

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