



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, 22 September 2023 at 9.31 am.

Committee Members Present: Councillors: S Ridley (Chairman), D Thompson (Vice-Chair), N Fowler, T Graham, T Laidlaw and D Sacks

Apologies for Absence: Councillors: M Dewsbury, R Savage and J Webber

Substitute: Councillors: M Hooton (In place of M Dewsbury)

Cabinet Member in Attendance: Councillor: R Elliott

Officers in Attendance: P Courtier (Director of Place), R Fincham (Assistant Director of Finance), E Hodds (Chief of Staff), C Lawrie (Assistant Director of ICT/Digital and Transformation), J Brown (Finance Manager), S Carey (Strategy and Intelligence Manager), E Voinic (Internal Audit Trainee), J Hammond (Democratic Services Officer) and M Hodgson (Ernst & Young)

Also in Attendance: Cllr A Evans

339. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs M Dewsbury (with Cllr M Hooton Substituting), R Savage and J Webber.

340. DECLARATIONS OF INTEREST

No declarations of interest were received.

341. MINUTES

The minutes of the meeting held on 14 July 2023 were confirmed as a correct record.

342. AUDIT RESULTS REPORT 2020/21

The Chairman welcomed Mr M Hodgson from EY, to the meeting.

Mr Hodgson presented the Audit Results Report for 2020/21, he outlined the ongoing countrywide issues faced by external auditors which had led to a challenging year for the preparation and audit of the financial statements. He further informed the Committee that no new risks had been identified in the report.

Members were advised that since the provisional audit plan was created in 2021, EY had updated their materiality assessment to £1.316 million. They had also updated the threshold for reporting misstatements of £0.065 million.

With regard to audit differences, Mr Hodgson advised the Committee that ten differences had been highlighted and corrected. The differences related to:

- Pension Liability
- Property, Plant and Equipment – two audit differences
- Collection Fund Debtors
- Creditors
- Debtors with Group Entity
- Long-term Investments
- Community Infrastructure Levy Creditor
- Community Infrastructure Levy Debtor
- Group Accounts

Moving to the one difference not corrected by officers, Members were informed that this difference related to the Cash Flow Statement, where the Council had an unsupported balancing figure of £0.421 million in the financing activity section of the cash flow statement supporting working papers. A recommendation had been included within EY's report which recommended that the Council continued to investigate the unsupported balancing figure in the Cash Flow Statement and work to ensure that unsupported balancing figures were not identified in future statements of accounts. One member queried whether the issues relating to the Cash Flow Statement had been resolved in subsequent years. The Finance Manager assured the Committee that there were no issues in the day-to-day management of Cash Flow, but that an issue had arisen in the presentation of the statement. She explained that the Council used the statement template provided by CIPFA and that all data had been cross-referenced.

With regard to the final Statement of Accounts 2020/21, Members queried why the statement had only been published today. The Finance Manager advised the Committee that the draft Statement of Accounts had been published on the Council's website since July 2021, in line with statutory deadlines. However, the finalised Statement of Accounts could not be published until the External Audit had been carried out and all adjustments agreed.

Discussion turned to Value For Money (VFM), where Mr Hodgson confirmed that the planned VFM procedures had been undertaken and that no risks of significant weaknesses had been identified.

Members noted that EY proposed that an unqualified audit be issued.

The Chairman thanked Mr Hodgson for his report, and it was,

RESOLVED

To note the contents of the report.

343. STATEMENT OF ACCOUNTS 2020/21

The report for the formal approval of the Statement of Accounts was tabled at the meeting. The Chairman agreed to adjourn the meeting for 15 minutes to allow the Committee to read through the tabled report.

Members expressed their disappointment that the report had only been made available at the meeting. A motion to defer the item and schedule a separate meeting of the FRAG Committee to determine the item, was proposed and seconded. With a vote of 3 – 4, the motion was lost.

The Finance Manager presented her report, regarding the 2020/21 Statement of Accounts. She explained that the draft Statement of Accounts had been approved and published on the Council's website on 30 July 2021, they were available made available for inspection by the public. No enquiries to inspect the statement were received.

The external audit of the 2020/21 accounts by EY was completed on 15 September 2023, however, as the audit had identified a number areas where changes were required, final adjustments were agreed between the Council and EY last night. The Finance Manager outlined the agreed changes to the Statement of Accounts, which were:

- Reduction in pensions liability to reflect actual return on investment assets (following revised report from actuaries)
- Reversal of impairment of Ella May Barnes Building
- Overstatement of valuation of land at Wymondham
- Norfolk County Council refund accrual 20/21
- Reversal of Community Infrastructure levy 19/20 creditor
- Prior years' NRP income reversal double counted
- Reverse SNC share of NRP monies from creditors to reserves
- Collection Fund timing difference

With regard to the reversal of impairment of the Ella May Barnes Building, the Finance Manager explained due to the arrangement with the Local Enterprise Partnership the Council would only receive a 50% share of money upon sale, however, as an asset it was agreed that 100% of the value should be included within the accounts.

In response to a query regarding the overstated of valuation of land in Wymondham. The Assistant Director of Finance explained that the external valuer had inputted an incorrect price per hectare, which was not spotted prior to the audit. Following further questions, the Assistant Director of Finance advised that due to the number of properties valued, officers performed checks on a small sample. The Council appointed experienced valuers to provide assurance that valuations were correct. It was noted that there was always scope for human error, and that a key role of external audit was to spot these kinds of errors.

The Committee reiterated their disappointment that the finalised Statement of

Accounts for 2020/21 was only made available at the meeting.

It was then,

RESOLVED

To

1. Approve the amended Statement of Accounts 2020/21
2. Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Assistant Director of Finance

344. STRATEGIC RISK REGISTER

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

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

Members noted that no new risks had been added onto the register.

Discussion turned to the three strategic risks which were proposed to be deescalated this quarter, these were:

- SNCM9 – The Council being unable to take advantage of the benefits and opportunities from collaborative working with Broadland District Council and other key partners through autonomous policy decision-making.
- SNCP1 – Nutrient Neutrality advice impacting all planning decisions for overnight accommodations.
- SNCP2 – The inability to find Gypsy and Traveller (G&T) sites to meet need and enable the Greater Norwich Local Plan (GNLP) to be found sound.

The Strategy and Intelligence Manager explained that these risks had been deescalated due to the mitigated risk scores being within the risk appetite of the Council. One member raised concern at the de-escalation of risk SNCP1 given the recent events within central Government. The Director of Place confirmed that the risk had been reviewed and that the risk was still within the Councils risk appetite, due to the mitigations in place via the joint venture company. The Committee requested that their concerns regarding the de-escalation of risk SNCP1 be reported back to CLT and Cabinet. The Chief of Staff confirmed that CLT and Cabinet would be made aware of the Committees concern through the minutes of this meeting.

With regard to risk SNCP 3 – *Implications arising from the Government's Resources and Waste Strategy and Environment Act 2022*, officers advised that the Director of Place and Assistant Director of Community Services had written to Government to raise the Council's concerns. Members were assured that officers continued to closely monitor the situation as well as potential risks to the Council.

After further discussion it was,

RESOLVED

To note the Strategic Risk Register update for the Council.

345. ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

Members considered the report of the Assistant Director of Finance, which presented the proposed Anti-Fraud and Anti-Corruption Strategy for approval.

The Assistant Director of Finance reminded members that the Council had entered into an agreement with Anglia Revenues Partnership (ARP) for the provision of its Anti-Fraud Service. One of the first actions of the ARP was to review and refresh the Council's Anti-Fraud and Anti-Corruption Strategy.

The Anti-Fraud and Anti-Corruption Strategy set out the Council's approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence, and the actions it will take when fraudulent activity was suspected and identified.

In response to a query regarding the forms of potential fraud and corruption the Assistant Director explained that fraud was possible in particular in any service where the Council was giving money, examples included; housing benefit payments, covid grant payments, discounts such as the single person discount for Council Tax. There were also inherent risks in procurement and payroll fraud.

It was then unanimously,

RESOLVED

To RECOMMEND TO COUNCIL that it adopt the Anti-Fraud and Anti-Corruption Strategy.

346. REVIEW OF CONTRACT PROCEDURE RULES

The Assistant Director of Finance presented the report, which proposed a number of changes to the Council's Contract Procedure Rules (CPRs).

The CPRs were contained within the Council's Constitution and set out how the Council procured goods and services, in order to achieve value for money and comply with the legal requirements within the Public Contract Regulations 2015.

Members were advised that the CPRs had been approved in July 2021 and as it

was good practice for the CPRs to be reviewed every two years, they had been reviewed this year with a number of small amendments proposed, these amendments were:

- Added reference to reducing carbon emissions in criteria (In Statement of Intent)
- Removed reference to European Union Law (Para 1.2)
- Amended authority level from Director to Assistant Director where appropriate (Various places in document)
- Amended wording on use of frameworks (Para 3.2 and 19.3)
- Changes to clarify that ultimate procurement responsibility lay with the contract owner (Para 4.2 and 9.8)
- Added new contract approval level of £100K-£200K for CLT in consultation with the relevant Portfolio Holder (Table 15.1)
- Disposal limits increased from £20K to £25K (Para 25.2 and Table 25.3)

It was explained that as the One Team often carried out joint procurements, which covered both Broadland District Council and South Norfolk Council, it would be helpful for both Council's CPRs to align as far as possible. However, it was stressed that both Council's had the ability to propose alternative changes to their own CPRs.

Members queried what the vetting process was for potential suppliers in order to prevent fraud. The Assistant Director of Finance explained that the vetting process varied depending on the level of procurement, but that in all cases standard financial checks were undertaken, with more in depth checks carried out for higher level procurements.

After further discussion, it was,

RESOLVED

To RECOMMEND TO COUNCIL that it adopt the amended Contract Procedure Rules.

347. FINANCE, RESOURCES, AUDIT & GOVERNANCE COMMITTEE – INDEPENDENT PERSONS

Members considered the report of the Chief of Staff (Monitoring Officer), which outlined the proposal for appointing Independent Persons onto the Audit Committee.

Members were informed that the report had previously been brought before the Audit Committee in January 2023, the Committee had noted the benefits to be gained from having an independent person, but it was agreed that the matter should be discussed by the new Committee following the May 2023 election.

The Chief of Staff advised that the latest guidance from CIPFA was that, "*whilst there was 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 Chief of Staff informed the Committee that whilst it was not yet a legislative requirement to appoint Independent Persons onto the Committee, two other district Councils in Norfolk had appointed independent persons to their Audit Committee, those being Breckland Council and Norwich City Council. Both Councils offered a modest committee attendance allowance together with reimbursement for travelling and subsistence expenses.

It was clarified that the Independent Person would have an advisory position only and would not be a voting member of the Committee. The Committee queried the contents of the job specification and how the recruiting process would take place. The Chief of Staff explained that a draft job specification had been compiled and agreed that the document would be circulated the Committee. She added that the specification could be amended to target individuals with skills in areas the Committee currently lacked. With regard to the recruiting process. She further explained that the interview panel would be made up of three people, so as not to overwhelm candidates. It was agreed that the panel consisted of; the Chairman of the Finance, Resources, Audit and Governance Committee, the Portfolio Holder for Finance & Resources, and the Head of Internal Audit. It was also agreed that, in the event of a tie, the Head of Internal Audit would have the casting vote to decide the successful candidate.

The Committee noted the potential benefits in obtaining an Independent Person and expressed their support in progressing with the recruitment process.

It was then unanimously

RESOLVED

To RECOMMEND THAT CABINET RECOMMENDS TO COUNCIL that steps be taken to appoint an Independent Person onto the Finance, Resources, Audit and Governance Committee.

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

The Committee considered each item within the Work Programme.

It was noted that the Big Sky business plan would be brought to the Committee meeting in January 2024 in advance of the budget setting in February.

(The meeting concluded at 11.30 am)

Chairman