



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 15 July 2022 at 9.30am.

Committee Members Present: Councillors: P Hardy (Chairman), D Elmer, C Hudson, T Laidlaw, N Legg and S Ridley

Apologies: Councillors: C Brown, B Duffin and K Kiddie

Substitute: Councillor: J Easter for B Duffin

Cabinet Member in Attendance: Councillor: A Dearnley

Officers in Attendance: The Assistant Director of Finance (R Fincham), the Chief of Staff and Monitoring Officer (E Hodds), the Assistant Director for ICT/Digital and Transformation (C Lawrie) (for part of the meeting), the Head of Internal Audit (F Haywood), the Internal Audit Trainee (E Voinic) and the Democratic Services Officer (J Hammond)

295 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Brown, Cllr Duffin (with Cllr Easter substituting) and Cllr Kiddie.

296 DECLARATIONS OF INTEREST

No declarations of interest were received.

297 MINUTES

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 25 March 2022 were confirmed as a correct record.

298 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22 during the period 15 March 2022 to 7 July 2022.

The Head of Internal Audit explained that 158 days of programmed work had been completed, which meant that the 2021/22 plan of work was now complete.

Members were advised that between 15 March 2022 to 7 July 2022 four internal audit reports had been finalised and four reports had been issued in draft, with a total of 41 recommendations raised and agreed by management:

- Accountancy Services (finalised) – Reasonable Assurance
- Disaster Recovery (finalised) – Limited Assurance
- Homelessness and Housing Options (finalised) – Reasonable Assurance
- Corporate Health and Safety (finalised) – Substantial Assurance
- Food Safety and Licensing (draft) – Reasonable Assurance
- Accounts Receivable (draft) – Limited Assurance
- Income (draft) – Reasonable Assurance
- Key Controls and Assurance (draft) – Reasonable Assurance

With regard to the Accountancy Services executive summary, the Head of Internal Audit highlighted the two 'important' recommendations and one 'needs attention' recommendation to members. The Assistant Director of Finance explained that the system access review would be carried out to ensure that officers system level matched their authorisation level. He confirmed that the signatory's list had already been updated.

Discussion moved to the Key Controls and Assurance executive summary. The Committee queried why Debt Recovery had ceased throughout the 2021/22 financial year after it had been restarted in January 2021. The Assistant Director of Finance highlighted the significant resource issues the team had faced during 2021/22, with the loss of the previous manager and three officers on long-term sick leave. He explained that the teams focus throughout the year was to ensure all invoices were paid and key services were covered. He advised members that a new manager had been appointed and two new members of staff had been recruited, so he was hopeful that debt recovery could be restarted soon. One member queried whether the team had sufficient resources in place to address the two urgent recommendations, the Assistant Director of Finance explained that there were still challenges ahead, however, with the new manager instated he was optimistic that urgent recommendations could be resolved within the deadline.

With regard to the recruitment and retention of officers within the Finance Team, members queried the risk of failing to recruit to these positions in the future and whether flexible working measures or other strategies had been considered. The Assistant Director of Finance advised the Committee that a number of strategies had been considered to boost the attractiveness of the roles and investment in apprenticeships had also been considered, but as the roles were at a lower pay grade, they were more difficult to recruit to, he advised members he had been working with HR to improve recruitment and retention within the team. The Chief of Staff added that recruitment was a national issue and not confined to the Council or public sector. She explained that the Council had been benchmarking roles against other organisations and were working to stand out as an employer of choice.

After further discussion, it was

RESOLVED

To note the progress made so far in completing the Internal Audit Plan for 2021/22

299 HEAD OF INTERNAL AUDIT'S ANNUAL REPORT AND OPINION 2021/22

The Head of Internal Audit presented the report, which informed members of the annual internal audit opinion on the Council's governance risk management and control framework and evaluates the effectiveness of the internal audit function for 2021/22. The Council's overall opinion was rated as 'Reasonable'

It was noted that three assurance reports had resulted in 'Limited' assurance (Disaster Recovery, Counter Fraud and Corruption and Accounts Receivable). It was therefore recommended that the 16 recommendations (4 urgent and 12 important) raised within the three assurance reports be referenced within the Annual Governance Statement until such time that they could be verified as complete.

The Committee were updated on the year end position of the follow up of management actions where 39 recommendations had been agreed so far for 2021/22, 11 had been completed, 3 were outstanding, 25 were within deadline and 2 had been rejected by management.

One member queried the performance of the Internal Audit contractor (TIAA), the Head of Internal Audit explained that a combination of the Covid-19 pandemic and the national recruitment issues had had an impact on the performance of internal audit, it was noted that only one report had been issued within the target of 10 working days of the end of the quarter. In response to a further query on whether the Council had considered

withholding payments to TIAA as a result of the performance issues. The Head of Internal Audit advised members that whilst the parameter for withholding funds had been lowered to enable the Council to take this action, it should only be carried out as a last resort. She added that in light of the issues faced across the consortium she had enhanced communication and monitoring arrangements as well as strengthened the key performance measures within the contract. TIAA had also committed to reviewing their resource planning processes to prevent similar issues in the future.

One member highlighted the delay in the implementation of the Oracle payroll system and queried whether measures were in place to ensure that issues faced at other organisations would not be repeated here. The Chief of Staff informed members that the Council was due to implement the Oracle system this summer, however it was halted after payroll issues had been reported by other users of the system, she added that the implementation would only resume once assurance had been received confirming the issues had been addressed.

With regard to the outstanding Disaster Recovery recommendation, members queried whether the Council was on target to complete the new infrastructure project within the deadline. On behalf of the Assistant Director for ICT/Digital and Transformation, the Chief of Staff advised the Committee that the project was due to be completed by the end of July 2022, a revised deadline had been set for the end of quarter 2 to allow for any unforeseen complications.

Discussion turned to the Internal Audit of Big Sky. The Head of Internal Audit reminded members that audit of Big Sky had been scheduled following concerns raised by the Committee based on the potential risks to the Council. Members were informed that the Head of Internal Audit had now carried out the audit and the findings from the draft position statement had not yet been shared with the Managing Director or Big Sky Board. The report would be brought to the Committee for discussion, at the next meeting.

It was then

RESOLVED

TO

- a. Receive the contents of the Annual Report and Opinion of the Head of Internal Audit.
- b. Note that a reasonable audit opinion has been given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2022

c. Note that the opinions expressed together with any significant matters arising from the internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2021/22

d. Note the conclusions of the Review of the Effectiveness of Internal Audit

300 ANNUAL GOVERNANCE STATEMENT 2021/22

The Chief of Staff introduced her report, which presented the draft Annual Governance Statement 2021/22.

She advised the Committee that the Annual Governance Statement covered various assurances from the Assistant Directors across key service areas, in addition to other key assurance sources as outlined at section 2.3 of the report.

It was noted that the assurance statement highlighted no significant governance issues and governance arrangements were mainly consistent across the Council. However, Assistant Directors had highlighted some development areas which were service specific in relation to risk and control; business continuity and procurement, which would be reviewed over the forthcoming months.

The Chief of Staff explained to the Committee that the Statement was subject to the outcome of the Head of Internal Audit's Opinion Report and that any areas of concerns highlighted by the Head of Internal Audit would be included within the statement.

One member queried the deadline of June 2022 for the development of each service area's business continuity plans, the Chief of Staff explained that at the time of writing the statement this date was correct, however now needed to be revised. She confirmed that the date would be updated before the statement was finalised. She further informed members that the outstanding continuity plans were in progress.

The Head of Internal Audit reminded members that the Annual Governance Statement had obtained a Substantial Assurance grading in the Annual Report and Opinion for 2021/22, and it was suggested that this achievement should be referenced within the statement itself.

Conversation turned to External Audit and members queried whether the Council could gain assurance from External Audit given the delays experienced. The Assistant Director of Finance explained that assurance could be taken from the fact that no areas of concern had been raised by Ernst & Young (EY) in the areas they have audited to date. Members further

questioned at what point EYs delays would impact on the assurance for the statement. The Chief of Staff informed members that there were some Councils who were several years behind in the external audit of their accounts. She added that she was being kept up to date on the situation. Were the Council to still be in the same position next year then it would be referenced in the 2022/23 Annual Governance Statement.

With regard to the audit of the 2020/21 accounts, the Assistant Director of Finance confirmed that EY were due to return in August 2022 to complete their audit work. As a result of this it was expected that the 2021/22 audit would not commence until after Christmas. In response to further questions, he explained that the new external auditor would be in place for the 2022/23 audit of accounts.

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

RESOLVED

To approve the Annual Governance Statement for 2021/22

301 VERBAL UPDATE ON THE COUNTER FRAUD SERVICE

The Assistant Director of Finance updated members on the Council's current Counter Fraud Service following the Limited Assurance received from Internal Audit for Counter Fraud and Corruption.

He advised the Committee that the Council had had a limited counter fraud service of 0.8 full-time equivalent, across the two Councils. With the previous Fraud Officer having moved to a new position within the Council, there was an opportunity to review the Council's counter fraud provision against the raised standard of the Fighting Fraud and Corruption Locally Strategy.

Members were informed that the Council had commissioned the Anglia Revenues Partnership (ARP) to carry out the review and provide options as to how the fraud service could be delivered in future, these options would then be brought to Cabinet for decision. The Assistant Director of Finance outlined the 3 options for consideration:

1. Continue with the Council's current model and recruit one fraud officer.
2. Appoint one fraud officer and one council tax compliance officer to investigate single person discount fraud, the compliance officer would be primarily funded by Norfolk County Council.
3. Work in partnership with the ARP, who would provide the fraud investigation service for the Council.

The Assistant Director of Finance explained that option three was the preferred option for the Council as it would provide the highest-level fraud service at the lowest cost. In addition, it would address the concerns in relation to resilience, capacity, and knowledge, which had been raised in the Internal Audit review.

One member queried whether the preferred option would include provision for investigating Housing Benefit Fraud. The Assistant Director of Finance explained that the Department for Work and Pensions (DWP) were responsible for investigating Housing Benefit fraud.

In response to queries regarding business grants, the Assistant Director of Finance explained that in the case of most business grants it was for the company to decide how the grant would be spent, as the grant would be paid to the business as a whole, not for a specific project or area within the business. In response to further questions, he advised that the Council was limited in its ability to recover money from fraudulent business grants as the Council did not have the power to take further legal action itself.

Discussion turned to the options to be presented to Cabinet, one member queried whether the options report would be presented to the Committee as well as to Cabinet. The Assistant Director of Finance informed members that as the report related to the provision of a service it would not be brought to the Committee ahead of Cabinet, he added that once the service was in place, the Committee could review the quality of the service provided.

302 WORK PROGRAMME

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

The Chairman explained that an item on Internal Audit Satisfaction would be brought to the Committee at its meeting on 16 September 2022.

In response to queries, the Assistant Director of Finance explained that the Annual Results 2020/21 report should be brought to the Committee at its January 2023 meeting. He further advised that were the report to be ready earlier, an additional meeting could be arranged to consider the item.

Discussion turned to the Strategic Risk Register. Members thanked officers for the changes made to the register and queried whether the Committee would have the opportunity to consider the content and layout of the register moving forwards. The Head of Internal Audit explained that she was working with the Assistant Director for ICT/Digital and Transformation to review the Strategic Risk Register and that the Committee would be consulted via an informal workshop meeting.

(The meeting concluded at 10.57am)

Chairman