council has adopted a comprehensive multi-team approach to respond to the impacts of the pandemic on local businesses and the local economy. We continue to successfully deliver the administration of the various Government funded business support grant programmes, and have collaborated with other Norfolk Local Authorities to launch a Coronavirus business impact survey to gather intelligence on any additional support our businesses require during the latest

							Risk with existing Controls						Current Risk		
Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 4
		vulnerable groups, impacting the health of our communities and limiting the pace of economic recovery. Consequence – Detrimental impact on our local economy						targeted support to vulnerable and hard to reach groups							period of lockdown restrictions and beyond. 14b The Council continues to engage and provide support to the vaccination programme to support the roll-out of this to the residents of South Norfolk, including both hard to reach groups such as homeless and gypsy traveller communities, as well as the vaccine hesitant.
Growing the Economy/ Supporting individuals and empowering communities	15	Risk - The withdrawal of Covid-19 support funding for our local residents and businesses including business rate relief, the furlough scheme and eviction prevention scheme. Consequence – The potential closure of support schemes leading to increased levels of unemployment and financial hardship for our residents and unmanageable levels of demand upon key council service areas	Council tax support scheme and hardship policy for those facing hardship. Increased help hub resource providing support to our residents. Business rates relief. Working with our partners to support Kickstart and Apprenticeship schemes to support employment. Proactive work with housing associations and PSLs to identify tenants in arrears and prevent evictions. Ability to increase and flex temporary accommodation and housing support offers to suit profile of demand	4	4	16	Monitor	15a Using data and insight to map and forecast the impact for our residents and ensure appropriate support services in place for residents	Director of People and Communities	Ongoing	3	4	12 ↕	Yes	15a The Council has developed a recovery plan to ensure that it is able to respond effectively to the potential increased call for support from our residents once the wider government support schemes end. Additional Covid-19 resource has already been allocated to key services such as housing, benefits and community hub to meet current and expected demand The council will also continue to work in partnership to support the delivery of the kickstart and apprenticeship programmes.

FRAG Committee Work Programme

25 June	Strategic and Annual Internal Audit Plans 2021/22 External Audit Plan 20/21 Annual Governance Statement 2020-21 Report on Counter Fraud Activity 2020/21 (if anything to report) Review of Contract Procedure Rules Strategic Risk Register	Faye Haywood External Audit Emma Hodds Ian Kerrison Rodney Fincham Sinead Carey
July TBC	Progress Report on Internal Audit Activity Internal Audit Follow Up Report Head of Internal Audit's Annual Report and Opinion for 2020/21	Faye Haywood Faye Haywood Faye Haywood
24 September	Final Statement of Accounts 2020-21 Progress Report on Internal Audit Activity Internal Audit Follow Up Report Audit Results Report 2020-21 Strategic Risk Register Rules of Financial Governance Review of Local Government Ombudsman 2021	Rodney Fincham/Julie Brown Faye Haywood Faye Haywood External Audit Sinead Carey Rodney Fincham Chrissie Baldwin
4 February	Progress Report on Internal Audit Activity Internal Audit Follow Up Report Annual Report of FRAG Committee Self Assessment of the FRAG Committee Strategic Risk Register Update	Faye Haywood Faye Haywood Emma Hodds Faye Haywood Sinead Carey
25 March	Strategic and Annual Internal Audit Plans 2022/23 External Audit Plan 2022/23	Faye Haywood External Audit