

# **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 Edney  
Cllr K Kiddie  
Cllr N Legg

Cllr S Ridley (Vice Chairman)  
Cllr B Duffin  
Cllr D Elmer  
Cllr T Laidlaw

### **Date & Time:**

Friday 25 March 2022  
9.30am

### **Place:**

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

### **Contact:**

Jessica Hammond tel (01508) 505298  
Email: [committee.snc@southnorfolkandbroadland.gov.uk](mailto:committee.snc@southnorfolkandbroadland.gov.uk)  
Website: [www.southnorfolkandbroadland.gov.uk](http://www.southnorfolkandbroadland.gov.uk)

### **PUBLIC ATTENDANCE:**

If a member of the public would like to attend to speak on an agenda item, please email your request to [committee.snc@southnorfolkandbroadland.gov.uk](mailto:committee.snc@southnorfolkandbroadland.gov.uk), no later than 5.00pm on Tuesday 22 March 2022.

### **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: [committee.snc@southnorfolkandbroadland.gov.uk](mailto:committee.snc@southnorfolkandbroadland.gov.uk)

Public speaking can take place:

- Through a written representation
- In person at the Council offices

# 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 form and flow chart attached – page 8)
4. To confirm the minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 4 February 2022;  
(attached – page 10)
5. Strategic and Annual Internal Audit Plans 2022/23;  
(attached – page 17)
6. Annual Report of the Finance, Resources, Audit and Governance Committee 2021/22;  
(attached – page 33)
7. Progress Report on Internal Audit Activity;  
(attached – page 39)
8. Follow Up Report on Internal Audit Recommendations;  
(attached – page 54)
9. Self-Assessment of the Finance, Resources, Audit and Governance Committee;  
(supporting document attached – page 59)
10. Finance, Resources, Audit & Governance Committee Work Programme;  
(attached – page 65)

## 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.

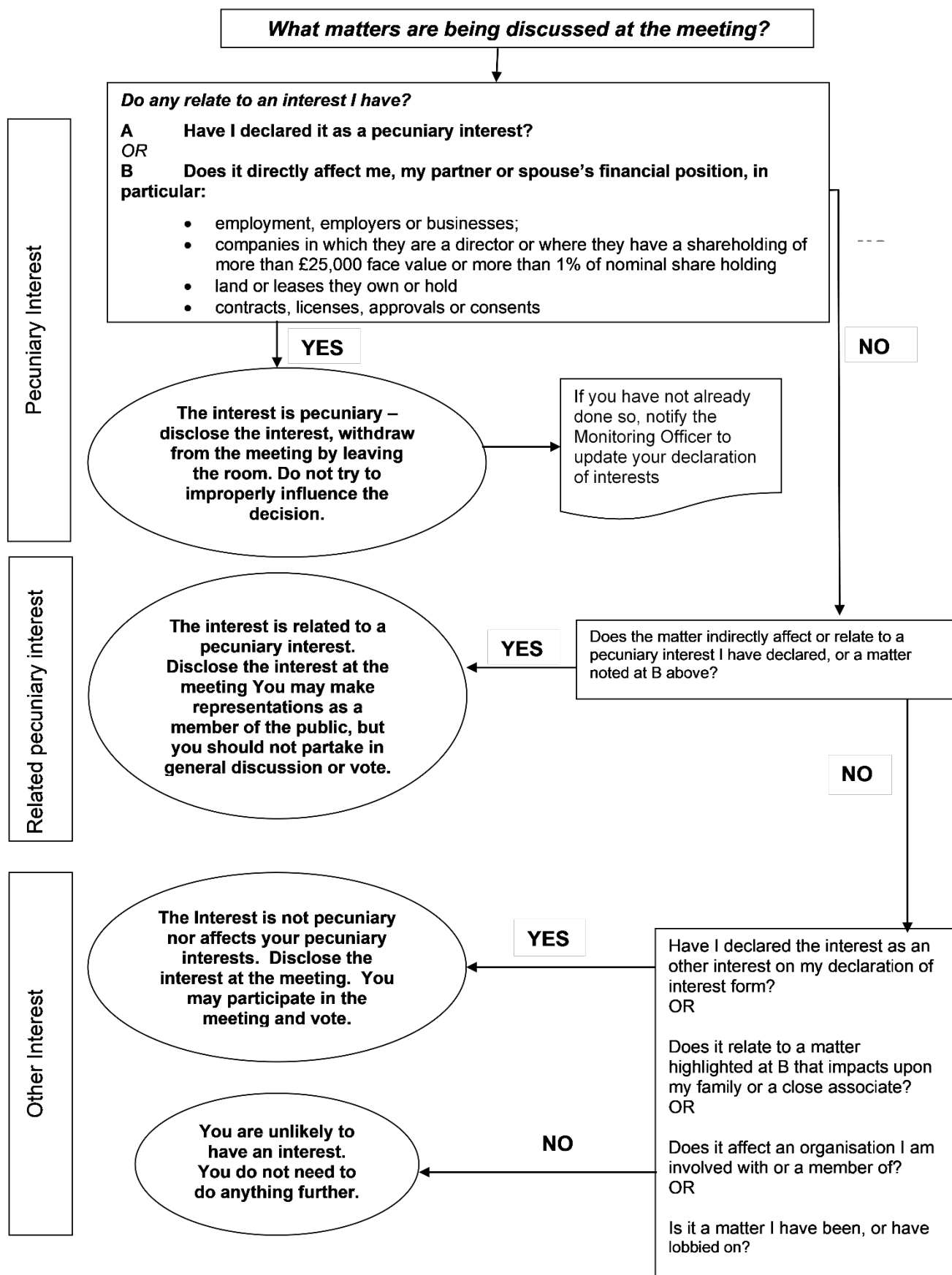
<p>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</p>
<p>Does the interest directly:</p> <ol style="list-style-type: none"> <li>1. affect yours, or your spouse / partner's financial position?</li> <li>2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?</li> <li>3. Relate to a contract you, or your spouse / partner have with the Council</li> <li>4. Affect land you or your spouse / partner own</li> <li>5. Affect a company that you or your partner own, or have a shareholding in</li> </ol> <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 meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk District Council, held on Friday 4 February 2022 at 9.30am.**

**Committee Members Present:** Councillors: P Hardy (Chairman), D Bills, C Brown, D Elmer (for part of meeting), K Kiddie, T Laidlaw, N Legg and S Ridley

**Apologies for Absence:** Councillors: B Duffin

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

**Officers in Attendance:** The Assistant Director of Finance (R Fincham), the Head of Internal Audit (F Haywood), the Assistant Director for ICT/Digital and Transformation (C Lawrie), the Strategy and Programme Manager (S Carey), the Executive Assistant to Managing Director and Leaders (C Baldwin) and the Internal Audit Trainee (E Voinic)

### **279 MINUTES**

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 24 September 2021 were confirmed as a correct record.

The Chairman requested an update on whether Public Sector Audit Appointments (PSAA) had made a determination regarding the 2019/20 external audit fee. The Assistant Director of Finance reported that the scale fee for 2019/20 had been set at £39,000. The final audit fee for 2019/20 would be £65,000. He informed the Committee that this amount was in line with what the Council was expecting, and lower than the increase requested by Ernst and Young (EY).

The Committee expressed disappointment that EY had missed their deadline to commence audit work in late December 2021 to January 2022. The Assistant Director of Finance explained that due to staff resources, EY had

been unable begin their audit work in December 2021 and that the audit was now expected to begin on 14 February 2022 until 25 March 2022. Members queried whether the 2021/22 audit would also be delayed. The Assistant Director of Finance confirmed that there would be delays in the 2021/22 audit, as it was likely work would not commence until December 2022.

In response to further questions, the Assistant Director of Finance explained that there was no statutory deadline for the Audit Results Report, however, it was considered good practice to sign off the Annual Accounts as soon as possible.

## **280    PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

Members considered the report of the Head of Internal Audit, which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 for the period 14 September 2021 to 26 January 2022.

The Head of Internal Audit explained that 81 days of programmed work had been completed, which equated to 53% of the Audit Plan for 2021/22. Members noted that this was less than in previous years, however the Head of Internal Audit assured the Committee that following regular meetings with the audit contractor, and the installation of an Audit Manager to coordinate the audit work, internal audit were back on track to complete all audits by the end of the year.

In response to a question, the Head of Internal Audit confirmed that the Big Sky audit work was due to commence in quarter four and be completed by the end of the year. She added that the Audit Planning Memorandum had been completed and that the Managing Director and Director of Resources were currently scoping the report.

With regard to the assurance review of Covid-19 business grants at appendix 2, the Head of Internal Audit explained that approximately 21,000 applications had been processed with £40M in funding awarded. She added that 3 “needs attention” action points represented a good result following the large volume of work carried out.

Members queried whether processes had been put in place to address the issues raised. The Assistant Director of Finance advised members that government guidance during the initial weeks of the Covid-19 pandemic was to undertake only limited pre-payment checks to ensure funding was given out quickly to businesses in need. He added that full pre-payment and document checks were now carried out before payment for any current schemes.

The committee thanked officers for their hard work, and it was then,

## **RESOLVED**

To note the progress made in completing the internal audit plan of work and the outcomes of the completed audits for the 2021/22 financial year.

### **281 FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS**

The Head of Internal Audit presented the report, which informed members on the progress made in relation to management's implementation of agreed internal audit recommendations which were due by 26 January 2022.

She explained that of the issues outstanding, none were urgent, and a fair explanation had been provided by officers regarding the outstanding issues.

With regard to the outstanding recommendations at appendix 2, the Head of Internal Audit explained that since publication of the report, the due date for the HR and Payroll recommendation had been further revised to 1 May 2022 to allow for the new HR system to be implemented, and that evidence for the Service Desk recommendation needed to be verified.

Members queried the two outstanding recommendations raised in 2019/20, the Head of Internal Audit explained that she was in regular discussions with the responsible officers to get ensure the outstanding recommendations were resolved.

The conversation turned to the planned changes to a number of IT systems across the Council and members queried the impact this would have. The Head of Internal Audit advised that next year's internal audit plan would include the audit of these projects in order to provide assurance to the Committee.

After further discussion, it was,

## **RESOLVED**

To note the position in relation to the completion of agreed internal audit recommendations as at 26 January 2022

### **282 OPTING INTO THE NATIONAL SCHEME FOR EXTERNAL AUDITOR APPOINTMENTS**

Members considered the report of the Assistant Director of Finance, which set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

He explained that the Council previously opted into the 'appointing person' national auditor appointment arrangements established by PSAA for the period covering the accounts for 2018/19 to 2022/23, and that it was under this arrangement EY was appointed as the Council's external auditors. The Council had been invited by PSAA to opt into the sector-led option for another five-years from 1 April 2023.

Members were advised that only nine firms in the country were currently accredited to carry out local government audits and that it was officers' and the Local Government Association's (LGA) opinion that it was in the Council's best interest to opt in. Additionally, 120 local authorities had already signed up to the appointment scheme.

Members raised their concerns regarding delays and issues faced with EY (the current external auditor) and queried whether the Council would have the opportunity to input into the appointment of the auditor. The Assistant Director of Finance explained that the contract holder PSAA would be responsible for the appointment of auditors, however, they were taking into account the current issues faced in order to strengthen the focus on the quality and timeliness of the audits instead of primarily focusing on the cost. He added that the issues faced by the Council were country-wide, and central government was aware.

After further discussion, a vote was then taken and it was,

## **RESOLVED**

TO RECOMMEND TO COUNCIL that it accepts the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

## **283 STRATEGIC RISK REGISTER**

The Assistant Director for ICT/Digital and Transformation presented the report, which provided members with an overview of the current position of the Strategic Risk Register (SRR) for South Norfolk Council.

Members were advised that the risks in the SRR had been identified through the Corporate Management Leadership Team's assessment of the risks to the Council's Strategic Plan and Delivery Plan, based on the framework set out in the Risk Management Policy, adopted by Council in September 2020.

The Risk Management Policy broke risks down into three main categories; Strategic Risks, Directorate, or Operational & Project Risks. The Assistant Director for ICT/Digital and Transformation explained that both Directorate

and Operational & Project Risks could be escalated through CMLT to become part of the SRR.

The Chairman informed the meeting that he had concerns about the de-escalation of the risk relating to Big Sky Developments, as although positive progress had been made to mitigate existing risks, the current economic environment raised additional concerns which could constitute a risk to the Council. The Executive Assistant informed the Committee that Big Sky produced a report for its shareholders, the contents of which could provide assurance to the Committee and alleviate a number of their concerns. Members were reminded that the Council's Managing Director and two Councillors sat on the Big Sky Ventures board, and it was suggested that they be invited to a future meeting of the Committee to present the Big Sky Shareholders report and provide assurance.

One member raised a concern on the consistency of the SRR reporting process and provided the Committee with examples to illustrate their concerns. To improve the consistency of the SRR reporting between Cabinet and the Committee, the Head of Internal Audit suggested that the Committee could amend the Risk Management Policy so that the SRR was reported to the Committee twice a year in line with Cabinet.

The Head of Internal Audit also noted that the Council's SRR and accompanying Risk Management Policy were still new (agreed by Cabinet in 2020) and that both development and additional officer training was required. The Assistant Director for ICT/Digital and Transformation added that officers welcomed the Committee's input on how the SRR could be improved moving forward. The Chairman suggested that an informal session be arranged for the Committee to discuss and put forward recommendations to officers on improvements to the reporting process of the SRR.

Members further discussed the contents of the SRR, and attention was drawn to risk reference six "The Council is unable to maintain memberships and income levels at its Leisure Centres as a consequence of Covid 19", one member felt that it was not only Covid 19 affecting membership levels, the current economical environment and financial pressures felt by residents could see further decreases in membership levels and the overall income of Leisure Centres. Other members agreed that this risk needed to be expanded to cover both the consequences of Covid and other pressures faced.

A vote was taken and it was unanimously,

## **RESOLVED**

1. To note the Strategic Risk Register for the Council

2. To recommend that Cabinet reviews the decision to de-escalate the risk relating to Big Sky Developments, until the Finance, Resources, Audit and Governance Committee had gained independent assurance.
3. That the Councils representatives on the Big Sky Ventures Board be invited to a future meeting to present the Big Sky shareholders report and provide assurance to the Finance, Resources, Audit and Governance Committee.

## **284 REVIEW OF LOCAL GOVERNMENT OMBUDSMAN 2021**

The Executive Assistant presented the report, regarding a review of the Local Government & Social Care Ombudsman report, for complaints referred for the year ending 31 March 2021.

The Executive Assistant advised members that in July 2021 Council's complaints process was revised as part of the first-class approach to Customer Service, and that for the period covered in this report the previous complaints process was in place.

Members were informed that throughout the majority of 2021, the Ombudsman suspended its reviews in light of the increased burden Councils faced due to the Covid 19 pandemic, due to this suspension only six complaints were referred to the Ombudsman. The Executive Assistant advised the Committee that only one of the six complaints was upheld. Members noted that administration errors had been found in this case and that the Planning Team had amended their processes to prevent a reoccurrence.

After further discussion it was,

### **RESOLVED**

To note the contents of the report.

## **285 WORK PROGRAMME**

Members considered and noted the Finance, Resources, Audit and Governance Committee's Work Programme.

The Head of Internal Audit requested that the progress report on internal audit activity and the follow up report on internal audit recommendations be added onto the work programme for the March 2022 meeting.

The Chairman informed the Committee that an additional meeting would need to be scheduled for April 2022 to consider the 2020/21 Audit Results Report.

One member suggested that a South Norfolk Council representative on the Big Sky Ventures board be invited to the April meeting to discuss the Shareholders Report. The Chairman further recommended that the informal session to discuss the strategic risk register be scheduled to follow the formal meeting in April 2022. The Head of Internal Audit advised members that an internal audit assurance review of the Big Sky Developments could not be prepared for the April 2022 meeting, she suggested that this item be postponed until the next financial year (beginning May 2022).

(The meeting concluded at 11.06am)

---

Chairman



## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Strategic and Annual Internal Audit Plans 2022/23

Responsible Officer: Head of Internal Audit for South Norfolk Council

#### CONTENTS

1. INTRODUCTION.....	2
2. INTERNAL AUDIT CHARTER .....	2
3. INTERNAL AUDIT STRATEGY .....	3
4. STRATEGIC INTERNAL AUDIT PLAN.....	3
5. ANNUAL INTERNAL AUDIT PLAN.....	3
6. PROPOSAL .....	3
7. RECOMMENDATIONS.....	4
APPENDIX 1 – INTERNAL AUDIT STRATEGY .....	5
APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN .....	10
APPENDIX 3 - ANNUAL INTERNAL AUDIT PLAN 2022/23 .....	14

## 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 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.
- 1.4 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.
- 1.5 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 last approved in 2021 and will therefore not need to be reviewed and approved by the Committee this year.
- 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 Internal Audit Trainee 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 (**see Appendix 1**) 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.

### **4. STRATEGIC INTERNAL AUDIT PLAN**

4.1 The overarching objective of the Strategic Internal Audit Plan (**see Appendix 2**) 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 3**). 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 2022/23 totals 162 days in total, encompassing 18 Internal Audit reviews, three of which cover IT processes.

5.3 A total of 17 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.

5.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

5.5 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 Strategy;
  - b) the Strategic Internal Audit Plans 2022/23 to 2025/26; and
  - c) the Annual Internal Audit Plan 2022/23.

## APPENDIX 1 – INTERNAL AUDIT STRATEGY



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT STRATEGY FOR 2022/23

##### 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 define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.3 Throughout this strategy the term 'The Authority' or 'Authority' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Authorities Audit Committee or equivalent.

##### 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, the Broads Authority and from April 2022, Norwich City Council. 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 at South Norfolk Council. Following a successful procurement exercise the new contract with TIAA Ltd will commence from 1 April 2022 ending 31 March 2027 with the option to extend for a further term of two plus two.

##### 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 of 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 151 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 senior management prior to these being endorsed by the Audit 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 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 Public Sector Internal Audit 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 each Authorities 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.

4.4 Each Authorities risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will suggested for approval to ensure that Internal Audit coverage continues to focus on providing assurance over the Authorities key risks.

4.5 Coverage and testing plans for each audit are determined using the following principles:

- The number of days allocated to each review is considered based on the complexity of the area being audited factoring in audit scoping, testing time and quality assurance processes.
- Key management assurance controls will be prioritised during testing to confirm that risks identified by the service area and internal audit during scoping are being monitored and managed.
- Ordinarily, samples for each control tested will be selected to cover a 12-month period to ensure that internal audit coverage supports the annual internal audit opinion.
- Testing sample sizes will ordinarily be based on the frequency of the control. By way of example; for each key financial control carried out weekly, a sample of four, one in each quarter across the year will be selected.
- Testing samples will be selected randomly and objectively to provide a balanced view on the strength of the controls in place.
- Where applicable data analytics will be used to test 100% of the available sample. The Internal Audit team will aim to increase the opportunities to adopt data analytics in their work to provide greater levels of assurance.

## **5. How internal audit resource requirements have been assessed**

- 5.1 The in-house Internal Audit team at South Norfolk Council consists of the Head of Internal Audit who is a Chartered professional and an Internal Audit Trainee, currently training to become part qualified with the Chartered Institute of Internal Auditors.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The team also provides Internal Audit management support to one other Council outside of the Consortium.
- 5.3 The Internal Audit Trainee has recently been appointed to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 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.
- 5.5 A core team of staff is provided by the contractor 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.
- 5.6 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.



- 5.7 The above-mentioned arrangements ensure that the Internal Audit Service is able to respond effectively to the assurance needs of each Authority whilst ensuring that the core team used are sufficiently qualified and experience.

## APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2022/23	2023/24	2024/25	2025/26	Joint Review
<b>Annual Opinion / Governance audits</b>							
Key Controls and Assurance	2019/20 - Reasonable 2021/22 - TBC	Critical to annual internal audit opinion	10	15	10	15	√
Corporate Governance inc GDPR and FOI	2017/18 - Reasonable 2019/20 - Reasonable	Critical to annual internal audit opinion		10			
FOI's Complaints	New area			4			
Business Continuity Emergency Planning	New area		8				√
Performance Management, Business Planning	2017/18 - Reasonable 2021/22 - Reasonable					8	
Procurement and Contract Management	2018/19 Reasonable 2020/21 Position Statement		10				√
Project Management	New area			8			
Risk Management	2016/17 - Substantial 2019/20 Risk Maturity Assessment		4			12	√
Coronavirus Response and Recovery	Position Statement 2020/21						
Covid relief grants	New area		8				√
Counter Fraud and Corruption Framework	2021/22 - Limited				6		
Annual Governance Statement	2021/22 - Substantial						
Collaboration Feasibility - Accommodation	New area	Risk 2 Failure to deliver the Feasibility Report collaboration roadmap			10		
Big Sky	2019/20 - Reasonable 2021/22 - TBC			10			
Corporate Health and Safety	2017/18 - Reasonable 2021/22 - TBC					8	

Audit Area	Last review & assurance	Associated Risk	2022/23	2023/24	2024/25	2025/26	Joint Review
<b>Fundamental Financial Systems</b>							
Accountancy Services - includes control accounts, banking, bank reconciliation, asset register, budgetary control and treasury management	2019/20 - Reasonable 2021/22 - TBC	Risk 1 Financial (The Council fails to anticipate and respond to large scale changes in the external environment that impacts on ability to deliver MTFP) - High		15		14	
Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 - Reasonable		10		10		√
Accounts Receivable	2019/20 - Reasonable 2021/22 - TBC			9		9	
Income / Remittances	2019/20 - Substantial 2021/22 - TBC	2019/20 - Reasonable 2021/22 - TBC		7		7	
Payroll and Human Resources	2018/19 - Substantial 2020/21 - Reasonable	Risk 3 Capability and capacity does not meet organisational requirements - High	8		8		√
Council Tax and NNDR	2018/19 Reasonable 2020/21 Reasonable		15		12		√
Covid-19 Business Grants	2021/22 - Reasonable						
Housing Benefit and Local Council Tax Support	2018/19 - Reasonable 2020/21 Reasonable		15		12		√
<b>Service Area Audits</b>							
<b>Economic Growth</b>							
Economic Development	2020/21 Position Statement		9				√
Housing Strategy and Affordable Housing	2016/17 - Reasonable		6				√
Community Assets	New area		8				√
Car Parking	2015/16 - Reasonable, 2018/19 Reasonable					8	
Tourism and Market Towns	New area			8			
<b>Chief of Staff</b>							
Democratic Services, Training, Allowances & expenses	2015/16 - Reasonable			8			
Communications and Marketing	New area					4	
Legal services	2014/15 - Reasonable				10		
Elections and Electoral Registration	2013/14 - Reasonable 2018/19 Substantial		8				√

Audit Area	Last review & assurance	Associated Risk	2022/23	2023/24	2024/25	2025/26	Joint Review
<b>Regulatory</b>							
Environmental Strategy	New area				8		
Environmental Health - includes emergency planning, community safety, food safety, food Health and Safety enforcement, environmental protection, dog contract out of hours, licensing and pollution control - Deferred from 2020/21	2016/17 - Reasonable 2021/22 - TBC			8	10		
<b>Community Services</b>							
Waste Management - includes contract monitoring, income collection & monitoring, pest control, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance - Deferred from 2020/21	2016/17 - Reasonable 2019/20 - Reasonable			12			
Leisure	2017/18 - Reasonable 2019/20 - Reasonable	Risk 6 The Council is unable to maintain memberships and income levels at its Leisure Centres as a consequence of Covid-19 - Very High	10				
<b>Individuals and Families</b>							
Community Activity including Leisure. Assets of of Community Value and Early Help Hub.	2016/17 - Limited		8				√
Private Sector Housing - includes DFGs, grants and loans	2017/18 - Reasonable 2019/20 - Reasonable			10			
Safeguarding and Wellbeing	New area				8		
Homelessness, Home Options and Private Sector Leasing	2019/20 - Reasonable 2021/22 - TBC				10		

Audit Area	Last review & assurance	Associated Risk	2022/23	2023/24	2024/25	2025/26	Joint Review
<b>Planning</b>							
Planning and development management	2014/15 - Reasonable, 2019/20 - Reasonable			12			
CNC Building Control	2016/17 - Reasonable 2018/19 - Reasonable						
<b>ICT Audits</b>							
Cyber Crime	2018/19 - Limited 2021/22 - TBC						
Remote Access	2018/19 - Reasonable 2020/21 - Reasonable						
Disaster Recovery	2019/20 - Limited 2021/22 - TBC						
Network Security and Infrastructure	2013/14 Reasonable	Risk 4 ICT Infrastructure fails due to running old infrastructure at near capacity with intention of increasing the load - High	9				√
Service Desk	2017/18 Limited 2020/21 - Reasonable		5				√
Digital Strategy	New area			10			
Data Centre - - Deferred from 2020/21	2019/20 Position Statement						
Post-implementation Finance System	New area		3				√
IT audit reviews to be determined				8	20	20	
<b>Follow Up of audit recommendations</b>							
Follow up of agreed audit recommendations			8	8	8	8	
<b>Total number of days</b>			<b>162</b>	<b>162</b>	<b>142</b>	<b>113</b>	

### APPENDIX 3 - ANNUAL INTERNAL AUDIT PLAN 2022/23

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Annual Opinion Governance Audits</b>							
Key Controls and Assurance	10				10	✓	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.
Covid-19 Relief Grants	8		8			✓	This area has not been subject to an audit before. The Council has received a number of grants to support with the burden of Covid-19. This review will establish the progress against spending providing assurance that evidence supports the use of spend.
Procurement and Contract Management	10			10		✓	A position statement was last carried out in 2020/21. A number of action points were raised which we will follow up on during this review. The procurement function has recently transferred to a consortium led by Breckland. Our review will provide assurance that procurements are being carried out in line with the Council's Contract Procedure Rules. In addition, we will review the Procurement Strategy and select a sample of contracts to determine if they are being managed in line with contract terms.
Business Continuity and Emergency Planning	8			8		✓	A review of Business Continuity and Emergency Planning has not been undertaken at the Council recently. This audit will provide assurance that the Council has the necessary plans and capabilities to respond to incidents effectively. As well as the above, we will look at flood water management and business continuity plans for waste management.
Risk Management	4	4				✓	A risk maturity assessment was undertaken by the HoIA in 2019/20. We will carry out a position statement to determine progress with implementing the suggested actions from the maturity assessment. In addition, we will also compare the Council's approach to risk management with other consortium members.
<b>Fundamental Financial Systems</b>							
Accounts Payable	10			10		✓	These key financial systems feed into the Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls in these areas.
Local Council Tax Support and Housing Benefit	15			15		✓	
Council Tax and National Non-Domestic Rates	15		15			✓	
Payroll and Human Resources	8				8	✓	

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Service area audits</b>							
Economic Development	9	9				√	A position statement was carried out in this area in 2020/21. This audit will follow up the actions points raised in this review relating to the economic development strategy, projects for Norwich Research Park, Food Innovation Centre and Bure Valley Railway and project documentation management.
Housing Strategy and Affordable Housing	6				6	√	This area was last reviewed in 2016/17. We will evaluate the Council's progress against delivering it's housing strategy and provide assurance that good governance exists for the management of S106/CIL contributions towards affordable housing projects.
Community Assets	8		8			√	This area has not been subject to an audit before. Due to health and safety risk exposure, our audit will focus on tree management processes, maintenance of play equipment and the management of open spaces such as Broadland Park and the newly acquired Queens Hills Country Park.
Leisure	10				10	SNC	A very high risk has been raised in the Strategic Risk Register in relation to the Council being unable to maintain memberships and income levels at its Leisure Centres as a consequence of Covid-19. Our audit will provide assurance over the Council's efforts to mitigate this risk and report on progress against recovery projections. This audit will include a review of existing member offer and pricing structures, and budget monitoring.
Community Activity	8	8				√	This area has not been subject to an audit before. We will focus on three key areas: Member Community Grants, Assets of Community Value and Broadly Active, to provide assurance over the financial management of these activities.
Elections	8	8				√	The Council received a Substantial assurance the last time this area was reviewed. However, since then a new elections software has been implemented and elections are due to take place in 2023. This audit will provide assurance over electoral registration and electoral management processes in preparation for the 2023 election whilst considering the potential impacts of changes to voter identity checks.

<b>ICT Audits</b>							
Network Security and Infrastructure Management	9				9	√	There is a medium risk raised in the Strategic Risk Register in relation to infrastructure failure. Due to the increase of security threats, an audit will be carried out to provide assurance that infrastructure is being maintained and invested in, to enhance the security of the networks.
Service Desk	5		5			√	A review of service desk was carried out in 2020/21. Our review will provide assurance that a consistent service is provided in line with the SLA, including the management and resolution of incidents. Where relevant, we will draw on guidance from the ITIL framework to suggest further improvements.
Post Implementation Finance System	3		3			√	The Council has recently implemented a new joint finance system with South Norfolk Council. A position statement will be carried out as a lessons learnt review to suggest action points for future joint system implementation projects.
<b>Follow Up of audit recommendations</b>							
Follow up of agreed internal audit recommendations SNC	8	2	2	2	2	√	Bi-monthly follow up of agreed recommendations and evidence of closure verified.
<b>Total number of days</b>	<b>162</b>	<b>31</b>	<b>41</b>	<b>45</b>	<b>45</b>		



## **ANNUAL REPORT OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE 2021-22**

**Report Author(s):** Faye Haywood  
Head of Internal Audit  
01508 533873  
[faye.haywood@southnorfolkandbroadland.gov.uk](mailto:faye.haywood@southnorfolkandbroadland.gov.uk)

**Portfolio:** Finance and Resources

**Ward(s) Affected:** All

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

This report is to update Members of the work of the Finance, Resources, Audit and Governance Committee during 2021/22, confirms that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.

### **Recommendations:**

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

## **1 SUMMARY**

- 1.1 This report is to update Members of the work of the Finance, Resources, Audit and Governance Committee during 2021-22 and will also go forward to Full Council, for approval.

## **2 BACKGROUND**

- 2.1 South Norfolk Council's Finance, Resources, Audit and Governance Committee has been in operation since 2012, and this is the sixth annual report of the Committee.
- 2.2 The annual report will look back at the meetings held since April 2021, and the activity of the Committee during this time.

## **3 CURRENT POSITION**

- 3.1 The Terms of reference of the Committee are well established in the Council's Constitution, and the key features include reviewing:
- The draft and final statement of accounts;
  - The external auditors report on the statement of accounts; and
  - The external auditors plan of work.

The Committee is also required to approve:

- The statement of accounts;
  - The annual governance statement;
  - The internal audit plan of work; and
  - The Head of Internal Audit's annual report and opinion.
- 3.2 The Committee has met formally on four occasions (June 2021, July 2021, September 2021 and February 2022) and Member attendance is high. There is a further meeting scheduled in for March 2022. There is a consistent strong officer attendance throughout the year, with regular representation from Accounts, Internal Audit and the Council's External Auditors.
- 3.3 After holding remote meetings throughout 2020/21, the Committee was able to resume in person meetings from June 2021 once again.
- 3.4 The Committee also ensures that it operates to the highest standards, and with that in mind a self-assessment is undertaken against best practice. This is currently on the work programme for the meeting on 25 March 2022.
- 3.5 In addition, a work programme is in place which is reviewed and discussed at each formal meeting and, in line with good practice, a pre-agenda meeting is also held between the Chair and key officers.

## **Overview of the key items considered over the year**

### **3.6 Counter Fraud Activity 2020-2021**

The Committee was provided with an update of the Counter Fraud activities of the Council was provided with an update of the Counter Fraud activities of the Council during 2020-21 at the June 2021 meeting. The main body of work carried out over the year involved the Covid-19 Business Grants verification and carrying out post-payment checks. It was also noted that 71 referrals of potentially fraudulent claims had been reported to the Department of Work and Pensions (DWP). Additionally, fraud training had been provided across to the Benefits team and general advice provided to the Council. One internal conduct matter and two grievance investigations had been investigated and concluded.

### **3.7 Annual Governance Statement 2020/21**

The Annual Governance Statement was considered at the June 2021 meeting where Members considered the current governance arrangements of the Council. The Chief of Staff explained that the Statement was subject to the outcome of the Head of Internal Audit's Opinion Report. The statement was approved at the meeting.

### **3.8 Statement of Accounts 2020/21**

An update on the Statement of Accounts was presented to the Committee at its September 2021 meeting. The Committee was advised that there had been delays on the auditing of the accounts due to Covid-19 (which had been common across the country) and also resourcing issues, and that the accounts would be audited in December 2021 – January 2022. The Assistant Director for Finance provided the Committee with reassurance that a plan was in place for next year's audited accounts, to prevent a similar occurrence next year.

### **3.9 External Audit**

In June 2021, the Committee considered the External Audit Plan for 2020-21, which summarised Ernst & Young's (EY's) assessment of the key risks driving the development of an effective audit for the Council. Additional audit work caused by the Covid-19 pandemic was discussed. In September 2021, a report was received by the Committee on Audit Plan Addendum – VFM Risk Assessment. It was reported that EY had not identified any risks of significant weaknesses in the Council's arrangements and that this would be re-visited prior to issuing the audit opinion on the 2020/21 accounts.

### **3.10 Internal Audit**

On an annual basis the Committee reviews and approves the Strategic and Annual Internal Audit Plan for the forthcoming year. The Committee then regularly receives

updates on the progress of the completion of the plan of work and the position with the action taken by management to progress audit recommendations. Finally, at the end of the financial year, the Annual Report and Opinion of the Head of Internal Audit is considered by the Committee in terms of the conclusions made in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Audit Plan was received and approved by the Committee in June 2021. Due to delays in the previous year, caused by the Covid-19 pandemic, the Internal Audit work commenced in Q2 rather than Q1 of 2021-2022. Although there have been some delays with issuing reports, Head of Internal Audit has been keeping a close eye on the progress and continues to report this to the Committee.

The Committee have also been supportive of the Head of Internal Audit in the review and encouragement for completion of the internal audit recommendations. At the meeting in July 2021, Head of Internal Audit was pleased to be able to confirm to the Committee that there were no urgent or important recommendations outstanding at the time.

### 3.11 Review of Contract Procedure Rules

The Committee considered the report which provided a review of Broadland's Contract Procedure Rules (CPRs) at the June 2021 meeting. The changes which were proposed in the report would bring the Council in step with neighbouring authorities. Additionally, the proposed amendments to the CPRs as a whole would make the procurement process simpler to suppliers, which in turn would encourage a larger number of suppliers to bid for local authority contracts. The aligned CPR policy would also aid the proposed procurement consortium. The Committee agreed to recommend to Full Council the amended Contract Procedure Rules.

### 3.12 Strategic Risk Register

The committee reviewed the Strategic Risk Register (SRR) at the June 2021 meeting, and then at the February 2022 meeting. At the latter meeting, risk escalation and de-escalation was discussed alongside with the consistency of the SRR reporting process. It was agreed that the Risk Management Policy would be amended to bring it in line with twice-yearly Cabinet SRR reporting; and that an informal session would be arranged for the Committee to discuss the improvements and reporting process of the SRR. It was also agreed to recommend that Cabinet reviews the decision to de-escalate the risk relating to Big Sky Developments, until the FRAG Committee had gained independent assurance over it.

### 3.13 Opting into PSAA External Auditor Appointment

A report was considered on Opting into PSAA External Auditor Appointment at the February 2022 meeting. The report set out proposals for appointing the external auditor to the Council for the accounts for five years from 2023/24 through PSAA, which had previously been done in 2018. Concerns were raised in regards to delays and issues faced with EY (current external auditor), and the Committee was assured

that PSAA would take into account the issues that all Councils have faced in order to strengthen the focus on the quality and timeliness of the audits in the new contract. It was recommended to Council to accept the PSAA's invitation to opt into the sector-led option for the appointment of external auditors.

#### 3.14 Review of Local Government Ombudsman 2021

A report on Local Government Ombudsman complaints from 2021 was presented to the Committee in February 2022. The Committee was advised that out of the 6 complaints referred to the Ombudsman, only one was upheld. The complaint was in relation to Planning, and following the complaint, the processes have been amended in the Planning team to prevent a similar re-occurrence. Additionally, the Committee was updated on the fact that in July 2021, the Council's complaint process had been revised as part of the first-class approach to Customer Service.

#### 3.15 The following items will be considered at the March 2022 meeting:

- Strategic and Annual Internal Audit Plan 2022-2023
- Self-Assessment of the FRAG Committee
- Internal Audit Progress and Follow Up reports
- External Audit Plan 2022-2023

### 4 PROPOSED ACTION

- 4.1 To note the work of the Finance, Resources, Audit and Governance Committee during 2021/22 and approve the contents of the Annual Report.

### 5 OTHER OPTIONS

- 5.1 Not applicable to this report.

### 6 ISSUES AND RISKS

- 6.1 **Resource Implications** – not applicable to this report.
- 6.2 **Legal Implications** – not applicable to this report.
- 6.3 **Equality Implications** – not applicable to this report.
- 6.4 **Environmental Impact** – not applicable to this report.
- 6.5 **Crime and Disorder** – not applicable to this report.
- 6.6 **Risks** – not applicable to this report.

## **7 CONCLUSION**

- 7.1 This report highlights that the Committee continues to operate in accordance with best practice. It plays an important part in the Council's governance framework, remaining an active Committee and ensuring that it delivers its remit and reviews a wide range of items, providing an appropriate level of support.

## **8 RECOMMENDATIONS**

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

## Eastern Internal Audit Services



South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 27 January 2022 to 14 March 2022

Responsible Officer: Faye Haywood – Head of Internal Audit for South Norfolk Council

### CONTENTS

1. INTRODUCTION.....	2
2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN .....	2
3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK .....	2
4. THE OUTCOMES ARISING FROM OUR WORK .....	2
5. PERFORMANCE MEASURES .....	3
6 PROPOSAL.....	4
7. RECOMMENDATIONS .....	4
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK.....	5
APPENDIX 2 - AUDIT REPORT EXECUTIVE SUMMARIES.....	6

## 1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
  - Any significant changes to the approved Audit Plan;
  - Progress made in delivering the agreed audits for the year;
  - Any significant outcomes arising from audits; and
  - Performance Indicator outcomes to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 No significant changes have been made to the plan since its approval on 25<sup>th</sup> June 2021.

## 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 107 days of programmed work has now been completed, equating to 70% of the Audit Plan for 2021/22.

## 4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

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



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

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

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

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

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report, three Internal Audit reports have been finalised.

Audit	Assurance	P1	P2	P3
Performance Management, Business Planning	Reasonable	0	2	1
Counter Fraud and Corruption	Limited	2	7	2
Annual Governance Statement	Substantial	0	0	2

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

- 4.5 As can be seen in the table above as a result of these audits 16 recommendations have been raised and agreed by management.
- 4.6 No operational effectiveness matters have been raised for management consideration.

## 5. PERFORMANCE MEASURES

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

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

Progress delays continue to be closely observed and regular meetings are held with the contractor to ensure that assigned work is completed in line with expectations. There are delays to concluding quarter three work which in turn has impacted on our ability to conclude

quarter four work, however as can be seen from the update, work is almost at draft report stage in most areas.

## **6 PROPOSAL**

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

## **7. RECOMMENDATIONS**

- 7.1 That members note the progress made so far in completing the Internal Audit Plan for 2021/22.

## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 2</b>											
Performance Management, Business Planning	SNC2202	10	10	10	Final report issued on 2 February 2022.	Reasonable	0	2	1	0	March 2022
Corporate Health and Safety	SNC2205	8	8	7	Draft report in quality assurance						
Counter Fraud and Corruption	SNC2206	8	8	8	Final report issued on 31 January 2022.	Limited	2	7	2	0	March 2022
COVID-19 Business Grants	SNC2210	8	8	8	Final report issued on 11 October 2021.	Reasonable	0	0	3	0	January 2022
<b>TOTAL</b>		<b>34</b>	<b>34</b>	<b>33</b>							
<b>Quarter 3</b>											
Annual Governance Statement	SNC2203	8	8	8	Final report issued on 4 February 2022.	Substantial	0	0	3	0	March 2022
Accounts Receivable	SNC2207	10	10	8	Draft report in preparation.						
Income	SNC2208	8	8	6	Draft report in preparation.						
Accountancy Services	SNC2209	15	15	14.5	Draft report issued 14 March 2022						
<b>TOTAL</b>		<b>41</b>	<b>41</b>	<b>36.5</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	SNC2201	15	15	3	Fieldwork underway.						
Big Sky	SNC2204	10	10	0.5	Audit Planning Memorandum in preparation.						
Homelessness & Housing Options	SNC2211	10	10	6	Fieldwork concluded, draft report in preparation.						
Environmental Health	SNC2212	10	10	1	Audit Planning Memorandum in preparation.						
<b>TOTAL</b>		<b>45</b>	<b>45</b>	<b>10.5</b>							
<b>IT Audits</b>											
Cyber Security	SNC2213	10	10	7	Fieldwork underway.						
Disaster Recovery	SNC2214	10	10	9	Draft report quality assurance						
<b>TOTAL</b>		<b>20</b>	<b>20</b>	<b>16</b>							
<b>Follow Up</b>											
Follow Up	N/A	12	12	11							
<b>TOTAL</b>		<b>12</b>	<b>12</b>	<b>11</b>							
<b>TOTAL</b>		<b>152</b>	<b>152</b>	<b>107</b>			<b>2</b>	<b>9</b>	<b>9</b>	<b>0</b>	
<b>Percentage of plan completed</b>				<b>70%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of the Performance Management and Business Planning

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Corporate Plan and Delivery Plan	0	1	0	0
Performance Management	0	1	1	0
Total	0	2	1	0

##### SCOPE

Due to the significance of the Covid-19 Pandemic, the Corporate Plan for the Council has been 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.

## **RATIONALE**

---

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous internal audit reports for Performance Management (SNC/18/05 and BRD/17/09) were issued in 2017 and 2016 respectively, which concluded in 'Reasonable' assurance opinions, with three 'needs attention' recommendations being raised in each report, indicating that the level of control has not changed. Since the previous reports were issued the Councils have merged management teams.

## **POSITIVE FINDINGS**

---

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

- The Corporate Plan and Delivery Plan were reviewed in light of Covid-19 and a set of priority objectives was selected, to ensure that resources were focused in key areas.
- A performance report, containing updates on progress against Delivery Plan actions and performance against indicators, is presented to Cabinet on a quarterly basis at South Norfolk Council and half yearly at Broadland Council, to ensure that Members are aware of and can challenge the Council's performance in key areas.

## **ISSUES TO BE ADDRESSED**

---

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

### **Corporate Plan and Delivery Plan**

- A review of the performance report spreadsheet should be performed to ensure that each performance measure is assigned a responsible officer and that the spreadsheet is updated in view of any changes to management structure.

#### **Performance Management**

- Independent checks of data should be performed. This should ensure that data provided can be traced back to source, is accurate and correctly reported.

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

#### **Performance Management**

- Currently Operational Performance measures that do not form part of the Strategic Plan are not monitored or reported centrally. There are no guidelines in place detailing the frequency that operational measures are checked and reported.

#### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

#### **Previous audit recommendations**

The previous internal audit reports for Performance Management (SNC/18/05 and BRD/17/09) were issued in 2017 and 2016 respectively, which concluded in 'Reasonable' assurance opinions, with three 'needs attention' recommendations being raised in each report, all of which have been confirmed as implemented.

#### **Other Points to Note**

A performance management framework is currently being developed as part of the Business Intelligence Programme. There is a significant time lag between receiving data and reporting and the use of spreadsheets to manage the process may limit the functionality of timely performance monitoring. The programme is designed to link both Councils, which were previously operating separately, to move forward and operate as one team.

# Assurance Review of the Counter Fraud and Corruption Arrangements

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Counter Fraud and Corruption	2	7	2	0

### SCOPE

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.

## **RATIONALE**

---

- The systems and processes of internal control are, overall, deemed 'Limited' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'urgent', seven 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The system has not been subject to internal audit previously, as such there is no direction of travel in the assurance rating.

## **POSITIVE FINDINGS**

---

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

- The Council has up to date policies in place for Anti-Fraud, Whistleblowing and Anti-Money Laundering.
- The Councils have a code of conduct.

## **ISSUES TO BE ADDRESSED**

---

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings two 'urgent' recommendations have been made.

### **Counter Fraud and Corruption**

- An assessment of fraud, bribery and corruption risk to be undertaken with Members informed of the outcomes and an action plan, including prevention measures put in place to respond to the risks identified.
- An assessment should be undertaken of whether the level of qualified resource invested to counter fraud and corruption is proportionate for the level of risk.



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

#### **Counter Fraud and Corruption**

- A Counter Fraud and Corruption Strategy applying to all aspects of the Councils' business, be devised and approved by Members.
- Proactive work should be taken to publicise awareness of potential fraud.
- A programme of work be introduced to improve the counter fraud culture within the Council.
- An annual fraud plan should be devised, agreed by committee and reflect resources mapped to risks and arrangements for reporting outcomes.
- The Councils introduce an official programme to publicise fraud and corruption cases internally and externally.
- The assessment process for allegations of fraud and corruption to be documented, with evidence retained on file.
- A fraud and corruption response plan should be devised to cover all areas of counter fraud work: prevention, detection, investigation, sanctions and redress.

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

#### **Counter Fraud and Corruption**

- Evidence of fraud risks be considered as part of the process for creating new policies, strategies and initiatives across the Council.
- The Council registers with Government Counter Fraud Profession Knowledge Hub.

#### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

#### **Previous audit recommendations**

The audit has not been subject to internal audit review previously.

# Assurance Review of Annual Governance Statement

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance	0	0	0	0
Local Code of Corporate Governance	0	0	2	0
Supporting Evidence	0	0	1	0
	0	0	3	0

### SCOPE

The audit reviewed the systems and controls in place to ensure compliance with the Council's Governance Code; in addition that the Annual Governance Statement is compiled in accordance with 'CIPFA and Solace Delivering Good Governance in Local Government' and 'Practical Guidance for Local Authorities and Police (CIPFA, 2013)' and supported by evidence.

## RATIONALE

---

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'Needs Attention' recommendations being raised upon the conclusion of our work.
- This is the first Annual Governance Statement (AGS) audit for both Councils however, the Key Control and Assurance audit undertaken in 2020/2021 includes a review of the Assurance Framework. No recommendations were made on the Assurance Framework process.

## POSITIVE FINDINGS

---

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

- The Annual Governance Statements for both Councils were prepared in June 2021, ahead of the July 2021 deadline.
- The Audit Committee for Broadland Council and the Finance, Resources, Audit and Governance Committee (FRAG) for South Norfolk Council were presented with and approved the Annual Governance Statement for 2020/21 by the Chief of Staff & Monitoring Officer on 24th June and 25th June 2021.
- The Annual Governance Statement process includes input from all departments as the Assistant Directors are required to provide input via completion of assurance statement assessments on the spreadsheet held on the shared drive.
- The Annual Governance Statements for both Councils were signed by the Managing Director and the Leader of the Council.
- The Annual Governance Statement process is ongoing and the processes feeding into the AGS is continually reviewed and amended accordingly throughout the year. The Senior Governance officer confirmed that updates for the 'No/Partial' responses in the last AGS were obtained in October 2021.
- The Code of Corporate Governance is included as Part 8 in South Norfolk Council's Constitution.
- The AGS demonstrates how governance supports achievements of the Council's objectives, vision, character and structure of the Council. A review of the AGS spreadsheet notes that assessments are carried out by a responsible officer (Director of Assistant Director) in each team.

- In compliance with the CIPFA guidance, The AGS includes role of internal and external audit, assessments of risk and control, effectiveness of key controls and partnership arrangements, statement on 'Tackling Fraud and Corruption' and refers to the Head of Internal Audit Opinion.
- The AGS also includes a reference to the fact that External Auditors have provided a financial Opinion on the Councils' financial statement as at end of March 2020 for both Councils.
- It is confirmed that the AGS assessment spreadsheet includes a page for assessments rated as partially in place or not in place by all of the Services and updates on these assessments were provided in October 2021.
- Sample testing of five Services confirmed that the documents and processes could be evidenced as recorded in the AGS spreadsheet.
- Benchmarking of the Council's AGS with two other Councils found that the South Norfolk and Broadland Councils' AGS are both more detailed and include more information in compliance with the CIPFA requirements. A key finding is that the Assurance Statement for SNC/BRD 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 noted. This level of detail was not demonstrated by the other two councils reviewed.

## ISSUES TO BE ADDRESSED

---

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

### Local Code of Corporate Governance

- The Code of Corporate Governance is included as Part 8 in South Norfolk Council's Constitution, however, it is not included in the Broadland District Council's constitution.
- A formal and SMART Action plan to address the areas assessed as non-compliant or partially compliant be drafted and circulated to the affected service areas.

### Supporting Evidence

- The Councils to consider displaying the AGS prominently on the website in accordance with CIPFA guidance.

### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

#### Previous audit recommendations

South Norfolk Council and Broadland Council – This is the first Annual Governance Statement audit for both Councils however, the Key Control and Assurance audit includes a review of the Assurance Framework. No recommendations were made on the Assurance Framework process in the Key Control and Assurance audit undertaken in 2020/2021.

## Eastern Internal Audit Services



### SOUTH NORFOLK COUNCIL

#### Follow Up Report on Internal Audit Recommendations

Period Covered: 27 January 2022 to 14 March 2022

Responsible Officer: Head of Internal Audit for South Norfolk Council

#### CONTENTS

1. INTRODUCTION	2
2. STATUS OF AGREED ACTIONS	2
3. PROPOSAL	3
4. RECOMMENDATION	3
APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS	4
APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21	5

## 1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes the status of agreed actions.

## 2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 A total of 47 recommendations were raised in 2019/20, 45 have been completed, 2 needs attention recommendations are outstanding.

Number raised to date	47	
Complete	45	96%
Outstanding	2	4%

- 2.4 A total of 42 recommendations were raised in 2020/21, 35 have been completed. A total of three important and three needs attention recommendations are outstanding. One needs attention recommendation is within deadline.

Number raised	42	
Complete	35	84%
Outstanding	6	14%
Within deadline	1	2%

- 2.5 For 2021/2022, a total of 20 recommendations have been agreed with management so far. Of these, three are complete. Three needs attention recommendations are outstanding and 12 recommendations are currently within deadline. Two recommendations have been rejected by management. Details regarding these can be found at 2.6.

Number raised	20	
Complete	3	15%
Outstanding	3	15%
Within deadline	12	60%
Rejected	2	10%

- 2.6 Two recommendations raised in the Counter Fraud and Corruption audit have been rejected by management. One of these recommendations was 'Important' and it requested that the assessment process for allegations of fraud and corruption would be documented centrally rather than on local records, with evidence retained on file. This was rejected on the basis that records of cases are kept – benefit cases are referred to the DWP who undertake the work, so no risk assessment is needed, and the notes are held on the systems. The second recommendation was 'Needs Attention' and it requested that evidence of fraud risks would be considered in the development of new policies, strategies and initiatives across the Council. This was rejected on the basis that appropriate policies are reviewed by the Fraud officer and all policies are reviewed by CMLT as they arise.
- 2.7 Management are making good progress in resolving recommendations raised by internal audit work. We continue to work with CMLT to ensure that outstanding recommendations are closed, highlighting those that have surpassed their deadline dates.

### **3. PROPOSAL**

- 3.1 The Finance, Resources, Audit and Governance Committee are asked to receive and note the position in relation to the completion of agreed audit recommendations.

### **4. RECOMMENDATION**

- 4.1 That members note the position in relation to the completion of agreed internal audit recommendations as at 14 March 2022.



## APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 26 January 2022 and 14 March 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
<b>Audit Ref</b>	<b>Audit Area</b>	<b>Assurance Level</b>													
<b>2019/20 Internal Audit Reviews</b>															
SNC2006	Corporate Governance	Reasonable						1				1			
SNC2009	Income	Reasonable						1				1			
<b>2020/21 Internal Audit Reviews</b>															
SNC2102	Corporate Governance	Reasonable						1				1			
SNC2108	Key Controls and Assurance	Reasonable			1			1							
SNC2105	Housing Benefit and Ctax Support	Reasonable										0			1
SNC2104	HR and Payroll	Reasonable		1			1					1			
SNC2106	Council Tax and NNDR	Reasonable			2		1					1			
SNC2111	Service Desk	Reasonable		1								0			
SNC2112	Remote Access	Reasonable					1	1				2			
<b>2021/22 Internal Audit Reviews</b>															
SNC2206	Counter Fraud and Corruption	Limited			1							0	2	6	
SNC2203	Annual Governance Statement	Substantial			1							0			2
SNC2202	Performance Management, Business Planning	Reasonable									1	1		2	
SNC2210	Covid-19 Business Grants	Reasonable			1			2				2			
<b>TOTALS</b>			<b>0</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>2</b>	<b>8</b>	<b>3</b>

## APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2106 Council Tax and NNDR	Recommendation: Processes be put in place to ensure that all NNDR reliefs are reviewed on a periodic basis.	2	Assistant Director of Finance	31/12/2021	31/03/2022	2	Outstanding	This review detailed a total of 3849 Review forms issued – this is almost complete, there are 100 reviews with no response or evidence- which will result in SBRR potentially being cancelled. It is requested that a revised due date of 31 March 2021 is put in.
SNC2104 HR and Payroll	Recommendation 3: The audit trail in the payroll system be improved so that it is possible to view the authorisation details for all claims submitted, including the authorising officer and the dates submitted and authorised.	2	Chief of Staff	30/06/2021	31/12/2022	3	Outstanding	The Oracle implementation has been delayed by Suffolk County Council. It is now looking like the move over will take place in the autumn, although a firm date is still to be confirmed. With this in mind, it is requested that this recommendation is extended to December 2022.
SNC2112 Remote Access	Recommendation 1: The newly developed ICT & Digital Change Management Policy be adopted into the wider SPARK Transformation Programme as a basis for Corporate change management.	2	Assistant Director of ICT/Digital and Transformation	01/10/2021	30/06/2022	2	Outstanding	This has not yet been implemented due to resource availability. Revised timeline for implementation is by the end of Q1 2022.

**Self-assessment of good practice – FRAG March 2021**

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	<b>Good Practice Questions</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
	<b>Audit Committee purpose and governance</b>			
<b>1</b>	Does the authority have a dedicated audit committee?	Y		
<b>2</b>	Does the audit committee report directly to full council?	Y		
<b>3</b>	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	Y		
<b>4</b>	Is the role and purpose of the audit committee understood and accepted across the authority?	Y		
<b>5</b>	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
<b>6</b>	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y		
	<b>Functions of the committee</b>			
<b>7</b>	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> <li>- Good governance</li> <li>- Assurance framework</li> <li>- Internal audit</li> <li>- External audit</li> <li>- Financial reporting</li> <li>- Risk management</li> <li>- Value for money or best value</li> <li>- Counter fraud and corruption</li> </ul>		Y	
<b>8</b>	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		Y	
<b>9</b>	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?	Y		

10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		
	<b>Membership and support</b>			
12	Has an effective audit committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	Y		
13	Does the chair of the committee have appropriate knowledge and skills?	Y		
14	Are arrangements in place to support the committee with briefings and training?	Y		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Y	
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	Y		
17	Is adequate secretariat and administrative support to the committee provided?	Y		
	<b>Effectiveness of the committee</b>			
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y		
19	Has the committee evaluated whether and how it is adding value to the organisation?	Y		
20	Does the committee have an action plan to improve any areas of weakness?	Y		

Notes:

7 – Responsibility for risk management oversight now sits with FRAG with the first strategic risk register report being reviewed in March 2021.

Once this responsibility is reflected in the TOR of the Committee; training has been completed by members and the Committee has been involved in reviewing the strategic risk register, this element of the questionnaire will move to a yes.

8 & 10 - Has an annual evaluation been undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?

This has been given a partly rating as until the FRAG Terms of Reference are updated to incorporate Risk Management, as the core areas suggested within this guidance are not being covered. In relation to question 10 Monitoring Officer will include an amendment to FRAG TOR in the next Monitoring Officer's report to enable this to be actioned.

15 - Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?

New members have recently been welcomed onto the Committee. We therefore consider it good practice to circulate the core knowledge and skills framework enabling new and existing members to highlight any additional training requirements. As mentioned above, due to the Committee becoming responsible for reviewing the adequacy of the risk management framework, risk management training will be added to the work program soon after the first review of the strategic risk register in March 2021.

## Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making	<p>Robust review of the Annual Governance Statement.</p> <p>Cabinet Member for Finance attends the FRAG meetings on a regular basis. Reviews regularly received on Governance arrangements from Internal Audit.</p> <p>Self-assessment undertaken annually. The Chair also attends EY briefings.</p>	4

Contributing to the development of an effective control environment	Regular follow up reports provided by the Internal Audit Manager as to progress made with internal audit recommendations. Where recommendations are not completed within agreed timeframes by officers, the audit committee requests their attendance. Constructive questioning occurs where extensions of time are requested.	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Oversight of risk management was within responsibility and remit of Cabinet only. Upon the recommendation of internal audit during the 2019 risk maturity assessment, FRAG has agreed to approve risk policies and receive assurance from management on strategic risks in line with this guidance.</p> <p>Before this score is increased, the following will occur;</p> <p>FRAG terms of reference will be amended to reflect additional responsibilities  FRAG members will receive training on Risk Management to refresh knowledge and skills.  FRAG to receive first report containing strategic risk register in March 2021.</p> <p>The committee also has oversight of the Council risks through the reports received from the auditors and internal audit reports from the risk based internal audit plan.</p>	3
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>Assurance is provided through the internal audit reports and through the Value for Money statement provided by the External Auditors.</p> <p>The Committee have been robust in their challenge of EY resourcing difficulties impacting on the timeliness of Statement of Accounts work.</p>	4

Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>The Audit Charter covers reporting requirements in terms of reporting functionally to FRAG and administratively to the Corporate Management Leadership Team.</p> <p>The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, CMLT and the Chair of the Committee.</p> <p>Effectiveness of the internal audit service is assessed as part of the year end reporting through the Annual Opinion, in particular the Quality Assurance &amp; Improvement Programme (internal and external assessment).</p>	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	This is covered in the scopes of audit reviews as required. The risk based internal audit plan provides the committee with assurance that key goals and objectives are being well managed and governed. The Committee reviews the results comprehensively and asks questions requesting further detail where appropriate.	4
Supporting the development of robust arrangements for ensuring value for money	<p>The External Auditor reports on this objectively and provides a conclusion on value for money.</p> <p>This is also displayed through the Annual Governance Statement that the Committee receives.</p>	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	Receive regular reports on the fraud arrangement and these are effectively scrutinised by the Committee i.e. Anti-Fraud arrangements. The Committee is also involved in reviewing and approving related policies.	4



**FRAG Committee Work Programme**

25 March

Strategic and Annual Internal Audit Plans 2022/23  
Annual Report of FRAG Committee  
Self Assessment of the FRAG Committee  
Progress Report on Internal Audit Activity  
Internal Audit Follow Up Report

Faye Haywood  
Erika Voinic/Faye Haywood  
Faye Haywood  
Faye Haywood  
Faye Haywood

April 2022

Audit Results Report 2020-21  
External Audit Plan 2022/23  
Strategic Risk Register

External Audit  
External Audit  
Sinead Carey