Finance, Resources, Audit and Governance Committee

Agenda

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

Cllr P Hardy (Chairman)
Cllr C Brown
Cllr D Elmer
Cllr K Kiddie
Cllr N Legg

Cllr S Ridley (Vice Chairman)
Cllr B Duffin
Cllr C Hudson
Cllr T Laidlaw

Date & Time:

Friday 20 January 2023
9.30am

Place:

Council Chamber, Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich, NR7 0DU

Contact:

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Email: committee.snc@southnorfolkandbroadland.gov.uk
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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, no later than 5.00pm on Tuesday 17 January 2023.

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.

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 7)

4. **To confirm the minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 7 October 2022;** (attached – page 9)

5. **Strategic Risk Update;**
    (attached – page 16)

6. **Progress Report on Internal Audit Activity;** (attached – page 34)

7. **Finance, Resources, Audit and Governance Committee – Independent Persons;**
    (attached – page 56)

8. **Finance, Resources, Audit & Governance Committee Work Programme;**
    (attached – page 60)

9. **Exclusion of the Press and Public**

    To exclude the public and press from the meeting under Section 100A of the Local Government Act 1972 for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended)

10. **Funding Commitment for the Big Sky Business Plan;** (Verbal Item)

    The Committee to receive a presentation from the Big Sky Directors on its Business Plan, and consider whether to recommend to Council the approval of the proposed funding commitment.

Glossary

General Terms

Annual Governance Statement (AGS) – 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 – An estimate of the amount of debt which the Council will not be able to collect.

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 must 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

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

CONTRACT PROCEDURE RULES (CPRs) – outline the Council's rules when entering into contracts and buying goods and services

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 local government employees

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

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

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

EQA – External Quality Assessment

HOIA – Head of Internal Audit

IA – Internal Audit

IIA – Institute of Internal Auditors

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

OEM – Operational Effectiveness Matter

PSIAS – Public Sector Internal Audit Standards

RBIA – Risk-based Internal Audit

VFM Conclusion – *Value for Money Conclusion* – the external auditors 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

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 repay any borrowing

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 the 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

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

Pay360 - 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

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 Centros – The main finance system used to record all accounting transactions, including purchases made by the Council and income received by the Council

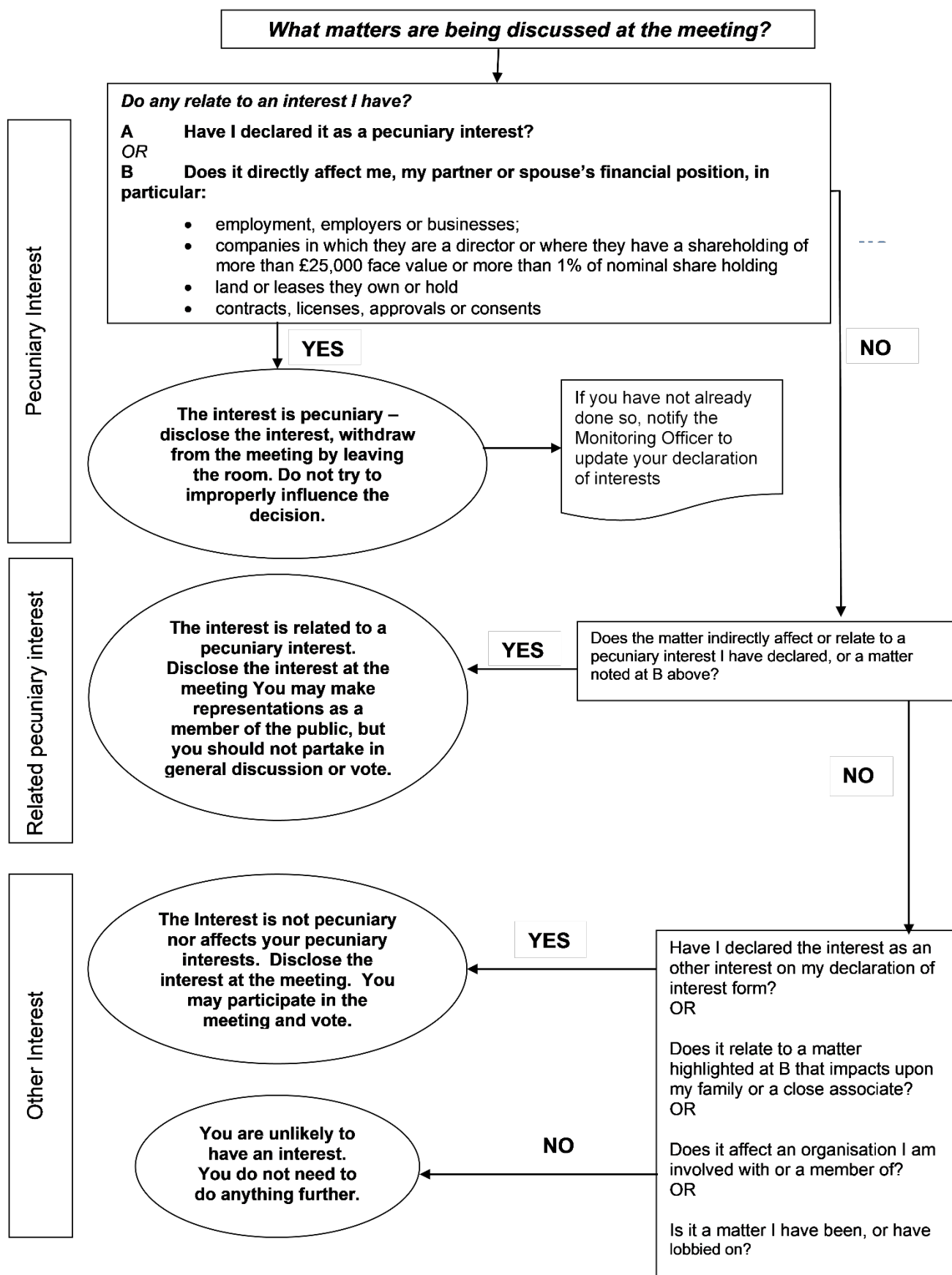**LALPAC** – system used to record licensing details

DECLARATIONS OF INTEREST AT MEETINGS

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

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

Does the interest directly:
    1. affect yours, or your spouse / partner's financial position?
    2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?
    3. Relate to a contract you, or your spouse / partner have with the Council
    4. Affect land you or your spouse / partner own
    5. Affect a company that you or your partner own, or have a shareholding in
 	
If the answer is "yes" to any of the above, it is likely to be pecuniary.
 	
Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above? If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but you should not partake in general discussion or vote.
Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.
Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.

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

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed at the meeting?

Pecuniary Interest

Do any relate to an interest I have?

A   Have I declared it as a pecuniary interest?
OR
B   Does it directly affect me, my partner or spouse's financial position, in particular:

- employment, employers or businesses;
- companies in which they are a director or where they have a shareholding of more than £25,000 face value or more than 1% of nominal share holding
- land or leases they own or hold
- contracts, licenses, approvals or consents

YES

NO

The interest is pecuniary – disclose the interest, withdraw from the meeting by leaving the room. Do not try to improperly influence the decision.

If you have not already done so, notify the Monitoring Officer to update your declaration of interests

Related pecuniary interest

The interest is related to a pecuniary interest. Disclose the interest at the meeting You may make representations as a member of the public, but you should not partake in general discussion or vote.

YES

Does the matter indirectly affect or relate to a pecuniary interest I have declared, or a matter noted at B above?

NO

Other Interest

The Interest is not pecuniary nor affects your pecuniary interests. Disclose the interest at the meeting. You may participate in the meeting and vote.

YES

Have I declared the interest as an other interest on my declaration of interest form?
OR

Does it relate to a matter highlighted at B that impacts upon my family or a close associate?
OR

Does it affect an organisation I am involved with or a member of?
OR

Is it a matter I have been, or have lobbied on?

You are unlikely to have an interest. You do not need to do anything further.

NO

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 7 October 2022 at 9.30am.

Committee Members Present:	Councillors: P Hardy (Chairman), C Brown, T Laidlaw, N Legg and S Ridley
Apologies:	Councillors: B Duffin, D Elmer, C Hudson and K Kiddie
Substitutes:	Councillor: M Edney (for C Hudson) and R Savage (for B Duffin)
Cabinet Member in Attendance:	Councillor: A Dearnley
Officers in Attendance:	The Managing Director (T Holden), the Assistant Director of Finance (R Fincham), the Assistant Director of ICT/Digital and Transformation (C Lawrie), the Assistant Director of Individuals and Families (M Pursehouse), the Interim Head of ICT and Digital (M Harris), the Head of Internal Audit (F Haywood), the Housing and Wellbeing Senior Manager (R Dunsire) and the Democratic Services Manager (C White)

303 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Duffin, Elmer, Hudson and Kiddie.

304 DECLARATIONS OF INTEREST

With reference to minute 306, the Strategic Risk Update, Cllr N Legg declared an "other" interest in that a number of his colleagues were providing accommodation for Local Authority use in Norfolk.

305 MINUTES

The minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 15 July 2022 were confirmed as a correct record.

306 STRATEGIC RISK UPDATE

Members considered the report of the Strategy and Intelligence Manager, which provided an overview of the current position in terms of Strategic Risk for South Norfolk Council.

The Assistant Director ICT/Digital and Transformation outlined the salient points of the report, drawing attention to the changes in the status of risks and additions to the register, since the last update to the Committee.

Members noted that the format of the report had been changed, and had taken into account previous feedback from the Committee. Apologising for an error in the table at Appendix 1, the Assistant Director explained that the summary table should provide details of all key changes.

Reference was made to a new risk, SNC S14 Private and Social Housing Stock to meet demand on the Council. The Assistant Director of Individuals and Families and the Housing and Wellbeing Senior Manager explained the background to the risk, advising that the Council was facing a significant increase in the number of people presenting themselves as homeless, and in need of temporary accommodation. The increase had arisen due to the impacts of the Covid-19 pandemic, the cost-of-living crisis, and a reduced housing stock in both the private and social housing sector.

Members noted that forecasts were indicating that the numbers of people in need would further increase, and an approximate overspend of £180k for temporary accommodation at year end was predicted.

Officers outlined proposals to mitigate this impact, with plans to purchase additional units of accommodation (in the form of Houses of Multiple Occupation), so that there was not a complete reliance on Bed and Breakfast (B&B) accommodation, which was far more costly. The Housing and Wellbeing Senior Manager explained that although this would require an investment of capital, it would provide an ongoing profit which could be used to offset any additional costs of B&B.

Officers responded to a number of queries on points of detail and members noted that the proposal and associated business case would be discussed at the relevant policy committee and submitted to Cabinet for approval. Members were assured that both the short-term and long-term risks of the proposals would be brought to the attention of Cabinet.

RESOLVED

To note the Strategic Risk Register update for the Council.

307   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 2022/23 during the period 1 April 2022 to 26 September 2022.

The Head of Internal Audit explained that the report format had changed slightly in that it detailed both the progress with internal audit activity and provided a follow up on internal audit recommendations.

Members noted that during the period of the report, 17% of the Internal Audit Plan for 2022/23 had been completed, and that no reports had been issued in final. The Head of Internal Audit explained that the report regarding Community Activity was nearing completion, and that the report regarding Community Assets in Quarter 2 was due to be issued in draft very shortly.

The Head of Internal Audit further explained that during the period, at the request of Management, an investigation had been carried out into the use of discounts and the write off of arrears at the Council's leisure facilities. The investigation had resulted in recommendations being made to strengthen controls in that area.

Turning to section 5 of the report regarding the outstanding internal audit work from 2021/22, the Head of Internal Audit explained that the draft report regarding Cyber Security had been issued, but that further work had been commissioned from an external party regarding information security and performance against the ISO standard. Once this work was complete, it would be considered alongside the draft audit report, to devise an Action Plan to take that area of work forward.

Referring to paragraph 5.2 of the report, the Big Sky Position Statement, members noted that the results and subsequent recommendations had been discussed with senior management.

The Managing Director advised the meeting that the audit review had been welcomed and built on comments made in the Peer Review report. The areas for improvement largely centred around the Council's constitution, and the need to provide more clarity on:

- The role of the company
- How directors were appointed

- How the Business Plan was reviewed
- How loans were progressed
- The reporting mechanism to the Council through FRAG regarding performance against any agreed Business Plan

He advised the Committee that the Monitoring Officer would be submitting a report to the next Council meeting to request amendments to the constitution, to address the above points.

The Managing Director referred to a key recommendation regarding the Big Sky Business Plan informing the Council's mid-term Financial Plan and formalising this through the Council's structures. This would provide some assurances when setting the Council's budget regarding what was anticipated to go out as loans and what income was anticipated to come back to the Council through interest on loans. He hoped to deliver an all-member briefing regarding the Big Sky Business Plan, before the end of the year.

In response to queries, he explained that Big Sky was currently paying back loans from the Council at a fixed rate, however he expected that this would need to be renegotiated when a further site purchase was required. As a director for Big Sky, he could not negotiate on behalf of the Council, but he anticipated that the viability and return on a site to be a key factor for the Council when considering the duration of any future loan and rate of interest.

Regarding a question relating to the impact of Nutrient Neutrality, the Managing Director advised that he expected construction on the St Giles site to cease at the end of the calendar year. Big Sky had already gone out to tender on the next phase; however, these tenders would need to be resubmitted due to inflating costs, resulting in a delay in implementation. From a Council's perspective he was hoping that the issues around Nutrient Neutrality were nearing resolution.

The Head of Internal Audit agreed that the Audit report could shortly be shared with members and explained that the situation was positive in that a number of the recommendations had already been progressed. The Managing Director added that there was a commitment from Big Sky to report to the Council through the FRAG Committee quarterly or six monthly on performance against its Business Plan.

Moving on, the Head of Internal Audit drew members' attention to Appendices two and three of the report which detailed the status of agreed internal audit recommendations and outstanding recommendations for 2020/21 and 2021/22.

The Interim Head of ICT and Digital provided members with an update relating to the outstanding audit recommendations regarding Disaster Recovery. He explained that the original delay had been due to the

implementation of new IT infrastructure, which was now in place. Resilience was key to the design of the new infrastructure, which was configured to run in "active active mode" with any response to a failure being automated. This had been tested as part of the commissioning process but would need to be tested as part of the move over to the Horizon Centre. Significant preparation was required to do this and he anticipated that Disaster Recovery tests would shortly be scheduled in for the next financial year and beyond. He explained that he felt the service to be in a better position now in terms of security, integrity of data and availability of services.

In response to queries the Interim Head of ICT and Digital explained that he was working closely with Emergency Planning to consider the priority of systems. In terms of the move out of the House to Thorpe Lodge, he explained that this did not present the team with any security problems as all main equipment was retained at Thorpe Lodge, and any issues were regarding the timing of the decommissioning of some links, as there was a reliance on third parties.

The Head of Internal Audit added that she felt progress to have been positive and that she would continue to work with the Head of ICT and Digital to ensure that the necessary assurances were obtained.

With regard to the outstanding recommendations relating to Counter Fraud and Corruption, the Assistant Director explained that the relevant Strategy was now due to be considered at the next meeting of the Cabinet on 17 October 22.

It was

RESOLVED

To note

1. The report on progress in relation to the completion of the Internal Audit Plan for 2022/23

2. The position in relation to the completion of agreed internal audit recommendations as at 26 September 2022.

308   VERBAL UPDATE ON THE PROGRESS WITH THE 2020/21 EXTERNAL AUDIT

The Assistant Director of Finance updated members on the progress made in relation to the 2020/21 external audit.

The Assistant Director explained that there had been limited progress since he had last updated the Committee. Ernst Young (EY) had spent some time focussing on the Broadland audit over the Summer and was expected to return before Christmas to concentrate on South Norfolk's 2020/21 accounts. He reminded the Committee that the 2021/22 audit was also outstanding.

The Chairman queried the risks these delays placed on the Council and suggested that the early identification of any issues with the accounts was crucial. The Assistant Director agreed and advised that normally the Council's key source of assurance was drawn from external audit's review of accounts. Members noted that without a timely audit, issues could be left unidentified and even repeated in subsequent years, whereas normally they would have been addressed earlier.

With regard to EY's current performance, the Assistant Director informed members that there had been a slight improvement in that it had spent 5 weeks auditing Broadland District Council's accounts and had indicated that it would be focussing on South Norfolk's accounts before Christmas. He had also been informed that the auditors would be spending more time on site which was welcomed by officers. Members noted that the resourcing issues were a national problem, both in the public and private sector.

The Committee was advised that that audit fees would be increasing by 150% and members commented that they would expect the quality of service to improve in line with this increase.

During further discussion, the Assistant Director explained that Public Sector Audit Appointments Limited (PSAA) had announced the outcome of its procurement of Audit Services for Local Government, and contracts had been offered to the following six suppliers:

- Ernst Young (the Council's current auditor)
- Grant Thornton
- Mazars
- KPMG
- Bishop Fleming
- Azets Audit Services

In response to queries, he advised that suppliers were usually assigned on a regional basis, and that a council could only refuse to work with a supplier if there was a conflict of interest. Should EY be again assigned to work with South Norfolk, he expected the lead partner at EY to change, as a rotation of audit partners was recognised as good practice.

The Committee thanked officers for the update and expressed their continued disappointment with the external audit delays.

309   INTERNAL AUDIT SATISFACTION

The Head of Internal Audit advised the Committee that she welcomed feedback on the reporting mechanism from internal audit and encouraged any suggestions on how to improve. She drew attention to the progress report on internal activity (considered at item 7 on the agenda) and the new format which combined both progress with internal audit activity and the follow up on internal audit recommendations within the one report. She hoped that this had simplified the process. Members also noted that there was to be a new report template agreed as part of the contract refresh with TIAA and that this would be available from the next meeting of the Committee.

The Chairman encouraged members to consider where further improvements could be made and to feedback to both himself and the Head of Internal Audit.

310   BIG SKY AUDIT UPDATE

Members noted that the Managing Director had already updated members on the outcomes of the Big Sky Audit, during the discussion on the progress report on internal audit activity (minute 307)

311   WORK PROGRAMME

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

During discussion, the Head of Internal Audit explained that it had been announced that it was likely to become a requirement that all Audit Committees in Local Government appoint at least one independent non-voting member to sit on the Committee. Although not a requirement yet, options on how to progress this would be reported to the next meeting of the Committee. In response to queries, members noted that the successful candidate would receive a small remuneration and expenses would be paid. The Head of Internal Audit explained that the Committee might want to consider its current skills and whether there were any gaps so that any recruitment could be tailored around these needs.

In response to a further query, the Head of Internal Audit confirmed that she expected progress with the Big Sky audit to be considered at the January meeting of the Committee and would probably form part of the Internal Audit Progress report by way of a separate appendix.

(The meeting concluded at 10.54 am)

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Chairman

Strategic Risk Update

Report Author(s):	Sinead Carey
	Strategy and Intelligence Manager
	01508 533661
	Sinead.carey@southnorfolkandbroadland.gov.uk
Portfolio:	Governance and Efficiency
Ward(s) Affected:	None

Purpose of the Report:

The purpose of this report is to provide an overview of the current position of the Strategic Risk Register and approach for South Norfolk Council.

Recommendations:

1. Review and note the Strategic Risk Register for the Council.

1 SUMMARY

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

2 BACKGROUND

2.1 The Risk Management Policy sets out the approach for the Council in terms of how it will identify, manage, reduce and mitigate risks of all levels to the organisation.

2.2 To facilitate the management of risk throughout the organisation, the Council maintains a system of risk registers. The risks are identified through the Corporate Management Leadership Team's (CMLT) assessment of the risks to the delivery of the Council's Strategic Plan and Delivery Plan. The Strategic Risk Register records the strategic risks faced by the Council. Attached to this report is the latest update of the Strategic Risk Register.

2.3 The Strategic Risk Register forms part of the Council's quarterly (reported formally to Cabinet three times a year in Q2, Q3 and Q4) performance, risk and finance reports. The Strategic Risk Register is a document which is reviewed on a regular basis and subject to change depending upon the current circumstances in which the Council is operating.

2.4 As set out in the Policy, Cabinet has ultimate responsibility for:

- Setting the culture for risk management at the Council
- Approving the Policy
- For developing and approving Risk Appetite

2.5 Detailed oversight of the risk management process is delegated to the Finance, Resources, Audit and Governance Committee, who are responsible for scrutinising the scope and effectiveness of the risk management systems in place.

2.6 In developing the Strategic Risk Register, CMLT are responsible for identifying, evaluating and reporting on significant strategic risk faced by the Council. Strategic risks are risks that are significant in size, impact and duration and could impact on the performance of the Council as a whole. This may include operational risks escalated from particular services to the leadership level due to the potential scale of their impact.

2.7 Risks in the Strategic Risk Register are assessed for both their likelihood (on a scale of 1-5) and their impact if they were to happen (on a scale of 1-5), which are then combined to give each risk a severity score. Once all ongoing and planned mitigating actions are taken in consideration, each risk's "residual severity score" is recorded. The higher the severity score, the more significant the risk is.

2.8 Alongside the Strategic Risk Register, each directorate across the Council manages their Directorate Risk Registers. Directorate Risk Registers detail the more operational risks to the organisation and are the responsibility of the Director

and Assistant Directors in that directorate to manage. If a risk on a Directorate Risk Register scores a high severity score above our risk appetite as a council, this will be escalated to the Strategic Risk Register and reported to Cabinet and the Committee. There is also support, guidance and templates on identifying and managing risk (including project risk) available on our internal intranets for staff, as well as risk training available on our training platform; SkillsGate.

3   CURRENT POSITION/FINDINGS

3.1   CMLT have reviewed and updated the Strategic Risk Register to ensure we are managing the risks effectively and that we are taking the right action to prevent the risk from escalating and ultimately reduce the risk where possible. As part of reviewing the register, CMLT have taken into consideration:
- Whether risks are still relevant
- Any emergent risks which have been identified
- Whether the likelihood and impact of risks has changed
- Whether controls which are in place are still effective

3.2   The below heatmap provides an overview of the current risk register with the risks which are being managed at a strategic level. A full version of the Strategic Risk Register can be found in appendix 1, alongside a summary of the key changes to the risks since the last committee meeting.

Risk Scoring Matrix		1 Insignificant	2 Minor	3 Moderate	4 Significant	5 Severe
5	Expected				SNCP1 – Nutrients Neutrality Impacts (no change)	
4	Highly Likely				SNCGE1 – Leisure Memberships (no change) SNCM11 – One Team Capacity and Capability (no change)	
3	Likely			SNCM9 – Collaborative Working (no change) SNCGE3 – Regulatory Functions (no change)	SNCM6 – Reform and Devolution (no change) SNCSI2 – Energy costs and disruption (reduced from 4x4 risk score) <New> SNCSI14 – Cost of Living Crisis	SNCM12 – Cyber Attack (no change) SNCSI3 – Ukrainian Refugee Safeguarding (no change) <New> SNCSI4 – housing demand <New> SNCP2 Gypsy/Traveller site identification
2	Not Likely					SNCM1 – Financial (no change)
1	Rare					

3.3   Two strategic risks have been removed or de-escalated from the risk register since the last committee meeting. These are:

- SNC A1 – risk of failure of our ICT Infrastructure.
- SNC SI1 – risk of the council being unable to respond effectively to further waves of the Covid-19 Pandemic.

Rationale

3.4   SNC A1 – risk of failure of our ICT Infrastructure. The risk has been closed and removed from the risk register as the mitigating actions have now all been completed.

3.5   SNC SI1 – Further waves of the Covid-19 pandemic. The risk has been de-escalated and removed from the Strategic Risk Register as the risk is now within our appetite. The risk continues to be monitored at an operational level.

3.6   One strategic risk has had its risk score changed:

- SNC S12 – Energy costs and disruption. The score reduced during Q2. The costs of diesel and electricity have begun to stabilise, the decision not to switch to HVO fuel has helped to reduce fuel costs at the depot and while electricity costs will remain high from Oct to March 2023 to unit costs, will then reduce down to pre-inflated levels. The project to install solar panels on the leisure centres is progressing and will reduce electricity costs from April 2023.

3.7   Three new risks have been added to the risk register:

- SNC SI14 - risk of insufficient private and social housing stock to meet growing demand on the Council and Temporary Accommodation
- SNC P2 – inability to fund Gypsy and Traveller sites to meet the need and enable the Greater Norwich Local Plan to be found sound
- SNC SI15 – impacts on demand for council services as a result of the cost of living crisis

3.8   These risks are new to the organisation, therefore an update on mitigating actions will be brought forward to Cabinet in the Q3 Performance, Risk and Finance reports.

4   PROPOSED ACTION

4.1   The Strategic Risk Register, alongside the Directorate Risk Registers will continue to be managed and reviewed into the next quarter. An update on the Strategic Risk Register will be brought forward to Cabinet as part of the Q3 Performance, Risk and Finance reports.

4.2   Moving forward, options are being reviewed for further training of staff across the One Team on identifying and managing risk, aiming to compliment the Policy and Guidance which has been developed to date.

5   OTHER OPTIONS

5.1   None.

6 ISSUES AND RISKS

6.1 **Resource Implications** – each risk has associated resources aligned to each action.

6.2 **Legal Implications** – no implications.

6.3 **Equality Implications** – no implications.

6.4 **Environmental Impact** – no implications.

6.5 **Crime and Disorder** – no implications.

6.6 **Risks** – no further implications from those already considered within this report..

7 RECOMMENDATIONS

1. Review and note the Strategic Risk Register update for the Council.

2

Appendix 1

South Norfolk Council – Strategic Risk Register

Last reviewed – November 2022

South Norfolk Council – Strategic Risk Management

The risk appetite of the Council is outlined by a risk appetite statement as set out below:

South Norfolk and Broadland are both dynamic, innovative and commercially minded Council's that empower staff to make well-rounded decisions and take proportionate risks within our boundaries based on intelligence, reason and insight, seizing opportunities to enhance the wellbeing of our communities, economy and staff, reimagining the role of local government.

The statement outlines the Council's approach to risk appetite and is accompanied by a risk scoring matrix (see below) which indicates whether the combined risk likelihood and impact score is above the appetite of the Council. The appropriate approach for managing the risk is then highlighted depending on the combined score.

Any risk with a combined score of 10-25 is outside the risk appetite and action must be taken to reduce the score down to an acceptable level to protect the achievement of the Council's strategic aims and objectives. The following pages of this report sets out the current Strategic Risks to the Council, their current risk scores and the actions being taken to reduce the scores.

Risk Scoring Matrix		1 Insignificant	2 Minor	3 Moderate	4 Significant	5 Severe
5	Expected	Medium 5	Medium 10	High 15	Very High 20	Very High 25
4	Highly Likely	Low 4	Medium 8	High 12	High 16	Very High 20
3	Likely	Low 3	Medium 6	Medium 9	High 12	High 15
2	Not Likely	Very Low 2	Low 4	Medium 6	Medium 8	Medium High 10
1	Rare	Very Low 1	Very Low 2	Low 3	Low 4	Medium 5

Very High 20-25	Risks scored here represent a severe threat to the delivery of the Council's objectives and service delivery and are outside of the risk appetite of the Council. Risks scored at this level should be treated as a priority and should either be reduced to a score within tolerance or removed. Reporting on progress will be required at Cabinet/Audit Committee and at CMLT until risk level is reduced to tolerance.
High/Medium High 10-16	Risks scored here represent a significant threat to the delivery of the Council's objectives and service delivery and are outside the risk appetite. Action is required to reduce the rating to a score within tolerance. Reporting on progress is required at Cabinet/Audit Committee and CMLT until risk level is reduced to tolerance.
Medium 5-10	Risks scored here represent a moderate threat to the delivery of the Council's objectives and service delivery and are within the risk appetite of the Council with some proportionate mitigation and regular monitoring required. These risks can be managed at operational/service level but regular management review of assurance on control effectiveness should occur. Routine reviews should also be carried out to ensure there is no change.
Low 3-4	Risks here represent a minor threat to the delivery of the Council's objectives and service delivery and are within the risk appetite. Review required to ensure risk score does not change/increase, however these risks can be managed at operational/service level.
Very Low 1-2	Risks scored here represent an insignificant threat to the delivery of the Council's objectives/service delivery and are within the risk appetite. No further action is required.

Key Changes to Strategic Risks

The review of the of the strategic risk register from Q1 to Q2 has generated the following changes:

Risk Ref	Risk Score Change	Risk description change	Risk consequence change	Risk mitigations change	Risk owner change	New Strategic Risk	Commentary
SNCM1				Yes			Risk mitigations updated to reflect cost of living rise
SNCSI1	Yes						Risk score reduced from 12 to 6 due to changing environment rather than mitigation implementation, which remains in place. De-escalated from Strategic Risk Register in Q1 22/23.
SNCM6							
SNCM9				Yes			Completed mitigations (implementation of finance system and undertake accommodation review) removed. New mitigations added including changes reflect the office relocation and implementation of a Project Management Office.
SNCM11	Yes	Yes	Yes	Yes			Risk description, controls and mitigating actions added to. Risk score increased from 12 to 16 to reflect changing likelihood score due to current environment.
SNCGE1	Yes						Risk score increased from 12 to 16 due to changing environment.
SNCGE3							
SNCA1							Risk score reduced from 15 to 3 as mitigating actions now delivered. Risk closed in Q1 22/23.
SNCM12							
SNCSI2							
SNCP1							
SNCSI3				Yes			Mitigation 3 added.
SNCSI4						Yes	Risk added to the Strategic Risk Register in Q1 22/23.
SNCP2						Yes	Risk added to the Strategic Risk Register in Q1 22/23.

Strategic Risk Register

Objective	Ref	Risk description	Existing Controls	Likelihood	Impact	Severity score	Risk Response	Planned mitigating actions	Risk Owner	Delivery timescales	Likelihood	Impact	Severity score	Within Risk Appetite?	Comments and progress on actions during Quarter 2
						Risk with existing Controls							**Current Risk**		
Moving with the times, working smartly and collaboratively	**SNC M1**	**Risk** - Financial - The Council fails to anticipate and respond to large scale changes in the external environment that impacts on our ability to deliver our MTFP. **Consequence** - A negative impact on the Council's finances, either from reductions in income or funding, or from increased cost pressures.	Medium Term Financial Plan (MTFP) budget process and scenario planning. Quarterly review of performance and risks to the organisation. Regular Horizon Scanning. CMLT relationship building and liaison with key stakeholders such as central Government departments and professional bodies. Implementing Broadland/South Norfolk Collaboration. Active Membership of different groups such as the DCN, LGA, RSN etc.	2	5	**10**	**Monitor**	1. Lobby government for adequate funding, acknowledging impact on costs & demand of cost of living rises. 2. Respond to Government Consultations to ensure any potential impact on the Council finances is conveyed to Government. 3. Feed into any relevant networks e.g LGA and DCN to influence policy creation. 4. Ensure local MPs are aware of the Council financial position and potential impact of any forthcoming Government policies as part of the regular MP briefings. 5. Continued regular horizon scanning and policy updates to CMLT and management team to ensure we stay abreast of changes and are able to have influence. 6. Regular monitoring of our current position and	**Director of Resources**	1. Prior to Autumn budget 2. As appropriate when consultations open 3. As Appropriate 4. At regular MP Briefings 5. Monthly 6. Quarterly	2	5	**10** ⬌	**No**	**No change to risk score this quarter.** 1. Requirement to continue to lobby for a multi-year settlement in future & recognition that cost of living rise will squeeze council budgets as both costs & demand for services increase. 2. As appropriate when consultations open. 3. As Appropriate. 4. At regular MP Briefings. 5. Monthly horizon scanning, and policy reports are developed for CMLT. 6. Completed on a quarterly basis.

								reporting to Members.								
Moving with the times, working smartly and collaboratively	SNC M6	Risk - The Council fails to take advantage and act quickly and proactively on the opportunities of Local Government Reform and devolution. Consequence - Failure to achieve potential for greater devolved funding and/or decision making to the region and the benefits this would bring for residents and businesses in our area.	Regular Horizon Scanning. Active Membership of different groups such as the DCN, LGA, RSN etc Implementing Broadland/South Norfolk Collaboration. Quarterly review of performance and risks to the organisation. CMLT relationship building and liaison with key stakeholders such as central Government departments and professional bodies.	3	4	12	Reduce	1. Review the outcomes of the Devolution White Paper when it is released. 2. Continued regular horizon scanning and policy updates to CMLT, management team and Members to ensure we stay abreast of changes and are able to have influence. 3. Lobby MPs on specific policy issues and the implications for our residents. 4. Work with our partners where appropriate to present a collaborative response to political changes.	Director of Resources	1. Expected in Autumn 2021 2. Monthly 3. As appropriate 4. As appropriate	3	4	12	⬌	No	No change to risk score this quarter. 1. The Levelling Up White Paper has been published and Officers have reviewed the opportunities that it offers, however currently the paper states the negotiations will be held with the County Council who will make the decision on which option they want to progress with the expectation Counties will work closely with the districts. 2. Regular policy updates are presented to CMLT and the wider organisation to ensure we stay abreast of key changes. A new monthly horizon scanning report is produced for CMLT. Members have been briefed and are lobbying nationally that the relationship between Districts & County are not hierarchical as perceived by Government. 3. This is ongoing and done as appropriate, with MPs briefed on the levelling up option that would be favoured as Districts to deliver the best outcome for our residents. 4. This is ongoing and done as appropriate.
Moving with the times, working smartly and collaboratively	SNC M9	Risk - The Council is unable to take advantage of the benefits and opportunities from collaborative working with Broadland Council and other key partners through autonomous policy decision-making. Consequence - Failure to achieve efficiency savings through economies of scale and increased chance of not delivering the	Transformation approach (SPARK) and programme of work in place based on the collaboration roadmap. ICT/Digital Strategy in place which aligns systems and transformation to deliver a First-Class Customer Service, with increased resilience, while enabling efficiencies and savings to be realised at the same time. Customer Service Strategy developed and	3	4	12	Reduce	1. Embed the SPARK transformation programme across the organisation. 2. Establish a corporate Programme and Projects Office to provide support to the Project Programmes, to ensure that we manage our resources efficiently to deliver the collaboration roadmap. 3. Following agreement of	Director of Resources	1. Through 22/23 2. Amend approach during Q1/2 22/23 3. Continue through 22/23 4. Continue to implement through 22/23. 5. Relocate Jan 2023 6. Minimise costs Q2/3 & Dispose of site Q3	3	3	9	⬌	Yes	No change to risk score this quarter. 1. Transformation guides and toolkits continue to be developed and cascaded to teams through Connect. We have also introduced Improvement Apprenticeships across the transformation network to drive forward projects. 2. New resource had been recruited to (Project Management Officer Lead) to take forward the project and programme office approach. Programme portfolios for Transformation now taking shape. 3. The joint Finance and Income systems have been implemented and are now being embedded, although work continues on training, processes and procedures. Work continues on

Priority	Ref	Risk & Consequence	Controls	L	I	Score	Response	Actions	Owner	Timescale	L	I	Score	Trend	Change	Update
		collaboration Feasibility Roadmap.	agreed by Council which sets out our approach to enhancing and providing a consistent customer service. CTCF committee has Member oversight and steering of the collaboration programme. Regular updates and briefings to CMLT (6 weekly) and CTCF on the collaboration. Collaboration costs and savings tracked half yearly.					ICT/Digital Strategy, business cases to be developed and taken through for approval for each IT system. 4. Implementation of the Customer Service Strategy. 5. Purchase and relocation to a single office at the Horizon Centre. 6. Minimise office costs during transition to the Horizon Centre and Disposal of South Norfolk House.								the implementation of the Idox project covering planning, food & licensing, environmental health and elements of waste. 4. The Customer Services Strategy and Charter has been approved by Cabinet and is in the process of being implemented. 5/6. The agreement by both Councils to purchase and move to a single office at the Horizon Centre will deliver significant savings together with cultural and environmental benefits.
Moving with the times, working smartly and collaboratively	SNC M11	**Risk** - Capability and capacity does not meet organisational requirements. **Consequence** - Poor standards of service delivery, service disruption, slow or minimal transformation and inability to meet savings targets as a result. This could also lead to budget underspends if the lack of capacity leads to projects being delayed.	Four-year Strategic Plan developed and in place which sets out the ambitions for the Council over the coming years. Delivery Plan for the Council developed and in place which sets out the detailed projects and BAU for the Council in the coming year to 2022. Management/ Leadership Training and Development in progress. Regular Budget Monitoring.	4	4	**16**	Reduce	1. Scope and develop a talent management programme. 2. Build our own talent - Develop projects to consider our use and opportunities of apprenticeships, internships, career placement, graduates etc. 3. Succession planning to ensure capacity is maintained. 4. Implement successful recruitment campaigns particularly in service areas where there are specific needs for skills which are hard to recruit to or shortage of resource available (e.g. nationally). Agile Working Policy enables a broader approach to recruitment.	1 - 4 Chief of Staff 5 - 6 Director of Resources 7 - 9 Chief of Staff	1. April 2022 - March 2023 2. March 2021 - completed strategy, ongoing placements are now BAU 3. April 2022 - March 2023 4. New recruitment approach now in place and being actively progresses as part of BAU - complete. 5. Amend approach during Q1/2 22/23 6. From Aug 22. 7. June 2022 onwards - now part of BAU and the way we work - complete 8. Data submission and access available from August 2022 - data now to be analysed	4	4	**16**	↔	No	**Risk score was increased in Quarter 1 from 12 to 16 but no change in Quarter 2. This is due to current market pressures and the retention and recruitment risk that this is bringing. Some areas of the organisation with high qualification/experience requirements feeling this increased difficulty in recruitment/retention. Grow our own and apprenticeship/Career Grade strategy unlikely to bear significant fruit until at least 2023/24.** 1. The work has commenced, with ongoing work throughout the financial year to build the position for the organisation & take appropriate action 2. Successful apprenticeship recruitment drive held, with apprenticeship levy target now being met. 3. Initial discussions have been held with Assistant Directors to look at succession planning and potential knowledge gaps - management & leadership training programme will have a positive impact on knowledge in relation to people. Demographic review being undertaken for the workforce 4. Further work required on recruitment approach with recruiting

				L	I	Score		Actions	Owner	Timeline	L	I	Score	Dir	Change	Update
	SNC GE1							5. Amendments to programme and project management processes to improve how we manage our capacity to deliver. 6. Additional financial monitoring of key projects. 7. Delivery of agile working approach and cultural shift to better attract and retain talent. 8. Local authority benchmarking across the region and wider to ensure pay and benefits on a role specific basis remain comparable and competitive.		and reviewed for further action.						managers and in particular the hard to recruit to posts 5. New resource had been recruited to (Project Management Officer Lead) to take forward the project and programme office approach. 6. This is ongoing 7. Policy now in place and cultural shift underway 8. Early data available, this now needs to be reviewed and action take as necessary
Growing the Economy/ Supporting individuals and empowering communities	SNC GE1	**Risk** – The Council is unable maintain memberships and income levels at its Leisure Centres as a consequence of Covid-19. **Consequence** – Membership levels decrease. Expenditure levels exceed income levels and the commercial viability of the service decreases.	Detailed Covid-19 procedures in place Regular contact with existing members Marketing campaigns to increase membership Review of existing member offer and pricing structures Budget monitoring	4	5	20	Reduce	1. Provide a range of incentives to encourage existing and new members to return 2. Delivery of the savings through reduced staff resources and utility costs 3. Look for further income generating opportunities and review of membership offer	**Assistant Director Community Services**	All timelines are in line with the Leisure Recovery Plan to March 2024 1. Ongoing 2. Ongoing 3. Ongoing	4	4	16	⬌	No	**Risk score was increased in Q1 from 12 to 16, but no change to risk score in Q2.** 1 and 3 - The service continues to provide a range of incentives and marketing campaigns in conjunction with TA6 to encourage membership take up, which while continuing to grow is showing signs of plateauing. The current issues around the increased cost of living could have a negative impact upon membership and usage levels as residents cut back on unnecessary expenditure, but it is too early to see any impacts. 2. The increase in utility costs, particularly electricity will have a negative impact upon expenditure currently projected to be in the order of c£150k although the installation of solar panels will help to reduce the impacts.
Growing the Economy	SNC GE3	**Risk** - Failure to provide a regulatory function that meets the demand and statutory requirements arising from a fast-changing external environment. Big resignation, labour market is shrinking,	Two councils staffing resources provide resilience. Regular horizon scanning and professional networking. Recruitment to	4	3	12	Monitor	1. Collaborate locally and nationally to ensure a collective response and optimised sharing of burdens is available in the event that sudden re-training or changes in resource deployment become	**Assistant Director Regulatory**	1. Ongoing - short/med/long term solutions 2. Ongoing over five-year minimum qualifying period, 21/22 to 26/27. 3. Raised	3	3	9	⬌	Yes	**No change to risk score this quarter.** 1. Continue to explore options for collaboration with Norfolk Environmental Health Leads / Heads of Regulatory Services and newly formed national Association of Chief Environmental Health Officers to build collective responses and sharing of common burdens

		employee driven labour market. **Consequence** - Detrimental impact on local businesses and residents, including unmanageable demands on council services.	apprenticeships within regulatory services to provide additional support. Regular response to consultations to ensure we play an active influencing role in changing regulatory policies.					necessary. Understand One Team demographic and succession plan accordingly i.e invest in skills development in area which has an aging workforce (long term). Offer skills development for mid careers movers (short/med term). Apply Hybrid Working Policy to positively attract Talent from any region to assist with skills shortages (short term). 2. Optimise development of environmental health, planning, surveyor apprentices to help secure future workforce. 3. Identify scope for market supplements to enhance ability to attract professional recruits, and to help retain existing staff. (Equally applies to Regulatory and Planning professionals). 4. Temporary contractor support secured, and service reviews planned for Licensing (in 21/22) and Food & Safety regulation (in 22/23). 5. Temporary additional resources secured over short term (22/23) for Community Protection to help meet exceptional demand.		currently for CMLT consideration. 4. Proposed for reporting in Q4 21/22 (Licensing service review) and Q3 22/23 (Food & Safety service review). 5. Ongoing						2. 2 x Graduate environmental health apprentices recruited and commenced formal training in 21-22 and two more in 22-23, ongoing development of training programme. Post graduate planners recruited, survey recruitment planned for September 2022 (next intake) 3. Shortage of professional applicants to vacancies continues to cause concern and the potential value of market supplements is being explored. 4. Licensing service review underway and will report in Q3 22/23.
Moving with the times, working	**SNC M12**	**Risk -** There is a heightened threat of a cyber-attack in the current climate due to	Geo-blocking of traffic originating from black-listed countries.	3	5	**15**		**Reduce**	1. Ensure the effectiveness of the Controls - commission a third-	**Director of Resources**	Ongoing	3	5	**15** ⬌	No	**No change to risk score this quarter.** 1. Draft cyber maturity assessment

smartly and collaboratively		the volatile situation in Ukraine and the potential for state-sponsored attacks to NATO members, including the UK. **Consequence** - A successful cyber-attack could render the ICT infrastructure and line of business systems unusable for a protracted period of time, significantly impacting the Council's ability to function.	Timely application of security updates to all software and firmware Ensuring Anti-Virus software updated and functioning Monitoring of adherence to security policy ensuring there are no exceptions					party review of the Council's security posture 2. Review the organisation structure to ensure clear accountability for the effective implementation of security controls and the day to day monitoring and management of security events 3. Raise awareness of the risk of cyber-attack with the business and the importance of adhering to the security policy 4. Ensure ICT staff adequately trained and skilled to apply security controls and manage security events 5. Ensure Members are aware of Cyber-security risks through the completion of SkillGate							report received and reviewed by the ICT and Digital Manager. 2. On receipt of final report Internal Audit findings and Cyber Maturity Assessment report findings will be combined into one action plan and built into BAU delivery.
Supporting individuals and empowering communities/ Growing the Economy	**SNC SI2**	**Risk** – Increasing energy costs for leisure and depot, plus unsecure or disruption to supply of fuel (gas/diesel/HVO) **Consequence** – Increase costs of operating the facilities and risk to be able to deliver the waste operations	Energy supplies purchased through ESPO framework agreements and established relationship with fuel supplier	5	4	**20**	**Reduce**	1. Purchase of 31K storage tank at depot 200% increase in fuel storage - 3 weeks supply 2. Diversification of fuel types being used in vehicles to include HVO 3. Regular discussion with suppliers to understand current position in market, availability and costs 4. Develop contingencies to be able to transport	**Assistant Director Community Services**	1. March 2022 2. Ongoing 3. Ongoing 4. Ongoing 5. Ongoing survey completed, procurement commencing, estimated delivery by the end of the calendar year	3	4	**12** ↓	No	**Score reduced this Quarter from 16 to 12** The costs of diesel and electricity have begun to stabilise, the decision not to switch to HVO fuel has helped to reduce fuel costs at the depot and while electricity costs will remain high from Oct to March 2023 to unit costs, will then reduce down to pre-inflated levels. The project to install solar panels on the leisure centres is progressing and will reduce electricity costs from April 2023.

Corporate Priority	Ref	Risk / Consequence	Controls	L	I	Score	Response	Mitigating Actions	Owner	Timescale	L	I	Score	Dir	Change	Update
						20		staff into depot if there are fuel shortages 5. Investigating installation of PCVs on roofs of leisure centres to reduce reliance upon external electricity supplies					**20**	⬌		
Protecting and improving our natural and built environment, whilst maximising quality of life	**SNC P1**	**Risk** – Nutrients Neutrality advice impacts all planning decisions for overnight accommodations. **Consequence** – Potential adverse impact upon the ability to demonstrate delivery of sites in Five Year Land Supply leading to speculative development pressures outside of the affected catchment area.	Working with NE and key stakeholders to understands the implications and potential mitigation measures.	5	4	**20**	Reduce	1. Lobbying Govt to suspend Housing Delivery Test and housing land supply 2. Working with partners and stakeholders on mitigation measures 3. Regular briefing for members 4. Regular engagement with applicants 5. Regular monitoring of position	**Director of Place**	1. Ongoing, via PAS and other organisations 2. Short-term mitigation of impact on planning - ongoing, Long term mitigation strategy 9-12 months 3. Ongoing 4. Ongoing 5. Ongoing	5	4	**20**	⬌	No	**No change to risk score this quarter.** 1. Ongoing. We continue to meet with local MPs to raise these points and a meeting is arranged for 31 October 2. Consultants appointed to develop a long-term mitigation strategy. Weekly meetings with Anglian Water and WRE continue to progress short term mitigation options and work up proposals for a Joint Venture. 3. Portfolio Holders and Leaders are regularly updated at scheduled fortnightly/weekly catch ups 4. Regular contact and update meetings with strategic site promoters. Updates given at Agents and developers forum in September 5. Ongoing
Supporting individuals and empowering communities/Growing the Economy	**SNC SI3**	**Risk-** The safeguarding and welfare of Ukrainian refugees arriving in South Norfolk and Broadland. The reputational risk and extra strain on Council services if placements breakdown. **Consequence-** Besides reputational risk to the Councils and the extra pressure on already strained temporary accommodation services, there is potential for Ukrainians to be abused intentionally or unintentionally by host families and	Housing suitability and welfare visits are being undertaken prior to the Ukrainian family arriving to ensure suitability to prevent these breakdowns. Temporary accommodation options are being investigated and agreed for emergency accommodation in the event of placement breakdown and lack of contact with Home Office prior to Visas being granted. Email address provided to send placement failures to alert the Home Office to lack of suitable placement.	4	5	**20**	Reduce	1. Regular updates, actions and discussion at Internal Steering Group, Bronze Group and wider County groups to ensure the most affective joined-up approach is being taken. 2. Keep track of updates and information from the Home Office. 3. Additional staffing and temporary accommodation resources put in place, with the money made available by Govt, to manage additional demand on the housing, benefits	**Director of People and Communities**	1. Ongoing 2. Ongoing 3. In place	3	5	**15**	⬌	No	**No change to risk score this quarter.** 1-3 Actual arrivals and projected arrivals in South Norfolk as with Norfolk, under the Homes For Ukraine scheme have stabilised. Placement breakdowns are occurring but so far are contained within existing additional resources and therefore are a managed risk. Government plans around wider asylum dispersal may provide further risk to strain on council resources, and this is being kept under careful review.

	SNC SI4	suffer further displacement and loss.	A list of visiting officers is being compiled with the intention of getting priority fuel for those officers undertaking visits to ensure they can be carried out. Requested MPs assistance with pushing for information from the Home Office. Keeping up to date with Home Office information and guidance.					and housing standards and communities teams								
Supporting individuals and empowering communities	SNC SI4	<New risk for Q1-Q2 22/23> **Risk -** There is insufficient private and social housing stock to meet the demand on the Council, and temporary accommodation **Consequence -** Unable to provide a housing throughput which results in blockages to temporary accommodation. This will result in increased costs and poorer outcomes for vulnerable residents. This will also have an impact on our partners and the wider system such as care leaver and the system will rapidly become silted up.	Well managed allocation policy, and clear banding guidelines. Online form to allow early access to support, including linking to help hub infrastructure. Current team resources in place and funded. Housing enablement partnership in place to consider options to increase additional stock.	4	5	20	Reduce	1. Maintain current staff resource levels, which is being worked through in customer journey report. 2. Additional funding to provide temporary accommodation to ensure adequate emergency options are available to residents. 3. TA review looking at future housing options including buying more property which will offset longer term costs. 4. More strategic approach to future housing strategy and delivery, including being confidence to explore new and different options. 5. Manage housing register more closely to reflect reality and demand alongside support	**Assistant Director of Individuals and Families**	1. Staff resource in place by April 2023. 2. In place from Oct 2022 3. Report due Nov/Dec 22 4. Ongoing 5. Ongoing.	3	5	15	⬌	No	**No change to risk score this quarter.** 1-5 A report is due to Cabinet in December 2022 to refresh our temporary accommodation approach, providing support to deal with the predicted increase in support through a financially viable model.
Protecting and improving our natural and built environment,	SNC P2	<New risk for Q1-Q2 22/23> **Risk-** The inability to find Gypsy and Traveller sites to meet	Working with Greater Norwich partners to identify appropriate G&T sites.	4	5	20	Reduce	1. Continue to work with partners to find suitable sites	**Assistant Director Planning**	1. Ongoing	3	5	15	⬇	No	**No change to risk score this quarter.** 1. A meeting has taken place to update the Members on the current situation. We are still awaiting

whilst maximising quality of life / Growing the Economy		the need and enable the Greater Norwich Local Plan to be found sound **Consequence-** The local plan will not be found sound which leaves the Council without an adopted local plan and open to speculative development				**20**									confirmation from the Planning Inspectorate on how the sites will be considered through Main Modifications, and the impact this will have on the timetable for adoption of the plan.
Supporting individuals and empowering communities	**SNC S15**	**\<New risk for Q2 22/23\>** **Risk** - As a consequence of the cost of living crisis, there may be a significantly increased demand for council services **Consequence** - This could lead to service areas becoming overwhelmed meaning the council is unable to support residents in need with both statutory and discretionary support.	Two councils staffing resource provides resilience A programme manager is in post to manage the council's humanitarian and community response to the cost-of-living crisis.	4	5	**20**	**Reduce**	1. We are currently looking at options to maintain supernumerary staffing levels in the housing team utilising external funding, to support possible Ukraine placement breakdowns. 2. An options appraisal on methods to provide for the projected levels of required temporary accommodation sustainably is being conducted. 3. We are proactively targeting and prioritising support for those estimated to be most greatly affected by hardship using council data (the 'LIFT' - Low Income Family Tracker) 4. The council officer team is providing place leadership to partners to ensure complementary and effective collective use of resources in other statutory and voluntary sector agencies.	**Assistant Director Individuals and Families**	1. Q4 2022 2. Q4 2022 3. Ongoing 4. Ongoing	3	4	**12**	**No**	**This is a new risk for Q2. An update on progress against actions will be provided in the Q3 reports.**

De-escalated/closed risks in 22/23

Risk Ref	Reason risk was de-escalated/closed	Quarter risk was de-escalated/closed
SNC A1 Risk - Our ICT Infrastructure fails due to running old infrastructure at near capacity with intention of increasing the load. Delay in our new Infrastructure project due to global shortage in switches.	Risk was closed due to mitigating actions being implemented.	Quarter 1 22/23
SNC SI1 Risk - The Council is unable to respond effectively to further waves of the Covid-19 Pandemic.	Risk was de-escalated to People and Communities Directorate Risk Register as it is within our risk appetite.	Quarter 1 22/23

Eastern Internal Audit Services

South Norfolk Council

Progress Report on Internal Audit Activity

Period Covered: 27 September 2022 to 11 January 2023

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

CONTENTS

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 requires 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.

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 Since the plan's approval in March 2022, the SNC2316 Network Security and Infrastructure Management audit has been deferred to 2023/24. A recent security posture review has been completed to provide third party assurance over these controls. In order to not duplicate the work, an audit will be scheduled post move to the Horizon.

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 82 days of programmed work have now been completed, equating to 52% of the Internal Audit Plan for 2022/23.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage

risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

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

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

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

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

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

4.4 During the period covered by the report Internal Audit has issued two reports:

Audit	Assurance	P1	P2	P3
SNC2312 Community Assets	Reasonable	0	3	2
SNC2314 Community Activity	Reasonable	0	2	4

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

4.5 As can be seen in the table above and as a result of these audits 11 recommendations have been raised by Internal Audit. No Operational Effectiveness Matters have been proposed to management for consideration.

5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22

5.1 The SNC2213 Cyber Security has now been issued and formal management responses provided. The executive summary of this report can be found at Appendix 3.

5.2 The SNC Big Sky Position statement has now been finalised with a number of suggested actions considered and progressed by Big Sky. A briefing will be held with members following the January 2023 FRAG meeting covering the approved business plan and governance arrangements.

5.3 The key suggested actions arising from this review are as follows;

- Review and update of governance documentation reflecting the company's structure.

- The Council's role of shareholder to be formally documented within the Councils constitution and consideration made on ensuring that the Council is given the opportunity to formally feed into Big Sky business planning discussions and suitably kept informed of progress. Long term assumptions to be fed into the Councils Medium Term Financial Planning process.

- The Council to consider disclosing within strategic and delivery plans the contribution Big Sky makes to the achievement of the Council's strategic aims. Documentation of the risks that threaten success to be included within the Council's strategic risk register, such as nutrient neutrality.

- Reviewing board member conflicts and consider producing a training programme to support ongoing refresh of board member skills.

- Big Sky to consider its articulation of risk appetite, the documentation of financial policies and internal audit arrangements.

6.   FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS

6.1   In addition to providing the Committee with the performance of internal audit relative to its plan, 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 acting.

6.2   To comply with the above this report includes the status of agreed actions.

6.3   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 the Committee. Verification work is also undertaken for those recommendations that are reported as closed.

6.4   **Appendix 4** 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. A total of 30 recommendations (three urgent, 13 important and 14 needs attention) are currently outstanding. Seven recommendations are not yet due for implementation.

Appendix 5 and **Appendix 6** provide the committee with details of urgent and important priority recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each.

7.   PROPOSAL

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

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

7.   RECOMMENDATIONS

7.1   That members receive the report on progress in relation to the completion of the Internal Audit Plan for 2022/23 as at 11 January 2023.

7.2   That members discuss the position in relation to the completion of agreed internal audit recommendations as at 11 January 2023.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Community Activity	SNC2314	8	8	8	Final report issued on 5 January 2023.	Reasonable	0	2	4	0	January 2023
TOTAL		**8**	**8**	**8**							
Quarter 2											
Covid-19 Relief Grants	SNC2302	8	8	6	Fieldwork concluding.						
Community Assets	SNC2312	8	8	8	Final report issued on 5 December 2022	Reasonable	0	3	2	0	January 2023
TOTAL		**16**	**16**	**14**							
Quarter 3											
Council Tax and NNDR	SNC2308	15	15	13	Fieldwork concluding.						
Risk Management	SNC2305	4	4	4	Draft position statement issued on 15 December 2022.						
Accounts Payable	SNC2306	10	10	8	Draft report in review stages.						
Local Council Tax Support and Housing Benefit	SNC2307	15	15	14	Draft report in review stages.						
Elections	SNC2315	8	8	7	Draft report in review stages.						
TOTAL		**52**	**52**	**46**							
Quarter 4											
Business Continuity and Emergency Planning	SNC2304	8	8	0	Scoping planned.						
Key Controls and Assurance	SNC2301	10	10	1	Scoping underway.						
Procurement and Contract Management	SNC2303	10	10	2	Fieldwork underway.						
Payroll and HR	SNC2309	8	8	1	Scoping underway.						
Economic Development	SNC2310	9	9	1	Scoping underway.						
Housing Strategy and Affordable Housing	SNC2311	6	6	0	Scoping planned.						
Leisure	SNC2313	10	10	0	Scoping planned.						
TOTAL		**61**	**61**	**5**							
IT Audits											
Service Desk	SNC2317	5	5	0	Scoping planning						
Post-Implementation Finance System	SNC2318	3	3	1	Fieldwork underway.						
Network Security and Infrastructure Management	SNC2316	9	0	0	Audit deferred to 2023/24.						
TOTAL		**17**	**8**	**1**							
Follow Up											
Follow Up	N/A	12	12	8							
TOTAL		**12**	**12**	**8**							
TOTAL		**166**	**157**	**82**			**0**	**3**	**2**	**0**	
Percentage of plan completed				**52%**							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES 2022/23

Executive Summary – SNC2312 Community Assets

OVERALL ASSESSMENT

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following risk- Community Assets are not effectively managed, leading to reputational damage to the Council and failure to achieve objectives.

SCOPE

This area has not been subject to an audit before. Due to health and safety risk exposure, our audit focused on tree management processes, maintenance of play equipment and the management of open spaces such as Broadland Park and the newly acquired Queen's Hills Country Park.

KEY STRATEGIC FINDINGS

The Community Assets Strategy and supporting strategies and plans are out of date or unfinished.

Tasks relating to playground maintenance are not always being completed in a timely manner.

There are issues with how tasks are recorded, assigned and closed on the PSS Live system.

The Councils do not have any written procedure or guidance about the process for disposing of community assets.

GOOD PRACTICE IDENTIFIED

Qualified and experienced contractors are used to undertake inspections and maintenance for trees and playgrounds.

There are plans in place for the development of the two country parks, to improve the facilities and sustainability of these assets.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	3	2	0

6

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 4 & 5	-
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	2, & 3	-

Other Findings

Governance Framework – There are plans in place for the management and growth of Broadland Country Park and Queen's Hills Country park, to improve the facilities and make them more financially sustainable.

Governance Framework – The Councils have two contractors for tree management, one to undertake inspections and one to complete maintenance tasks. This provides a degree of independence in the process.

Governance Framework – The Councils have a contractor for undertaking routine inspections and maintenance of its playgrounds. An additional annual inspection is undertaken by a separate contractor.

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Governance Framework – All of the contractors have relevant qualifications and experience to ensure that they provide a high quality service. Officers within the team have completed training to enable them to provide better oversight of the contractors.

Risk Mitigation – PSS Live allows photo uploads so contractors can share before and after photos for works completed. For bigger jobs, an officer or the tree inspector will inspect the works to confirm completion.

Risk Mitigation – Tree works are paid for per job completed, so the Council can withhold payment if officers are not happy with the work completed. Jobs are charged according to a schedule of rates, so there is no dispute about costs.

Compliance – Tree inspections are carried out in accordance with a rolling programme covering both Councils. Inspection dates and outcomes are recorded on PSS Live.

Compliance – Monthly inspections of playgrounds are carried out by Eastern Play Services and annual inspections by ROSPA Play Safety. Actions arising from inspections are recorded on PSS Live.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-	-

Other Findings

Sustainability – The Councils' Strategic Plan has an ambition to 'take proactive steps to preserve the natural and built environment', which underpins much of the work in Community Assets. The Community Assets Strategy has various guiding principles, one of which is 'To improve the contribution made by community assets to biodiversity', and the work in this area contributes to improving access to natural spaces.

Sustainability – The Community Assets Strategy states that the Council will seek external funding where available to support community assets, and promote community participation. This could include divestment of assets to reduce the Council's management responsibilities. There are plans in place to develop the two country parks and make them more financially sustainable.

Executive Summary - SNC2314 Community Activity

OVERALL ASSESSMENT

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

Adequate & effective governance, risk and control processes

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

This audit sought to provide assurance over the following key risk:

"Potential mismanagement of Community programmes, leading to financial losses to the Council."

SCOPE

This area has not been subject to an audit before. This audit provides assurance over a range of areas under Community Activity including outreach services such as Broadly Active the Council's Exercise Referral Scheme, Member Ward Grants, the Community Action Fund and the management of assets with community value.

KEY STRATEGIC FINDINGS

Broadly Active: Sample testing verified that referrals were promptly input on the ReferAll system, with follow ups conducted with non-responsive clients.

Community Grants: Sample testing verified that grants were approved in accordance with programme guidance. However, members have not been fully utilising the grants, and post-payment assurance has not been implemented.

Registers of successful, unsuccessful, and pending nominations for inclusion on the Assets of Community Value list are maintained on the Councils' website, however these were not kept up to date.

A series of KPI's are in place and reported for Broadly Active. However, the reports are not RAG rated, nor provide information from prior quarters.

GOOD PRACTICE IDENTIFIED

Automated referrals have been implemented for the Broadly Active programme, minimising the manual entry processes formally required.

Checklists are utilised to formalise the decision-making processes for Assets of Community value, and to ensure all required notifications are sent.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	4	0

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Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	**Risk Mitigation**	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Out of scope	-	-
C	**Compliance**	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1, 2, 3, 4, & 5	-

Other Findings

Governance Framework- For each of the programmes under audit, relevant policies and procedures were obtained and reviewed. Broadly Active, Community Grants, and Assets of Community Value programmes each have authorised procedures in place to help guide their operations. However, a recommendation has been raised under the Compliance section of this report to update/clarify the guidance for Community Grants.

Governance Framework- Reasonable separations of duties are in place for the programmes under audit. Specifically, Community Grants involve a member decision, and officer verification prior to grant payment. Also, determinations for Assets of Community Value are decided and agreed by both a Communities Officer, as well as the Assistant Director of Individuals and Families.

Risk Mitigation- Corporate Risk Management processes are in place. No risks/mitigations are currently recorded on the Strategic Risk register for the programmes under audit.

Compliance- Broadly Active: Sample testing identified that all sampled referrals were promptly input on the ReferAll system, with follow ups conducted to attempt contact with non-responsive clients. During the audit, it was identified that the input and follow-up processes on the ReferAll system were conducted manually. However, at the audit debrief, confirmation was received that an automated process had been put in place to eliminate the manual input previously required.

Compliance- Community Action Fund (CAF): Sample testing of approved and rejected applications verified all were documented and decided in accordance with programme guidance, including by both a member and officer. Grant applications are reviewed up to twice per year at the CAF panel. Minutes from these meetings are maintained on the Council's website and were confirmed to have been conducted at the defined intervals. For grant applications, a decision is noted in the minutes, as well as the rationale for the decision. The decisions made within the meetings are confirmed and signed by the AD of Individuals and Families.

Compliance- Assets of Community Value: Sample testing determined that all sampled nominations were reviewed promptly and in accordance with applicable guidance. The Localism Act 2011 requires all applications to be reviewed with 8 weeks of acceptance and outlines a series of required notifications. Each sampled nomination was reviewed within the required period, and checklists were used to document the decision-making process, and completion of required notifications.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	6	-
S	Sustainability	The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

Sustainability- Eligible projects under the Members' Ward and Community Activity Fund include those which enhance the environmental wellbeing of the community, which helps support achievement of the Councils' sustainability objectives.

Resilience- Automated referrals have been implemented for the Broadly Active programme, minimising the manual entry processes formally required.

Resilience- As the Broadly Active programme has expanded across Central Norfolk, and with the Councils operation of a coordination centre to support its expansion, a surplus budget position was achieved in 2021/22 to help support the additional demands in 2022/23.

SNC/BRD2213 Cyber Security

Executive Summary

OVERALL ASSURANCE ASSESSMENT

Adequate & effective governance, risk and control processes

LIMITED ASSURANCE

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Cyber Risk Management	0	3	0	1
Engagement & Training	0	1	1	2
Asset Management	1	1	0	3
Architecture & Configuration	1	2	0	2
Vulnerability Management	0	3	0	2
Identity & Access Management	0	2	0	2
Data Security	1	2	0	2
Logging & Monitoring	0	2	0	3
Incident Management	0	3	0	2
Supply Chain Security	1	1	0	3
Total	**4**	**20**	**1**	**22**

SCOPE

This Cyber Security Audit focussed on the National Cyber Security Centre's revised 10 steps to Cyber Security framework that covers Cyber Risk Management, Engagement and Training, Asset Management, Architecture and Configuration, Vulnerability Management, Identity and Access Management, Data Security, Logging and Monitoring, Incident Management and Supply Chain Security.

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Introduction

1. Organisations are facing an increasing risk of Cyber incidents and Cyber-crime. A key step to reducing the risk and protecting organisations in this area is understanding the maturity of your organisation in terms of how Cyber risks are managed. The data within this report is derived from supporting management to review the robustness of controls in the following 10 recognised areas of Cyber Security:

• Cyber Risk Management	• Identity and Access Management
• Engagement and Training	• Data Security
• Asset Management	• Logging and Monitoring
• Architecture and Configuration	• Incident Management
• Vulnerability Management	• Supply Chain Security

2. The Cyber Security world is in need of a mature approach to managing cyber risk, because attackers continue to develop new threats beyond current knowledge. The fact that emerging threats are increasing is driving organisations to adopt a predictive attitude to address these threats. In order to protect themselves all organisations information assets and ICT systems need to be secured, managed and monitored.

3. Levels of recorded Cybercrime continue to grow. The Telephone-operated Crime Survey for England and Wales (TCSEW) showed that there were 1.9 million computer misuse offences in the year ending September 2021. This was an 89% increase compared with the year ending September 2019, largely driven by a 161% increase in "Unauthorised access to personal information (including hacking)" offences. This reinforces the need for users to implement robust e-Safety, including passwords based on "Three things" and not re-using the same password within multiple IT systems or websites. The National Cyber Security Centre (NCSC) provides guidance for sectors, and for users to help address the gap between good security and dangerous practices.

4.   The Covid-19 Pandemic has also been instrumental in increasing risks associated with Cyber Crime. Many attacks are thematic in nature and continue to exploit users' interest in the latest pandemic news including around access to vaccinations. Coupled with a rapid IT transformation to enable home working with new IT systems and products, the associated likelihood of cybercrimes manifesting has also increased.

5.   The potential impact from cybercrime can be of substantial damage to the operational capability of the organisation. Legislative impact is within the scope of the Data Protection Act 2018, which embodies the General Data Protection Regulations (GDPR). It requires data to be processed in a manner that ensures its security. This includes protection against unauthorised or unlawful processing, accidental loss, destruction or damage. This places a requirement on all organisations to ensure that appropriate technical and organisational measures are in place. The potential level of fines for Data Protection breaches (including as a result of hacking) are up to 20m Euros / £18m or 4% of global annual turnover whichever is the greater. In addition to the financial penalties, breaches cause significant reputational damage to affected organisations, including those using cloud based IT services.

6.   The audit has assessed the effectiveness of controls in place to mitigate cyber security risks in the 10 areas and suggests recommendations to enhance the Council's approach to managing Cyber Security risks. This work was carried out between February and June 2022 by the Cyber Assurance team as part of the Internal Audit programme for 2021/22. The outcomes of the review have been raised against a backdrop of plans for both Council's to share new infrastructure and a move to a new shared office in 2023.

Summary

7.   The following positive points have been observed regarding each Council's approach to Cyber Security;

- The Council's have a policy that covers Cyber Risk Management and responsibilities of staff to manage those risks.

- The Council's provide all staff with cyber and information security training upon induction.

8.   The review noted that management rated the Councils' dependency on Information technology as High and recognised that Cyber-crime was a significant risk. Management considered that untreated cyber risks were at a High level, which the content of this report supports. It was noted that at the time of the audit the Councils had not invested in improving cyber security measures in the last 12 months.

9.   The Councils have not experienced any serious cyber incidents within the last 12 months. The most significant incident was an attempted phishing attack, which had a low impact and recovery was achieved within less than one day.

10. Where gaps have been identified management should consider the improvement recommendations within this report within the action plan to control and mitigate cyber risks. We note that there are serious weaknesses across every aspect of the scope, which all require urgent attention. All relevant policies and procedures are outdated; however we have attempted to recognise this without prejudicing the operational processes that may be present and could be judged as effective.

11. A series of Operational Effectiveness Matters points have also been raised within each area for management consideration.

APPENDIX 4 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Ref	Audit Area	Assurance Level	Completed bt 7 September 2022 to 11 January 2023			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
2019/20 Internal Audit Reviews															
SNC2009	Income	Reasonable			1							0			
2020/21 Internal Audit Reviews															
SNC2102	Corporate Governance	Reasonable						1				1			
SNC2108	Key Controls and Assurance	Reasonable						1				1			
SNC2104	HR and Payroll	Reasonable					1					1			
SNC2112	Remote Access	Reasonable			1	1						1			
2021/22 Internal Audit Reviews															
SNC2206	Counter Fraud and Corruption	Limited								6		6			
SNC2201	Key Controls and Assurance	Reasonable		2							4	4			
SNC2203	Annual Governance Statement	Substantial						1				1			
SNC2207	Accounts Receivable	Limited		1	2				1	1		2			
SNC2208	Income	Reasonable								1	3	4			
SNC2209	Accountancy Services	Reasonable		1						1	1	2			
SNC2202	Performance Management, Business Planning	Reasonable						1				1			
SNC2214	Disaster Recovery	Limited	1	2		1	1		1	1		4			
SNC2211	Homelessness and Housing Options	Reasonable			1							0		2	
SNC2205	Corporate Health and Safety	Substantial									1	1			1
SNC2210	Covid-19 Business Grants	Reasonable						1				1			
2022/23 Internal Audit Reviews															
SNC2312	Community Assets	Reasonable										0		2	2
TOTALS			1	6	5	1	3	5	2	10	9	30	0	4	3

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APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
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.	Important	Chief of Staff	30/06/2021	31/03/2024	5	Outstanding	The IT system implementation has now been postponed with a procurement exercise due to commence to appoint a new provider with implementation of the new system to be by the end of 31 March 2024. This recommendation will be addressed as part of that system implementation.
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.	Important	Assistant Director of ICT/Digital and Transformation	01/10/2021	N/A	3	Complete, awaiting evidence	A revised change management policy has been provided. Further requests have been made of the transformation team to ensure IT are involved as and when required on projects where change management protocol is required.

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2214 Disaster Recovery	Recommendation 2. Council DR Plans be reviewed, updated, communicated and tested	Urgent	AD Transformation, Innovation and IT	01/11/2022	31/03/2023	1	Outstanding	Reviewed the current plans. Agreed revised system and service recovery priority order. As part of the commissioning of the move to HCI the auto failover was tested and confirmed as functioning. As part of the move to Horizon we will need to invoke DR to move services from Thorpe Lodge to Cobb Lodge to facilitate the exit of Thorpe Lodge to Horizon. Dates to be clarified subject to the timeline of the commissioning of the Horizon Building.
SNC2214 Disaster Recovery	Recommendation 3. Regular DR tests be scheduled and undertaken.	Urgent	AD Transformation, Innovation and IT	01/02/2022	30/04/2023	2	Outstanding	As above – regular DR tests will be scheduled post the move to Horizon.
SNC2214 Disaster Recovery	Recommendation 6. Ensure that appropriate staff have DR responsibilities and skills/knowledge is refreshed	Important	AD Transformation, Innovation and IT	01/11/2022	31/03/2023	1	Outstanding	This will be refreshed and aligned to the new/revised DR plan post the move to Horizon.
SNC2214 Disaster Recovery	Recommendation 5. Increasing the DR resilience at both Broadland and South Norfolk councils by sharing DR services be formalised.	Important	AD Transformation, Innovation and IT	30/06/2022	N/A	1	Complete, evidence verification	Internal Audit have been advised that this recommendation is complete. A Disaster Recovery- Priority Order for System Recovery document was provided as evidence. Documentation has been provided to ICT audit to determine whether the recommendation can be closed.
SNC2206 Counter Fraud and Corruption	Recommendation 3: A Counter Fraud and Corruption Strategy be devised, applying to all aspects of the Councils' business. This should be communicated throughout the Councils and acknowledged by those charged with governance. A strategy provides a framework for preventing and tackling bribery, fraudulent and corrupt acts against the Councils.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Both BDC and SNC have now approved the delegation of the fraud service to ARP. ARP are now progressing with their internal governance processes. The likely start date for the new fraud service is 1st April 23, and the recommendations will be addressed once the new service is up and running.

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
SNC2206 Counter Fraud and Corruption	Recommendation 4: Proactive work be undertaken to raise awareness of potential fraud.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 5: A programme of work be introduced to improve staff awareness and responsiveness to fraud across the Council.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 6: An annual fraud plan be devised, agreed by committee and reflect resources mapped to risks and arrangements for reporting outcomes. This plan should cover all areas of the local authority's business and include activities undertaken by contractors and third parties or voluntary sector activities.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 7: The Councils to introduce an official programme to publicise fraud and corruption cases internally and externally, which is positive and endorsed by the council's communications team.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Update as above.
SNC2206 Counter Fraud and Corruption	Recommendation 9: A fraud and corruption response plan should be devised to cover all areas of counter fraud work: prevention, detection, investigation, sanctions and redress.	Important	AD Finance	30/04/2022	30/04/2023	4	Outstanding	Update as above.
SNC2207 Accounts Receivable	Recommendation 2: Sundry Debt reports to be run and reviewed regularly, with action taken as appropriate. Additionally, a plan should be developed to address the backlog of aged debts that has accrued during Covid-19, with progress against the plan monitored	Urgent	AD Finance	30/09/2022	31/03/2023	2	Outstanding	Financial Transactions Supervisor currently working on debt recovery as an on-going task. Debt recovery meetings will resume for Commercial Property in January 2023.
SNC2207 Accounts Receivable	Recommendation 3: Both Councils to take all steps to recover outstanding debts, including legal	Important	AD Finance	31/12/2022	N/A	0	Outstanding	Policy/Procedure reviewed and further detailed process/procedure agreed and updated in debt recovery

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	action, with documented decisions and rationale maintained for individual debts.							policy/procedure under 6.2.1 of debt recovery policy. Further evidence of the recovery of debts in accordance with the policy has been requested.
SNC2209 Accountancy Services	Recommendation 2: The preparer and reviewer name and date should be recorded on each reconciliation. Any reconciliation lacking these sign-offs should be completed retro-actively.	Important	AD Finance	30/09/2022	31/01/2023	2	Outstanding	Financial Transactions Manager is working on getting up to date with reconciliations.
SNC2208 Income	Recommendation 2: Management to implement controls to ensure exception/suspense account reports are run daily and promptly investigated, with evidence of their completion maintained.	Important	AD Finance	31/10/2022	31/01/2023	1	Outstanding	New procedure in place from January 2023 for Financial Transactions Supervisor to check once per month and sign and review for audit evidence.

FRAG Committee – Independent Persons

Report Author(s):	Faye Haywood Head of Internal Audit 01508 533873 faye.haywood@southnorfolkandbroadland.gov.uk
Portfolio:	Resources
Ward(s) Affected:	All

Purpose of the Report:

This report outlines the proposal for appointing Independent Person's to the FRAG Committee.

Recommendation:

The Committee to discuss the report and if deemed necessary and appropriate, recommend to Cabinet and Council that steps are taken to appoint an Independent Person to the FRAG Committee.

1. Summary

1.1 This report outlines the proposal for appointing Independent Person's to the FRAG Committee.

2. Background

2.1 The FRAG Committee discussed the merits of appointing an independent person in 2019. Members confirmed that they felt there were benefits to be gained from having an independent person on the Committee, but it was not felt necessary to progress this at the time.

2.2 Since this discussion, the latest guidance from CIPFA (CIPFA position statement 2022 Audit Committees in Local Authorities and Police) has been updated to stipulate the following *'Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise'*.

The position statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting, and internal audit.

2.3 In addition to the above amendment to recognised guidance, in June 2022 the government announced plans to make it a statutory requirement for Audit Committees to appoint independent, non-voting persons to the committee. No subsequent announcements have been made so it is at this stage unclear how assurance over conformance will be obtained.

3. Current position

3.1 A total of two other district Councils in Norfolk have so far appointed independent persons to their Audit Committee. Breckland Council have had provision for an independent member for some time and have recently appointed a new independent person following the previous incumbent completing an extended term of just over four years.

3.2 Norwich City Council have also recently appointed an independent person.

3.3 Both Committees have reported that they have found the support from the independent person to be invaluable.

3.4 Both Councils offer a modest committee attendance allowance, together with reimbursement for travelling and subsistence expenses.

3.5 Independent persons would be interviewed and appointed based on their ability to fulfil a person specification covering the Committee's requirements. This would involve ensuring that any individuals interviewed and subsequently appointed have the necessary skills and objectivity to carry out the role. An ideal appointment would be an individual that complements and enhances the skills and experience of the Committee.

3.6 The role requires interested individuals to have not been connected with the Council either as a previous employee or Councillor within the last 5 years, or have any significant family ties with the Council that would cause a conflict in terms of remaining independent and objective.

4. Proposed action

4.1 It is recommended that the Committee discusses the merit of appointing an independent person. This would be seen as a proactive action to ensure that the Committee is acting in accordance with the latest best practice from CIPFA and anticipating the potential for this to be a statutory requirement by the Government as part of local government audit reform.

4.2 If a decision is made to appoint an Independent Person/s this must be discussed with Cabinet and approved by Council as this represents a structural change to the Committee.

4.3 If approval by Council is given, a person specification can then be advertised locally.

4.4 Once candidates have had an opportunity to express an interest, it is advised that an interview panel is set up comprising of members, with support from officers. Our proposal would be:

- Interview Panel – Chair of FRAG Committee with Portfolio Holder.

- Advisors – Emma Hodds – Monitoring Officer South Norfolk Council. Faye Haywood – Head of Internal Audit South Norfolk Council.

4.5 It is suggested that Independent Persons would be appointed for a term of four years. Following this term, the FRAG Committee could consider making a recommendation to Council regarding re-appointment.

5. Issues and Risks

5.1 The Council, may be unable to attract suitable individuals to this post due to the commitment required and timings of FRAG meetings and or, competition from other Local Authorities who may be seeking similar skills and experience from a limited number of individuals locally. This will result in FRAG not being able to benefit from effective arrangements that demonstrate best practice or benefit from the experience/skills and independence that a post holder of this nature could offer.

5.2 **Resource implications** – Independent individuals would be modestly remunerated and reimbursed for travel and subsistence expenses. These costs are expected to be minimal.

5.2 **Legal implications** – there are no legal implications arising from this report.

5.3 **Equality implications** – The Committee should consider whether candidates put forward for appointment could enhance the diversity of the FRAG Committee, thus strengthening governance arrangements.

5.4 **Environmental impact** – there are no impacts on the environment arising from this report.

5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.

6. Conclusion

6.1 CIPFA has published strengthened guidance on audit committees emphasising the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. The government is considering making the guidance, committees, and the independent member requirements statutory. This report has therefore been produced to facilitate a discussion with FRAG on whether the Council should seek to appoint suitable independent individual/s to FRAG Committee.

7. Recommendations

7.1 The Committee to discuss the report and if deemed necessary and appropriate, recommend to Cabinet and Council that steps are taken to appoint an Independent Person to the FRAG Committee.

Background papers

None

FRAG Committee Work Programme

20 January 2023

Progress Report on Internal Audit Activity	Faye Haywood
Independent Member of the Finance, Resource, Audit and Governance Committee	Faye Haywood
Strategic Risk Register	Sinead Carey
Funding Commitment for the Big Sky Business Plan	Debbie Lorimer/Trevor Holden

24 March 2023

Strategic and Annual Internal Audit Plans 2022/23	Faye Haywood
Annual Report of Audit Committee	Faye Haywood/Erika Voinic
Self Assessment of the Audit Committee	Faye Haywood
Strategic Risk Register	Sinead Carey
Review of Local Government Ombudsman 2022	Hannah Mawson
Rules of Financial Governance (tbc)	Rodney Fincham
Audit Results Report 2020/21 and Formal approval of the Statement of Accounts 2020/21	External Audit