



SOUTH NORFOLK FINANCE, RESOURCE, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the South Norfolk Finance, Resource, Audit and Governance Committee of South Norfolk Council, held on Friday, 14 July 2023 at 10.10 am.

Committee Members Present: Councillors: S Ridley (Chairman), D Thompson (Vice-Chair), M Dewsbury, T Laidlaw, R Savage and J Webber

Apologies for Absence: Councillors: N Fowler, T Graham and D Sacks

Substitute: Councillors: M Hooton (In place of T Graham) and J McCloskey (In place of D Sacks)

Cabinet Member in Attendance: Councillor: R Elliott

Officers in Attendance: R Fincham (Assistant Director of Finance), C Lawrie (Assistant Director of Transformation and ICT/Digital), F Haywood (Head of Internal Audit), S Carey (Strategy and Intelligence Manager) and J Hammond (Democratic Services Officer)

Also in Attendance: Zack Furlong (TIAA Ltd) and Fiona Roe (TIAA Ltd)

Chairman's Announcement

On behalf of the Committee, the Chairman gave thanks to Phil Hardy, who served as the Chairman of the Finance, Resources, Audit and Governance (FRAG) Committee for the last 8 years.

330. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr N Fowler, Cllr T Graham (with Cllr M Hooton substituting) and Cllr D Sacks (with Cllr J McCloskey substituting).

331. DECLARATIONS OF INTEREST

No declarations of interest were received.

332. MINUTES

The minutes of the meeting held on 24 March 2023 were confirmed as a correct record.

Change of Order

The Chairman advised the meeting of a change in order. Agenda Item 9: Internal Audit Progress and Follow Up would be considered after Agenda Item 6: Strategic Risk Update. All remaining Agenda Items would then be considered in chronological order.

333. RISK MANAGEMENT POLICY – REFRESH

The Committee considered the report, which provided an overview of the refreshed Risk Management Policy, following the scheduled review of the policy.

The Strategy and Intelligence Manager reminded members that the current Risk Management Policy was approved by South Norfolk Council in 2020, following a risk maturity assessment which had been undertaken to baseline the risk management framework. She further explained that the Risk Management Policy was a fundamental element of the Risk Management Framework and included the following key features:

- Risk Management Framework, including risk appetite of the Council and the scoring system used.
- The process for the identification and management of risk.
- Roles and responsibilities and the governance arrangements for the reporting of risk.
- Guidance on the scoring of risk in line with the risk appetite.

In 2022 Internal Audit conducted a position statement which recommended a number of amendments to the Policy. As a result of the Internal Audit recommendations the following amendments and additions were now proposed to refresh the Policy:

- Refining the role of Assistant Directors and Portfolio Holders in the identification and management of risks to the organisation to ensure roles and responsibilities were clear.
- Including a requirement for Directors and Assistant Directors to ensure that risk was a topic discussed at regular intervals at directorate level meetings.
- The image at Appendix A of the Policy amended to make roles and responsibilities clearer.
- Minor grammatical amendments made throughout the document.

One member raised concerns regarding the risks posed to the Councils waste management service as a result of Government's review of its waste management strategy. The Assistant Director of Finance assured members that the risk had been included within the Strategic Risk Register and monitored closely as the Government's review progressed. The member further queried whether a separate food waste collection service could be introduced in South Norfolk. Members noted that this had been discussed previously alongside the difficulties associated with the rurality of the district. The Chairman suggested that the member raised their question to the relevant Policy Committee.

In response to a query on the recording process of risks held within Directorate

Risk Registers, the Strategy and Intelligence Manager advised members on how risks were tracked through risk registers, as well as how escalated, deescalated and closed risks were recorded on the register. Members were further informed that Portfolio Holders were kept up to date on risks within their portfolio through regular meetings with relevant Directors and Assistant Directors.

Discussion turned to the development of a cultural shift regarding risk management. The Assistant Director of Transformation and ICT/Digital noted the importance of creating a culture of risk management within the organisation and outlined a number of ways in which the Council was working to further develop the culture, which included:

- Risk Management training provided to all staff through the Council's skillsgate portal. The frequency of the training was also being reviewed.
- Specialised Risk Management training provided to relevant officers.
- A framework had been developed for the escalation of risks.
- Risk Management had been embedded into all current and future projects.
- Regular directorate meeting between Directors/Assistant Directors and their Senior Officers to discuss Operational Risk Registers.

After further discussion, it was

RESOVLED

To recommend to Council that it approve the proposed refreshed Risk Management Policy.

334. STRATEGIC RISK UPDATE

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

The salient points of the report were outlined, with attention drawn to the changes in the status of risks and additional to the register, since the last update to the Committee.

Members noted that one new risk, SNCP3 – Governments New Waste Strategy had been added onto the Strategic Risk Register (SRR). Whilst no risks had been removed from the Register

Discussion turned to the two strategic risks whose risk scores had been reduced since the last meeting, these were:

- SNC S14 – Housing Stock.
As the likelihood score had reduced as good progress was being made towards a mitigation strategy.
- SNC GE1 – Unable to maintain memberships and incomes levels at its Leisure Centres.
As the likelihood score had reduced following the Government decision

that Council leisure services no longer needed to charge VAT on key services.

One member noted that whilst it was included within the SRR as part of Nutrient Neutrality, the Big Sky Group should be added as a risk to the Council in its own right given the current economic environment and its impact on the building sector. The Assistant Director of Finance informed members that Big Sky had been included on the Directorate Risk Register as opposed to the SRR. He confirmed that its risk score had increased, but not to a level requiring escalation to the SRR. Members were assured that officers were monitoring the risk closely.

With regard to Nutrient Neutrality, it was suggested that the SRR be updated to reflect the risk posed to the Council as a result of the Joint Venture borrowing significant amounts of money. Members were advised that until the funding arrangement for the Joint Venture had been agreed, the level of risk to the Council would be unknown.

In response to a query regarding whether the increasing interest rates should be added onto the SRR. The Assistant Director of Finance explained that the situation was being monitored closely, at present the level of risk was not outside of the Council's risk appetite.

It was then,

RESOLVED

To endorse the Strategic Risk Register update for the Council.

335. INTERNAL AUDIT - PROGRESS AND FOLLOW UP

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 12 January 2023 to 11 July 2023.

The Head of Internal Audit explained that since the last meeting two audits had been deferred, these were:

- Housing Strategy and Affordable Housing
Deferred until 2023/24, to allow the strategy to be re-defined to manage the Council's approach to managing homelessness and temporary accommodation assets.
- Service Desk
Deferred until 2023/24, to allow the IT team to support the move to the Horizon Building.

Members noted that during the period of the report, 143 days of programmed work had been completed, which equated to 98% of the Internal Audit Plan for 2022/23.

Between 12 January 2023 to 11 July 2023 five internal audit reports had been

finalised and two reports had been issued in draft, with a total of 50 recommendations raised and agreed by management:

- Local Council Tax Support and Housing Benefit (finalised) – Reasonable Assurance
- Council Tax and NNDR (finalised) – Reasonable Assurance
- Elections (finalised) – Substantial Assurance
- Business Continuity and Emergency Planning (finalised) – Reasonable Assurance
- Accounts Payable (finalised) – Limited Assurance
- Key Controls and Assurance (draft) – Limited Assurance indicated
- SNC Leisure (draft) – Reasonable Assurance

With regard to the Accounts Payable Audit, the Head of Internal Audit explained that most of the recommendations had already been completed and verified.

Discussion turned to the audit of Procurement and Contract Management. The Head of Internal Audit advised members that the report was issued on 11 July 2023 with a Limited Assurance indicated. The full report would be circulated to members once the findings had been verified with CLT. It was explained that similar findings had been found across the whole procurement consortium (led by Breckland District Council). The consortium has recognised that improvements to the service needed to be made.

In response to concern regarding the outstanding Counter Fraud and Corruption recommendations, the Assistant Director of Finance outlined the Counter Fraud Service at South Norfolk Council. He explained that previously the Council had had a limited counter fraud service of 0.8 full-time equivalent, across the two Councils. With the previous Fraud Officer leaving the post in 2022. Following a review of the service, Cabinet had made the decision to join the Anglia Revenues Partnership (ARP) consortium in order to benefit from their higher level of resources and expertise. The Contract was signed in July 2023, following approval by all five of the partner Local Authorities. Officers were now working with ARP to ensure that they had access to the Council's relevant systems. ARP would then begin work of refreshing the strategies and completing all outstanding recommendations from Internal Audit.

With regard to Council Tax, one member queried whether the levels of Council Tax arrears had increased in light of the current cost of living crisis. the Assistant Director of Finance informed members that the in year collection rate for Council Tax was at 98.5%, which was in line with previous years. The collection of arrears from previous years had also been maintained. It was also noted that there had been an increase in the number of residents referred to the Council's Help Hub, by the Council Tax team.

It was then,

RESOLVED

To note

1. The 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 5 July 2023.

336. HEAD OF INTERNAL AUDIT'S ANNUAL REPORT AND OPINION FOR 2022/23

The Head of Internal Audit presented the report, which informed members of the annual internal audit opinion on the Council's governance risk management and control framework and evaluates the effectiveness of the internal audit function for 2022/23. The Council's overall opinion was rated as 'Reasonable'.

It was noted that work had not been finalised in both the Covid-19 Relief Grants and the Economic Development areas. Which meant that no overall grading had been indicated.

The Head of Internal Audit informed members of the areas which required inclusion in the Annual Governance Statement, these included:

- Three assurance reports which had resulted in 'Limited' assurance
 - Accounts Payable
 - Key Controls and Assurance
 - Procurement and Contract Management
- Outstanding recommendations from 2021/22 'Limited' assurance reviews
 - Counter Fraud and Corruption
 - Disaster Recovery

With regard to the Key Controls and Assurance audit. The Assistant Director of Finance advised members that a lot of work had been undertaken to improve this area since the audit had been undertaken. As a result, of the 20 recommendations received, 11 had been completed.

Discussion turned to the external assessment of the effectiveness of Internal Audit. Members were advised that an assessment was carried out in October 2022 by the Chartered Institute of Internal Auditors. Internal Audit received a 'generally conforms' result, with conformance in 60 out of 64 areas and 'partially conforms' in 2 areas. The Head of Internal Audit assured members that all recommendations had been resolved.

It was highlighted that TIAA had struggled to meet the targets relating to timeliness and S151 satisfaction throughout 2022/23. Ms F Roe informed the Committee the resource challenges within TIAA had resulted in the issues experienced within 2022/23. She further explained that TIAA had worked to restructure officers within the company and investigated methods of improving engagement levels to prevent the same issues reoccurring in future years.

After further discussion, it was,

RESOLVED

To receive

- a) The contents of the Annual Report and Opinion of the Head of Internal Audit.
- b) The reasonable audit opinion given in relation to the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2023.
- c) The opinions expressed together with any significant matters arising from the internal audit work and contained within the report and give them due consideration, when developing and reviewing the Council's Annual Governance Statement for 2022/23.
- d) The conclusions of the review of the effectiveness of Internal Audit.

337. ANNUAL GOVERNANCE STATEMENT 2022/23

Members considered the report of the Chief of Staff, which presented the draft Annual Governance Statement 2022/23 for the Committee to review.

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

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

The areas of concern highlighted by the Head of Internal Audit in their Annual Report and Opinion would be included within the Statement.

Members noted two typographical errors within the statement. the Head of Internal Audit confirmed that they would be corrected.

It was then,

RESOLVED

To approve the Annual Governance Statement for 2022/23.

338. FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered each item within the Work Programme.

The Assistant Director of Finance clarified that the Audit Results Report currently scheduled for the September meeting was for 2020/21 and not 2022/23.

The Chairman requested that the report to consider the appointment of an Independent Person onto the FRAG Committee be brought back to the next meeting of the Committee.

(The meeting concluded at 11.45 am)

Chairman