



## **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 March 2024 at 9.30 am.**

**Committee Members Present:** Councillors: D Thompson (Vice-Chair, in the Chair), M Dewsbury, N Fowler, T Laidlaw, D Sacks, R Savage and J Webber

**Apologies for Absence:** Councillors: T Graham

**Substitute:** Councillors: K Murphy (In place of T Graham)

**Cabinet Member in Attendance:** Councillor: R Elliott

**Officers in Attendance:** R Fincham (Assistant Director of Finance), C Lawrie (Assistant Director of ICT/Digital and Transformation), T Sharman (Head Of Internal Audit), S Carey (Strategic Advisor and Deputy Monitoring Officer), N Gourley (Senior Internal Auditor), H Mawson (Customer Experience and Insight Lead), J Hammond (Democratic Services Officer) and D Riglar (Ernst & Young)

### **Minute's Silence**

The Chairman invited the Committee and Officers to stand for a minute's silence in memory of Cllr Stephen Ridley, who served as the Chairman of the Finance, Resources, Audit and Governance (FRAG) Committee since May 2023 and previously as the Vice-Chairman of the FRAG Committee from May 2019.

### **358. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr T Graham, with Cllr K Murphy substituting.

### **359. DECLARATIONS OF INTEREST**

No declarations of interest were received.

### **360. MINUTES**

The minutes of the meeting held on 19 January 2024 were confirmed as a correct record.

In response to a query regarding minute item: 352 – *Progress Report of Internal Audit Activity*, the Head of Internal Audit explained that updates relating to the outstanding internal audit recommendations would be presented to the Committee at its meeting in July 2024, as part of the next Progress Report of Internal Audit Activity.

### **361. VALUE FOR MONEY INTERIM REPORT**

Mr Riglar from Ernst & Young (EY) presented the value for money (VFM) interim report which outlined the work undertaken by EY and highlighted any significant weaknesses identified along with recommendations for improvement, for the audit years 2021/22 and 2022/23.

Members were advised that EY had completed their risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, EY had no matters to report by exception at this stage of the audit. EY would continue to monitor the VFM assessment and would update its reporting as part of the final commentary in the External Auditor's Annual Report.

The Committee received an update regarding the proposed national reset which aimed to get all local government audits up to date. Mr Riglar explained that there was a proposal to not carry out further external audit work up to and including the 2022/23 financial year. Except where auditors had begun or already undertaken work EY were continuing to report VFM in line with their existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year.

With regard to the effect on the Council, of the 2021/22 and 2022/23 audits not being completed, the Assistant Director of Finance confirmed that the Council would not receive the normal level of assurance. However, the VFM work did provide a level of assurance as EY undertake a number of checks as part of the work. Mr Riglar added that part of the proposal for the national reset included the option for Councils in financial trouble to request a full audit to be carried out. He stressed that South Norfolk Council was not considered to be in need of that option.

In response to a query on whether assurance could be gained from elsewhere, the Assistant Director of Finance advised the Committee that officers sought alternative assurance from the Internal Audit provider TIAA Ltd, however, they felt that they did not have the necessary specialism or resources to provide worthwhile assurance. He further explained that a level of assurance could be gained from the fact that audits from previous years had found the quality of the statement of accounts to be good, with few recommendations from EY. Further assurance could also be gained from the regular budget monitoring undertaken by the Finance Team.

One member queried why the VFM work had been prioritised over resourcing the full audit of accounts. Mr Riglar explained that given the nationwide issues faced in the sector it was considered more appropriate to focus on the less resource

intensive VFM work to enable more councils to receive a level of assurance. He further explained that the VFM work gave assurance as a variety of finance issues stemmed from Council's VFM arrangements.

It was then,

## **RESOLVED**

To note the contents of the report.

### **362. REVIEW OF LOCAL GOVERNMENT OMBUDSMAN REPORT 2023**

The Customer Experience and Insight Lead presented the report, which provided a summary of the Local Government and Social Care Ombudsman (LGO) Report of complaints referred for the year ending 31 March 2023.

Members were advised that the overall number of cases referred to the LGO for South Norfolk was very small with a total of 13 cases for 2022/23, 3 of which were investigated by the Ombudsman. This amount of referred cases was comparable to the previous year.

The number of cases for each service area varied year-on-year. For 2022/23 the Council had seen an increase in the number of Housing complaints referred to the Ombudsman, whilst the number of Environmental Services cases had decreased.

Of the 3 complaints investigated in 2023, two were upheld by the Ombudsman, although it was noted that for 1 of the complaints, a satisfactory remedy had been provided before the complaint reached the Ombudsman.

One member queried whether there was any member involvement in the Council's complaint process. The Customer Experience and Insight Lead explained the Council's current complaints procedure and advised that it was managed internally by officers.

Discussion turned to the contents of the report. Concern was raised that the report did not include enough detail on the nature of the complaints, the remedy provided, or the lessons learnt and implemented for the future. The Assistant Director of ICT/Digital and Transformation agreed to reassess the contents of the report for future years.

It was then,

## **RESOLVED**

To note the contents of the report regarding the Council's approach to dealing with complaints.

### **363. MONITORING OFFICER REPORT - CODE OF CORPORATE GOVERNANCE**

The Strategic Advisor & Deputy Monitoring Officer presented the report which

outlined the review of the Council's Code of Corporate Governance, and sought endorsement for the adoption of the revised Code within the Council's Constitution.

Members were advised that the Council had a range of measures to ensure that governance in the organisation was managed effectively and that it worked hard to ensure that these arrangements were robust and met best practice. This was achieved through a range of policies, plans, procedures, the Council Plan, the Medium-Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk.

The Code of Corporate Governance was not designed to list or replicate these measures. Instead, it provided a framework against which the measures could be assessed to ensure that the principles of the Code were being met, that there were systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance were identified with appropriate actions developed.

To ensure that the Council met best practice, the Code had been refreshed to more comprehensively reflect the guidance from the governance framework for local authorities 'Delivering Good Governance in Local Government: Framework' (CIPFA/Solace, 2016). The changes included:

- Adding in examples of how the Council sought to achieve the key principles of good governance.
- Providing evidence to how the Council were meeting each principle.
- Including a RAG rating for each principle, which would in the future, be aligned to the Annual Governance Statement.

In response to a query regarding the RAG rating, the Strategic Advisor & Deputy Monitoring Officer explained that the rating would be carried out through manager assurance statements, which would be aligned to the new Code.

With regard to the effect of the proposed Code on the current corporate governance of the Council, members were advised that the Code would not alter how the Council was operated, instead, it would monitor the effectiveness of the Council's governance.

One member raised concern at delegating authority to the Monitoring Officer to approve future amendments, as they felt there was merit in bringing changes before the Committee. The Strategic Advisor & Deputy Monitoring Officer explained that the recommendation was included to ensure that the Code could be kept up to date with all minor changes. She reassured members that any major changes would be brought to the Committee for approval, before any amendments were made. It was then agreed that the recommendation be amended to reflect that delegated authority would be to approve "future *minor* amendments to the Code".

The Strategic Advisor & Deputy Monitoring Officer further advised members that, if adopted, an annual review of the Code would take place through the Annual Governance Statement. Outcomes of the annual review and recommendations for improvement would be reported back into the FRAG Committee each year.

After further discussion it was unanimously,

**RESOLVED**

To recommend that Council:

- a) Adopt the revised Code of Corporate Governance.
- b) Delegate authority to the Monitoring Officer to approve future minor amendments to the Code of Corporate Governance to reflect any updates made to the corporate systems, processes and documentation referenced within it.

**364. FRAG COMMITTEE'S SELF-ASSESSMENT EXERCISE**

Members considered the report of the Head of Internal Audit, which outlined the results of the self-assessment review exercise emailed to members to complete in February 2024.

The results of the previous year's self-assessment exercise had been circulated to members along with CIPFA's new audit committee self-assessment questionnaire template for members to complete and return. Of the nine Committee Members, four responses had been received. The Head of Internal Audit summarised the responses received within the returned questionnaires.

The Committee were disappointed at the small number of returned questionnaires received, but several members explained that they felt unable to complete the self-assessment exercise and requested that further guidance and training be provided in future before the exercise was undertaken. Some members noted the significant differences between last year's questionnaire and CIPFA's revised template, and it was felt the differences made it impossible to compare the Committees performance against previous years.

Discussion turned to the suggested actions and training required as a result of the self-assessment exercise. It was recommended that the Committee's Terms of Reference be reviewed to ensure best practise and to further align it with CIPFA guidance.

Members further suggested that additional Committee training be provided. The Head of Internal Audit agreed to look into the current training provision and assess what further training was necessary. One member suggested that a skills and knowledge assessment be circulated to all Committee members to aid in identifying the type of training required.

It was then,

**RESOLVED**

To

1. Note the final scores for the Self-Assessment of Good Practice and Evaluating the impact and effectiveness of the Audit Committee.

Request that officers review the Terms of Reference for the Committee.

### **365. STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2024/25 TO 2026/27**

Members considered the report of the Head of Internal Audit, which provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2024/25 to 2026/27 and the Annual Internal Audit Plan for 2024/25, which would then serve as the work programme for the Council's Internal Audit Services contractor TIAA Ltd. The report also provided the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of South Norfolk Council's framework of governance, risk management and control.

The Head of Internal Audit explained that meetings had been held with all Assistant Directors to discuss service area risks and scheduled projects as part of the formation of the Plans.

She also informed the Committee that the Annual Internal Audit Plan for 2024/25 totalled 332 days across the two Councils, with 166 days allocated to South Norfolk Council. The Plan encompassed 24 Internal Audit reviews.

The Head of Internal Audit informed members that the current Public Sector Internal Audit Standards had been replaced by the Global Internal Audit Standards and explained that the Council had until January 2025 to comply with the new internal audit standards. In response to queries she confirmed that a report would be brought to the FRAG Committee in January 2025 outlining the new standards.

It was noted that not all of the 2023/24 internal audit work had been resolved. The Head of Internal Audit confirmed that all remaining 2023/24 audit work was in progress and would be completed before the 2024/25 audit work began.

Discussion turned to the internal audit delays experienced over the last year and members queried what controls were in place to penalise TIAA for failing to meet their KPI's. In response, the Head of Internal Audit advised the Committee that TIAA's contract included a 10% performance payment which the Council could withhold if the KPI's were not met. She further advised that as some of the issues experienced were due to delayed responses from the Council, TIAA would still receive a percentage of the performance payment, the exact percentage to be paid would be determined by the Head of Internal Audit and S151 Officer.

One member queried whether TIAA had given assurance that the delay would not continue in 2024/25. The Committee were advised that TIAA had been reviewing their resource levels and had made a number of changes to ensure that they were sufficiently resourced to meet their KPI's. These changes included recruiting additional auditors and reassigning existing experienced auditors into the contract. The Head of Internal Audit reassured members that she would continue to monitor the situation and, where necessary, escalate with TIAA or the S151 Officer.

Concern was raised regarding the Big Sky audit and members queried why the risk of the lack of affordable housing had been associated with Big Sky, as they felt that the issue went further than Big Sky. The Head of Internal Audit explained that the risk had been placed with Big Sky as it would look to provide this type of housing to meet the demand.

After further discussion regarding Big Sky, the Head of Internal Audit advised the Committee that Internal Audit could not audit the company itself, as it was a private company, however, it could audit the Council's involvement in Big Sky. Members agreed that it was important to audit the interface between Big Sky and the Council to determine any risks associated with the Council's investment income and/or revenue budget.

It was noted that audits relating to Broadland District Council and Broadland Living had been included in the Strategic and Annual Internal Audit Plans, members requested that, in future, Broadland District Council specific audits be removed from the Plan before being brought to the Committee.

It was then unanimously,

## **RESOLVED**

To note and approve:

- a) The Internal Audit Charter for 2024/25.
- b) The Internal Audit Strategy for 2024/25.
- c) The Strategic Internal Audit Plans 2024/25 to 2026/27.
- d) The Annual Internal Audit Plan 2024/25.

### **366. FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Committee considered each item within the Work Programme.

The Chairman requested that a proposal for the Committee's training plan be brought to the Committee at its next meeting in July 2024. The Head of Internal Audit agreed to circulate the skills and knowledge questionnaire in advance of the meeting.

The Committee noted that the Committee membership would change following the Councils Annual General Meeting in May and it was acknowledged that further Committee training would be required.

(The meeting concluded at 11.07 am)

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Chairman