Finance, Resources, Audit and Governance Committee

Friday 23 June 2017

*2:30pm, Colman Room
South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

If you have any special requirements in order to attend this meeting, please let us know in advance

Large print version can be made available

Contact Sue Elliott on 01508 533869 or democracy@s-norfolk.gov.uk

*Please note change of time
Members of the Finance, Resources, Audit and Governance Committee:

Mr P Hardy (Chairman)
Mr T Palmer (Vice-Chairman)
Mr L Dale
Mr W Kemp
Mr T Lewis
Mr R Savage
Mr G Wheatley

This meeting may be filmed, recorded or photographed by the public; however anyone who wishes to do so must inform the chairman and ensure it is done in a non-disruptive and public manner. Please review the Council's guidance on filming and recording meetings available in the meeting room.
### 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 – page 11)

4. To confirm the minutes of the FRAG Committee held on 24 April 2017; (attached – page 12)

5. Progress Report on Internal Audit Activity; (attached – page 16)

6. Follow Up Report on Internal Audit Recommendations; (attached – page 44)

7. Internal Audit Consortium Manager’s Annual Report and Opinion for 2016/17; (attached – page 55)

8. Rules for Financial Governance; (attached – page 67)

9. Procurement Strategy 2017-2021; (attached – page 93)

10. FRAG Work Programme; (attached – page 102)
Glossary

**General Terms**

**AGS** – Annual Governance Statement – 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** - To take account of the amount of debt which the Council estimates it will not be able to collect.

**Build Insight** – The Council’s Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

**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 has to 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

**CNC CS** – CNC consultancy services, the private company administered by CNC

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

**CSO** – Contract Standing Orders – outline the Council’s rules when entering into contracts and buying large value goods

**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 public sector employees

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

**Moving Forward Together** – The Council's internal programme to improve performance in a number of key areas

**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

**NI** – *National Indicator* – a measure used to identify how the Council is performing that is determined by central government

**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

SUNDARY 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

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

VFM Conclusion – Value for Money Conclusion – the Audit Commission 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 prior to IFRS adoption in local government (also “UK GAAP” – specific to the United Kingdom)

IAS – International Accounting Standards – these were the precursors for international financial reporting standards (see below).


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 fund activities from revenue balances

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 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, subject to appropriate approval.

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

AXIS - 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

FAM – the system used by the accountancy team to record the Council’s assets and associated transactions

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 – general ledger 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
Working Style of Cabinet Policy Committees

Member Leadership
Members of the Committees will take the lead in understanding the direction provided by Cabinet and delivering work to Cabinet requirements. Whilst recognising political allegiances, members will work in a collaborative manner with officers and cabinet portfolio holders to consider the relevant issues when developing Council policy.

Collaborative Working
All meetings of the Committees will be constructive and conducted in a spirit of mutual respect and trust. Officers will commit to supplying meetings with information relevant to making informed decisions on policies and matters. Members will commit to thoroughly reading and understanding papers, raising questions that are pertinent to the issues at stake. Members will, where feasible, agree definable actions to be taken forward by officers to develop policy, rather than having items for noting or simply to discuss.

Frequency and Nature of Meeting
Each Committee will have at least 3 formal, public meetings per year. In assessing items delegated by Cabinet for review, the Committee may decide that it wishes to meet on a more or less frequent basis.

The Committee may also hold informal meetings should it require in order to progress specific items in detail. However, if the Committee is meeting to determine whether to refer items for Cabinet approval, the meeting should follow the Council’s Standing Orders and thus be subject to a formal agenda, be held in public and the meeting recorded.

Informal meetings may be held in any manner suitable for conducting business (e.g. via meeting, conference call, circulation of information via e-mail, or site visits); while relevant information will be supplied by officers where appropriate, these meetings will not be subject to a formal agenda or minutes. Where business of the Committee is undertaken through informal meeting, all members of the Committee will be provided opportunity to participate. Members will expect to be able to participate in a free and frank exchange of views when deliberating subjects.

Training
Members commit to undertaking development – for example, attending formal training sessions, or reading relevant background material, in order to properly equip themselves to deliver their expected role fully.

Accountability
The Policy Committees will be accountable to Cabinet. They will not be able to make decisions themselves, but can recommend decisions to Cabinet. Cabinet may review whether the Committees are discharging their duties effectively, and may receive progress reports on how the Policy Committee is working to discharge its duties.
Work Programmes
The Work Programmes for the Policy Committee will be established by Cabinet. Members of the Committee will not be able to raise items to be included in the work programme. Where topics have been identified for inclusion in the work programme, the Committee will work to identify how it will discharge its responsibilities, including the resources required to do so.

Managing Time
However the Committee is meeting, it will attempt to conclude the business of each meeting in reasonable time. The Chairman will be responsible for ensuring the meeting stays focused on pertinent issue, and does not become side-tracked on issues that are not relevant to the policy under consideration, or those that should be discussed by a separate committee.
DECLARATIONS OF INTEREST AT MEETINGS

Members are asked to declare any interests they have in the meeting. 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 on the matter.
- 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.
- In any case, members have the right to remove themselves from the meeting or the voting if they consider, in the circumstances, it is appropriate to do so.

Should Members have any concerns relating to interests they have, they are encouraged to contact the Monitoring Officer (or Deputy) or another member of the Democratic Services Team in advance of the meeting.
FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Monday 24 April 2017 at 9.30 am.

Committee Members Present: Councillors: P Hardy (Chairman), L Dale, T Lewis, T Palmer, R Savage and G Wheatley

Cabinet Members Present: Councillor: M Edney

Other Members Present: Councillor: K Kiddie

Officers in Attendance: The Director of Business Development (D Lorimer), the Head of Resources (P Catchpole), and the Senior Governance Officer (E Goddard)

144 MINUTES

The minutes of the meeting held on 10 March 2017 were confirmed as a correct record and signed by the Chairman.

145 CODE OF CORPORATE GOVERNANCE

The Senior Governance Officer introduced her report which sought to gain endorsement from the Finance, Resource, Audit and Governance Committee for the new Code of Corporate Governance, ahead of its approval by Cabinet and Full Council.
Members noted that the Code had been shortened to highlight the key points, with an appendix containing more detailed information. The Committee was advised that the objective of the Code was to reflect good governance in the procedures and behaviours of the Council.

In response to a member’s question regarding the role of members, the Committee was reminded that the Finance, Resource, Audit and Governance Committee was empowered to hold the organisation to account in terms of monies spent by the Council and its governance.

After a brief discussion, it was;

RESOLVED: To endorse the Code of Corporate Governance for approval by Cabinet and subsequently Full Council.

146 COMMERCIALISATION STRATEGY

The Director of Business Development presented her report which detailed the proposed Commercialisation Strategy which had been developed to provide a clear framework from which the Council’s commercial activities could continue to be directed and driven. The Committee was advised that the top-level strategy was designed to be user-friendly with simple terminology to enable readers to fully understand its content, and that it intended to define the Council’s objective to achieve a combination of money saving and income generation.

Responding to a member’s question regarding planning application fees, officers advised that the fee levels were currently set by central Government but that the introduction of pre-application fees had not only produced an additional income but had allowed planning officers to make more efficient use of their time, due to the level and nature of enquiries received by the Council since fees had been introduced.

In response to a concern raised that District Councillors were sometimes not being consulted where discussions were taking place between officers and parish councils, the Director of Business Development advised that the strategy would be altered to reflect the involvement of members at an early stage, in such circumstances.

It was suggested that services in the area, such as grass cutting, be undertaken by single organisations to reduce costs. The Director of Business Development explained that this idea had previously been investigated with Saffron Housing but that there had been issues regarding VAT. She added that it was important to consider economies of scale and advised that if some individual parishes took on work currently undertaken by South Norfolk Council, the Council would still need cover its overheads, making the overall service more expensive for a smaller number of users.
The Director of Business Development clarified the term, “value chain”, advising members that this referred to the other benefits associated with the Council’s products, i.e. the leisure centres being a commercial business but also providing a welfare benefit for customers through the ‘passport to leisure’ system. Officers agreed to alter the wording in the Strategy from “value chain” to “wider benefits of a product”.

It was then;

RESOLVED: To endorse the Commercialisation Strategy prior to Cabinet approval.

147 COMMERCIAL PROPERTY STRATEGY

Members considered the report of the Director of Business Development which detailed the draft Commercial Property Strategy. The Committee was advised that the Strategy had been produced as a supporting document to the overarching Asset Management Plan, which had been reviewed by the Committee in November 2016. Officers advised that they were now seeking the views of members regarding the Commercial Property Strategy, which would subsequently be presented to Cabinet, alongside the Asset Management Plan.

In response to a member’s concern regarding the level of skills and experience required by staff dealing with the Council’s commercial property portfolio, officers reassured the Committee that, in addition to the expertise already within the team, an experienced Property Project Manager had recently been appointed, and that the Council was currently seeking a skilled Commercial Property Manager.

Members discussed the gross yield currently being achieved from the investment of the Council’s commercial assets, which was noted as 6.38%. Officers advised that this compared very favourably with the cash investments which stood at around 1%. The Committee considered the Council’s borrowing capacity and how this related to the current and future commercial aspirations of the Council. The Director of Business Development advised that the Council needed to balance its finances across its Capital Programme and that the growth of the Council’s portfolio of commercial properties was a decision for members. It was noted that the Council’s current portfolio was made up of a diverse range of purchased and acquired assets which were difficult to manage under one Strategy but allowed for a spread of risk. It was suggested that the Council consider outsourcing the management of its portfolio but officers advised that this would incur costs and reassured the Committee that commercially skilled staff within the Council were properly able to manage its assets.
Members queried why the New Anglia LEP had not been included within the Action Plan for implementing the Strategy, and officers advised that this could be added as a separate item in the Plan. Members noted a few minor typographical errors and it was then;

RESOLVED: to endorse the draft Commercial Property Strategy prior to Cabinet approval of the finalised document.

148 FINANCE, RESOURCES, AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the Finance, Resources, Audit & Governance Committee’s Work Programme, and noted that the “Self-Assessment of the FRAG Committee” scheduled for 23 June 2017 would now take place at the meeting on 24 November 2017.

The meeting concluded at 10.30 am

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Chairman
Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 16 November 2016 to 19 April 2017

Responsible Officer: Emma Hodds – Head of Internal Audit for South Norfolk Council

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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 also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager) to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.

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 those audits; and
- Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

2.1 At the meeting on 11 March 2016, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. The IT audits were subsequently approved at the meeting in November. There have been no further changes to the plan.

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 and confirms that the programmed work for 2016/17 is now complete.

4. THE OUTCOMES ARISING FROM OUR WORK

4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

<table>
<thead>
<tr>
<th>Assurance Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial Assurance</td>
<td>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.</td>
</tr>
<tr>
<td>Reasonable Assurance</td>
<td>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.</td>
</tr>
<tr>
<td>Limited Assurance</td>
<td>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.</td>
</tr>
</tbody>
</table>
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 definitions shown in the table below.

<table>
<thead>
<tr>
<th>Urgent</th>
<th>Fundamental control issue on which action to implement should be taken within 1 month.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important</td>
<td>Control issue on which action to implement should be taken within 3 months.</td>
</tr>
<tr>
<td>Needs Attention</td>
<td>Control issue on which action to implement should be taken within 6 months.</td>
</tr>
</tbody>
</table>

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 Services have issued seven final reports (six assurance and one cross authority review) and the Executive Summary of the six assurance reports are attached at Appendix 2, full copies of these reports can be requested by Members from the Internal Audit Consortium Manager.

4.5 As a result of these audits 18 recommendations have been raised; no urgent (priority one), 11 important (priority two) and seven needs attention (priority three), all of which have been agreed by management.

In addition, four Operational Effectiveness Matters have been proposed to management for consideration.

4.6 In summary the six final assurance reports issued conclude the following:

**Corporate Governance – Build Insight Ventures – Reasonable Assurance**

The scope of the audit reviewed; governance (including company set up and ISO compliance), accounting & financial arrangements, business plan and policies. On conclusion of the review two important and one needs attention recommendations were agreed with management.

The important recommendations relate to; regular reporting on risks and performance through to the Board (the risk element has already been implemented, with the performance measures to be reviewed and then reported on) and review of progress against the business key priorities to be discussed specifically at Board.
Risk Management – Substantial Assurance

This regular key review focuses on; strategy & procedures, risk identification, monitoring & reporting and risk training. The audit only raised one needs attention recommendation and highlighted the areas of sound control that are in place, ensuring that risks are managed within the framework set by the Council.

Payroll and Human Resources – Substantial Assurance

In the key area of payroll the audit covered; legislative requirements, starters & leavers process, changes to payroll records, pension contributions, reconciliations and payroll processing.

At each audit review the Human Resources element focuses on different aspects, with this year’s focus being on; sickness absence monitoring and officers’ expenses.

The audit concluded with three needs attention recommendations being agreed with management. Through the scoping of this review the area of sickness reporting was highlighted as an ideal area for a cross authority review, hence its inclusion in the 2017/18 internal audit plan.

Key Controls and Assurance Framework – Reasonable Assurance

This audit reviews those key financial systems that have not been part of a full-service review within year and those key financial systems whereby only part of the year was included within the service audit. These key controls are those which feed into the statement of accounts and assurance is needed to ensure these are operating as expected.

On conclusion of the review three important recommendations were agreed with management; for the workflow process of invoices to be consistent & for approval to be in line with delegated authorities, for the debt recovery processes to be confirmed & finalised to ensure debts are reviewed & chased accordingly and to ensure that reconciliations are prepared and reviewed in a timely manner.

Waste Management – Reasonable Assurance

The timing on the audit was agreed to ensure that it was following the review by the Business Improvement Team (BIT) to ensure that the outcomes of the BIT review could be considered as part of the audit, where applicable, including an overview of the Council’s plans to implement the report’s recommendations. The scope also included a review of refuse collection, commercial waste, recycling, garden waste and bulky waste.

On conclusion of the audit three important and one needs attention recommendations were agreed with management.

The important recommendations relate to; ensuring that the records relating to missed bins are kept up to date to ensure accurate reporting & appropriate customer service, improving the monitoring & recording of the actions to be addressed from the BIT review to ensure this is kept on track, and implementing tighter financial controls for invoicing for commercial waste in advance of the service being provided.

Procurement – Reasonable Assurance

This area was last reviewed in 2013/14 and subsequent reviews were slightly postponed due to the interim arrangements that were in place, now a permanent solution has been in place.
for several months the area was reviewed to ensure that controls are in place as expected. The audit reviewed the maintenance of the contracts register, compliance with the standing orders at each threshold and exemptions.

On conclusion of the review three important and one needs attention recommendations were agreed with management. The important recommendations relate to; ensuring that the Council’s contract register is kept up to date and accounts for all aggregated spend, undertaking a six-monthly sample review of aggregated payments ensure procurement and contract rules have been followed, and exemption forms are completed for all procurements whereby a full procurement exercise was not appropriate.

4.7 It is pleasing to note that all six audits concluded in a positive opinion being awarded, indicating a strong and stable control environment within these areas, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

4.8 In addition, a Cross Authority review has been undertaken of the Accounts Receivable services, the Council’s involved in this review were; Breckland, North Norfolk & South Norfolk District Council’s and GT Yarmouth Borough Council.

The overall objective of the review is to identify where there are opportunities to generate savings in processing of transactions regarding Accounts Receivable and, in addition, to provide information to be analysed for future Accounts Receivable audits. The review evaluates the arrangements at the Council and those at three other Councils in the region to identify and share opportunities for good practice.

Key Points:

- There are significant variances in number and age distribution of accounts due between Councils.
- The effectiveness of debt recovery varies between Councils, with opportunities for improvements.
- There is scope for improvement in the information provided by Councils regarding payments.
- South Norfolk Council is not a significant outlier in terms of value or age of accounts due.
- The Council makes relatively little use of the debt recovery options available, apart from instalment plans, when compared with the other Councils in the review.
- Participating Councils expressed an interest in setting up a liaison group for sharing good practice and improvements.

Five action points were raised on conclusion of the review:

- Review the action being taken to recover debts between £100 and £249, for action taken at the right time to improve overall debt recovery.
- The Council should consider the cost of pursuing low value debts compared to recovery and reputational impact.
- Consider including explicit reference regarding PCI DSS compliance with wording.
- Consideration be given to adopting the good practice identified from other Councils’ websites.
- Accounts Receivable representatives from each of the participating consortium Councils to set up a liaison group.
5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas. The performance measures can be seen at Appendix 3.

5.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 All internal audit work for 2016/17 has now been completed and a report on the performance measures has been provided, with performance for each quarter and at year end at green status with targets having been satisfactorily.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track.

5.5 It is also extremely encouraging to note that all internal audit reports (111) for all authorities within Eastern Internal Audit Services were issued at draft by 31 March 2017, with all 20 reports for South Norfolk Council at final report by 19 April 2017.

6. PROPOSAL

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

7. RECOMMENDATIONS

7.1 That members note the outcomes of the seven completed audits in the period covered by this report, and the completion of the (revised) Internal Audit Plan for 2016/17.
### APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Audit Ref</th>
<th>No. of days</th>
<th>Revised Days</th>
<th>Days Delivered</th>
<th>Status</th>
<th>Assurance Level</th>
<th>Recommendations</th>
<th>Date to Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quarter 1</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNC - Building Control</td>
<td>SNC1701</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>Final Report issued 28 June 2016</td>
<td>Reasonable</td>
<td>0</td>
<td>3</td>
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<tr>
<td>Home Options</td>
<td>SNC1703</td>
<td>10</td>
<td>10</td>
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APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Corporate Governance - Build Insight

Executive Summary

OVERALL ASSURANCE ASSESSMENT

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SCOPE

The objective of the audit was to review the systems and controls in place within Build Insight, with specific focus on Governance, Accounting and Financial Arrangements, Business Plan and Policies.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Corporate Governance – Build Insight. The assurance opinion has been derived as a result of two ‘important’ and one ‘needs attention’ recommendations being raised upon the conclusion of our work.
- The audit has also raised two ‘operational effectiveness matters’, which set out matters identified during the assignment where there may be opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

Governance

- Statutory company records are up to date and consistent with companies house records, with share certificates issued in line with the companies register.
- The companies’ annual confirmation statements (which replaced the annual returns) were filed on a timely basis.
- Company roles are clear and have associated job descriptions or contracts in place.
- The shareholders rights are set out in the shareholder agreement which ‘serves to set out the rights of shareholders and those decisions which only they may decide’. Any other matters are considered to be reserved to the Board to determine how they should be decided, except as otherwise required by law to be made by the shareholders.’
- The schedule of matters reserved to the Board and delegated by the Board clearly outline the decision making process, along with the Boards’ terms of reference”.
- Build Insight is registered with the Construction Industry Council (CIC) and is required to meet robust annual standards to ensure performance requirements are adhered to.
- Build Insight is an ISO 9001 certified organisation and has implemented Quality Management System requirements for all areas of the business which are; facilities, people, training, services and equipment. To support this, there is a Build Insight Ltd Quality Management Manual in place. Build insight was externally audited in November 2016, which concluded that the ISO9001 certification be continued.

Accounting & Financial Arrangements

- Business case documentation sets out the investment/finances required to set up the companies.
- The 2015/16 company accounts were prepared by Larking Gowen Chartered Accountants and due to the Council controlling the companies through 100% ownership of the share capital in Build Insight Ltd (which acts as a holding company), Big Sky Group account details are contained within the
Group Statements within the Council's 2015/16 statement of accounts. The 2015/16 company accounts were submitted to companies' house in a timely manner.

- Financial/budgetary information is reported to the Board on a regular basis. In addition to the sage accounting system used, Build Insight maintains a tracker system which keeps a track of all projects, including the percentage of progress made (project management), predicted and actual profit and loss, cash flow, payment details and inspection details.

Policies

- A Service Level Agreement (SLA) has been developed for Build Insight to determine the relationship between South Norfolk Council services and the companies. The purpose of the SLA is 'to determine the services provided by South Norfolk Council to Build Insight, wholly owned subsidiaries of South Norfolk Council, and to determine the terms on which those services are provided'.

Issues to be addressed

The audit has highlighted the following area whereby controls would benefit from being strengthened, and as a result of these findings two ‘important’ recommendations have been made.

Governance

- To report the progress of risks and performance indicator outturn data, as outlined in the Build Insight Business Plan, to the Board on a quarterly basis, which assists in mitigating the risk that business objectives are not met and poor performance goes unreported.

Business Plan

- Progress and achievement of company priorities, as outlined in the Build Insight Business Plan, is to be reported to the AGM each year, thereby mitigating the risk that priorities are not met and poor performance goes unreported.

The audit has also highlighted the following areas where one 'needs attention' recommendations have been made.

Policies

- The Build Insight Pay Policy Statement 2016/17 to be subject to an annual review, which is ratified at the Build Insight AGM, helping to mitigate the risk that pay and conditions are not competitive to adequately attract and retain employees, leading to the loss of key staff and the objectives of Build Insight not being met.

Operational Effectiveness Matters

The operational effectiveness matters for management to consider relate to reviewing the financial processes in place which are undertaken by the South Norfolk Council Finance Team and Build Insight, to identify any areas of inefficiencies and duplication, and the production of a longer term business/strategic plan for Build Insight.
Assurance Review of Risk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT

ACTION POINTS

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No recommendations were raised in respect of Risk Identification, Monitoring and Reporting, and Risk Training.

SCOPE

The objective of the audit was to review the systems and controls in place for Risk Management to help confirm that these were operating adequately, effectively and efficiently. The audit covered Strategy and Procedures, Risk Identification, Monitoring and Reporting, and Risk Training.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘Substantial’ in managing the risks associated with Risk Management. The assurance opinion has been derived as a result of one ‘needs attention’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

Strategy and Procedures

- The Risk Management Strategy outlines the cultural approach to identifying, considering and responding to risk within the Council, encouraging innovative approaches and effective management of the opportunities available to the organisation.

Risk Identification

- Risks on the Corporate Risk Registers are categorised into Strategic, Directorate, and Operational level risks and there are three separate registers for each of these risks categories.

- Emerging and service plan risks are identified by senior members of staff at the point of putting forward their service/business plan or through the quarterly updates of the Corporate Risk Registers.

Risk Monitoring and Reporting

- The committee reporting template prompts officers to identify risks and implications arising as a result of proposals being considered.

- Risks on the Corporate Risk Registers are assigned risk owners responsible for monitoring and reducing the impact of those risks.

- The Cabinet and Senior Leadership Team (SLT) review the ‘Performance, Risks, Revenue and Capital Budget Position’ report along with the Strategic Risk Register, quarterly.

- Updates provided for ‘Required/outstanding actions to support risk mitigation’ on the quarter four 2015/16 and quarter three 2016/17 Corporate Risk Registers, confirmed that Risk Owners reviewed and updated their risks on the registers for both quarters.

- Risk owners along with SLT, Business Managers and the Departmental Management Team (DMT) who do not currently have any risks on the Corporate Risk Registers, are prompted, via email on a quarterly basis, by the Senior Governance Officer, to confirm if there are any new risks to be added to the Corporate Risk Registers.
• Attendance record and training slides confirmed that risk management training was provided to Strategic Leadership Forum (SLF) and other relevant staff members.

**Issues to be addressed**

The audit has highlighted the following area where one ‘needs attention’ recommendation has been made.

**Strategy and Procedure**

• The Risk Management Strategy to include version control details stating when the document was last updated and when it is due for next review so as to mitigate the risk of the document being out of date and incorrect practices being applied in the management of the Council’s risks.
Executive Summary

OVERALL ASSURANCE ASSESSMENT

No recommendations have been raised in respect of policies and procedures, legislative requirements, starters and leavers, pension contributions, reconciliations and payroll processing.

SCOPE

The objective of the audit was to review the systems and controls in place within Payroll and Human Resources, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.
RATIONALE

• The systems and processes of internal control are, overall, deemed ‘Substantial’ in managing the risks associated with the Audit. The assurance opinion has been derived as a result of three ‘needs attention’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

Legislative requirements

• There is a process in place to ensure that HMRC rules and regulations are understood and complied with.
• Third party payments, including HRMC, pensions and child care vouchers are reviewed, checked and authorised prior to payment.

Starters and leavers

• HR notifies payroll of starters and leavers. These are checked for accuracy and correctly input (where appropriate)

Changes to payroll records

• Changes in the establishment are subject to approval and are justified.
• Establishment checks are undertaken through the regular budget monitoring process to confirm the ongoing accuracy and completeness of information within the payroll system.

Reconciliations

• A report of all differences in pay greater than 10%+/- from the previous month is produced from the system, reviewed and actioned (where appropriate).

Payroll processing

• The payroll data file is independently checked and authorised before the payroll is processed.
• BACS controls are in place to ensure that payments through payroll are processed correctly.

Sickness absence

• Measures are in place to identify and address staff with high levels of sickness absence with individual plans put in place for their return to work.
• Managers are provided with guidance in sickness management through sickness absence forms and policy documents.
• Long term sickness cases are monitored and followed up regularly by HR staff.
• Reports on sickness absence are produced and provided to management and Committee.

Officers’ expenses
• Expenses are checked for accuracy and legitimacy, and authorised prior to payment.
• Claims are promptly submitted and processed in time for the next salary payment.

**Issues to be addressed**

During the internal audit of the above areas within this review, the audit has highlighted the following areas where three ‘needs attention’ recommendations have been made.

**Changes to payroll records**

• To electronically document checks undertaken on the payroll errors and system warning reports, thereby reducing the risk of errors not being identified and resolved in a timely manner.

**Sickness absence monitoring**

• Improved control is required to ensure all Return to Work forms are completed, thereby reducing the risk of inaccurate and/or incomplete, payroll records being maintained.

**Officers’ expenses**

• Receipts to be provided in support of non-mileage expense claims, so that these can be verified as and when required, thereby reducing the risk of unsubstantiated/inappropriate claims being processed.
Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT

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*One important recommendation applies to Accountancy Services and Cash Income and Receipt

No new recommendations were made as part of this Key Controls audit in respect of Accounts Payable, Payroll, Housing Benefit and Council Tax Support or Assurance Framework. See ‘Outstanding Previous Recommendations’ section below for details of recommendations raised in those systems reports.

SCOPE

The objective of the audit was to review the systems and controls in place within Key Controls to support the Annual Governance Statement, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.
RATIONALE

• The systems and processes of internal control are, overall, deemed ‘Reasonable’ in managing the risks associated with the Audit. The assurance opinion has been derived as a result of three ‘important’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audits Annual Report and Opinion.

Under the agreed internal audit plan for 2016/17 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Payable;
- Payroll;
- Housing Benefits and Council Tax Support;
- Council Tax; and
- National Non-Domestic Rates.

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2016/17 have been reviewed as part of this audit. The areas to which this applies are:

- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control);
- Accounts Receivable;
- Cash Income and Receipt and
- Assurance Framework.

During the internal audit of the above areas within this review, the audit has highlighted the following areas where three ‘important’ recommendations have been made.

Accounts Receivable

- All invoices to be processed centrally in the Finance department and be properly authorised prior to being raised. This will help to reduce the risk of inaccurate and or delays in invoices being raised and late receipt of payment.
- The debt monitoring processes to be formalised to ensure that reports are run and acted on regularly, with outcomes verified and reported as necessary, thereby reducing the risk of debts becoming irrecoverable resulting in financial loss the Council.
Accountancy Services

- Reconciliations are prepared and independently reviewed in a timely manner following the end of each period, to reduce the risk of errors or omissions remaining undetected for longer than necessary. This recommendation and associated risk also applies to reconciliations in respect of Cash Income.

Assurance Framework

A review of the assurance framework with the Council was also undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the AGS, senior officer and member review of the AGS and subsequent review and monitoring of action plans.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Annual Governance Statement (AGS) included in the 2015/16 Statement of Accounts refers to the fact that heads of service complete assurance statements which feed into the assurance framework.
- The AGS for 2015/16 was reviewed by the Finance, Resources, Audit and Governance Committee in July 2016, with action plans put in place for areas of risk identified.
- Assurance Statements are produced with outcomes used to inform the Annual Governance Statement.

Outstanding Previous Recommendations

Two recommendations have been raised on key controls tested as part of the SNC/17/10 Accounts Payable audit one of which is outstanding and one which has been implemented by its agreed date. The recommendation to be implemented by financial year end is to ensure that the same individual cannot raise and approve the same purchase order.

Three recommendations have been raised on key controls tested as part of the SNC1711 Housing Benefit and Council Tax Support audit, all of which have been addressed by management.
Assurance Review of Waste Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT

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No recommendations were raised in respect of Refuse Collection, Garden Waste, Garden Waste and Recycling.

SCOPE

The objective of the audit was to review the systems and controls in place within Waste Management, in particular, Missed Bin; Garden Waste; Refuse Collection; Commercial Waste; Recycling; and Bulky Waste, to help confirm that these are operating adequately, effectively and efficiently. The outcomes of the BIT review was considered as part of the audit, including an overview of the Council’s plans to implement the report’s recommendations.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Waste Management. The assurance opinion has been derived as a result of three ‘important’ and one ‘needs attention’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

Progress with delivering the expected outcomes of the BIT review report

- There is an ongoing work programme for progressing the actions raised by the Business Improvement Team in the ‘Depot Phase 1 Project Plan’ – most recent sign off has been missed bins procedure and bulky waste process. Regular meetings are undertaken with the BiT and work is being progressed on a priority basis. This can be followed up in six months.

Policies, Procedures, Income and Performance

- New staff at the depot are provided with induction training, covering all required areas of operation, with a yearly training schedule also in place. Induction training packs are signed by staff to confirm completion of the induction training received.
- ‘Budgetary Control Budget Holders’ assurance statements for Waste Cost Centres are signed by the Waste Resources Manager to confirm that expenditure and income have been monitored with details of variances documented for changes that impact on budgets.

Refuse Collection

- Health and safety incidents are reported and monitored at the weekly transport health and safety meetings.
- All vehicle servicing, MOT, call outs, and maintenance are recorded using the Chevin database.
- Weighbridge tickets are monitored to ensure vehicles are not exceeding the maximum permitted weight limits.

Garden Waste

- Charges for the garden waste service are in accordance with the approved charges for 2016/17 financial year.
- Take up of the garden waste service is monitored through the monthly garden waste services statistics showing new customers and those who have withdrawn from the service.
- The garden waste service is promoted on the big screen in the Council’s reception, Link magazine, printed literatures, and the Council’s website.
Recycling

- Supporting documentation exists to validate the accuracy of recycling credit invoices issued to Norfolk County Council (NCC), with the correct credits received by South Norfolk Council.

- The validity and accuracy of charges paid to the contractor for gate fees are verified before they are paid.

- Efforts to enhance levels of recycling are communicated to residents via the Council and Recycle for Norfolk websites, and through various information leaflets circulated to residents by the collection crews.

Bulky Waste

- Payment for the bulky waste service is made at the point of requesting for the service online via the Council’s website or through Customer Services prior to the service commencing.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings three ‘important’ recommendations has been made.

Policies, Procedures, Income and Performance

- Reported missed bin collections to be closed on the Uniform system once collections have been actioned, so as to help mitigate the risk of inaccurate data being reported from the Uniform system and of further complaints should the original request not be actioned

Progress with delivering the expected outcomes of the BIT review report

- There is a need for improved recording and monitoring with the progress of the actions raised by the Business Improvement Team in the ‘Depot Phase 1 Project Plan’ so as to reduce the risk of those actions not being delivered as agreed or action taken, being overlooked.

Commercial Waste

- To confirm that invoices have been raised and payment received, prior to commercial waste collections commencing. This will mitigate the risk of loss of income to the Council should payment not be received for services that are being provided.

The audit has also highlighted the following areas where one ‘needs attention’ recommendations have been made.

Policies, Procedures, Income and Performance

- Complaints be acknowledged within five working days as stated in the Council’s complaints procedure. This helps to mitigate the risk of having dissatisfied customers and reputational damage to the Council.
Assurance Review of Procurement

Executive Summary

OVERALL ASSURANCE ASSESSMENT

SCOPE
The objective of the audit was to review the systems and controls in place within Procurement, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.
RATIONALE

• The systems and processes of internal control are, overall, deemed ‘Reasonable’ in managing the risks associated with the Audit. The assurance opinion has been derived as a result of three ‘important’ recommendations and one ‘needs attention’ recommendation being raised upon the conclusion of our work.

• The audit has also raised two ‘operational effectiveness matters’, which set out matters identified during the assignment where there may be an opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

Maintenance of the contracts register

• A Forward Plan has been introduced which details anticipated invitations to tender works, services and supplies, in addition to projects planned, which may need services procured. This is updated by staff and published on the Council’s website. It encourages staff to forward plan to ensure that contract exemptions are kept to a minimum and so that there is sufficient time for a full procurement process to be undertaken where required.

It is acknowledged there are areas where sound controls are in place and operating consistently:

Strategies, policies and procedures

• The Council utilise the online portal, Delta e-sourcing, to enable them to meet requirements for e-procurement as per the Public Contracts Regulations 2015.

Maintenance of the contracts register

• The contract register contains details of contractual agreements in place including; a description of the contract, its duration and value, the procurement route undertaken, details of the supplier/contractor used and details of the responsible Council department.

• The contracts register is reviewed quarterly and published on to the Council’s website.

Compliance with the standing orders at each threshold

• Processes are in place to ensure that procurement rules, including those set out in the Contract Standing Orders, are adhered to for contracts at each financial threshold.

• Decision making for expenditure on contracts is undertaken in accordance with the Contract Standing Orders, involving directors and/or committee.

• Formal contracts have been signed, dated by all interested parties and retained by the Council.
Issues to be addressed

During the internal audit of the above areas within this review, the audit has highlighted the following areas where three ‘important’ recommendations have been made.

Maintenance of the contracts register

- The contracts register be reviewed and updated to ensure that it is accurate, including the addition of contracts not on the register as identified by audit, and is kept up-to-date thereafter. This will reduce the risk of the Council not adhering to the Local Government Transparency Code by not publishing all its contracts.

Compliance with the standing orders at each threshold

- A six monthly sample review of aggregated payments be undertaken to ensure procurement and contract rules have been followed as per Contract Standing Orders and legislation, thereby reducing the risk of non compliances with the procurement rules.

Exemptions

- Exemption forms be completed and approved for all contracts where a full procurement process has not been undertaken, thereby reducing the risk of noncompliance with procurement rules including an inability to demonstrate value for money considerations.

The audit has highlighted has also highlighted the following areas where one ‘needs attention’ recommendation has been made.

Strategies, policies and procedures

- A review be undertaken of policies and procedures to ensure these are reflective of current practice and regulations, thereby reducing the risk of staff following incorrect procurement practice which may lead to Contract Standing Order/legislation breaches.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to undertaking a review of user access rights to the Delta e-procurement portal and developing the new contract referencing system used to include existing/legacy contracts.

Other points noted

The Council’s Procurement Strategy (2012 - 2015) is out of date and is in the process of being updated. A draft has been produced which was reviewed by the Strategic Leadership Team (SLT) in February 2017 and due to be reviewed by the Finance, Resources, Audit and Governance Committee, in April 2017. The Procurement Consortium Manager stated that the delay in this review was due to awaiting confirmation of changes to Government requirements as per the National Procurement Strategy and awaiting confirmation of the Council's 2016/17 Business Plan. The Procurement Strategy will be reviewed in conjunction with a review of the Contract Standing Orders, contained within the Council’s Constitution and last updated in June 2015.
Audit testing of aggregated payments/spend identified instances where payments had been made as part of historic contractual arrangements for which details of the original procurement process for the goods/services had not been retained. In these instances, arrangements had either been discontinued and related to legacy payments for previous years or are due to form part of a formal procurement process going forward. As such, no recommendation has been raised.
## APPENDIX 3 – PERFORMANCE MEASURES

<table>
<thead>
<tr>
<th>Area / Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee / Senior Management</strong></td>
<td></td>
</tr>
<tr>
<td>1. Audit Committee Satisfaction – measured annually</td>
<td>Adequate</td>
</tr>
<tr>
<td>2. Chief Finance Officer Satisfaction – measured quarterly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>Internal Audit Process</strong></td>
<td></td>
</tr>
<tr>
<td>3. Each quarters audits completed to draft report within 10 working days of the end of the quarter</td>
<td>100%</td>
</tr>
<tr>
<td>4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter</td>
<td>100%</td>
</tr>
<tr>
<td>5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)</td>
<td>100%</td>
</tr>
<tr>
<td>6. Compliance with Public Sector Internal Audit Standards</td>
<td>Full</td>
</tr>
<tr>
<td>7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Clients</strong></td>
<td></td>
</tr>
<tr>
<td>8. Average feedback score received from key clients (auditees)</td>
<td>Adequate</td>
</tr>
<tr>
<td>9. Percentage of recommendations accepted by management</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Innovations and Capabilities</strong></td>
<td></td>
</tr>
<tr>
<td>10. Percentage of qualified (including experienced) staff working on the contract each quarter</td>
<td>60%</td>
</tr>
<tr>
<td>11. Number of training hours per member of staff completed per quarter</td>
<td>1 day</td>
</tr>
</tbody>
</table>
Follow Up Report on Internal Audit Recommendations
Period Covered: 1 November 2016 to 31 March 2017
Responsible Officer: Emma Hodds – Head of Internal Audit for South Norfolk Council

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1. INTRODUCTION 2
2. STATUS OF AGREED ACTIONS 2
3. PROPOSAL 3
4. RECOMMENDATION 4
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APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2014/15 AUDIT REVIEWS 6
APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2015/16 AUDIT REVIEWS 7
APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2016/17 AUDIT REVIEWS 11
1. INTRODUCTION

1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.

1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager, who provides the role of the Head of Internal Audit) 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 taking action. The frequency of reporting and the specific content are for the Authority to determine.

1.3 To comply with the above this report includes:

- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

2.1 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 this Committee. Verification work is also undertaken for those recommendations that are reported as closed.

2.2 Appendix 1 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.

2.3 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

<table>
<thead>
<tr>
<th>Status of Recommendations as at 31 October 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Complete</td>
</tr>
<tr>
<td>Outstanding</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status of Recommendations as at 31 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Complete</td>
</tr>
<tr>
<td>Outstanding</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Key:
Priority 1 – Urgent: Fundamental control issue on which action to implement should be taken within 1 month.
Priority 2 – Important: Control issue on which action to implement should be taken within 3 months.
Priority 3 – Needs Attention: Control issue on which action to implement should be taken within 6 months.

2.4 In relation to the historic recommendations (i.e. those prior to the 2015/16 financial year), there are only two priority two recommendations that are still outstanding from the audits of Disaster Recovery and Stock Control. The detail of the progress to date is reflected in Appendix 2 of the report, with management responses having been provided.

2.5 In 2015/16 internal audit raised 67 recommendations, with 59 now being closed and eight are outstanding (six important and two needs attention). The management responses in relation to the six outstanding important recommendations can be seen at Appendix 3 of the report.

<table>
<thead>
<tr>
<th>Number raised</th>
<th>67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete</td>
<td>59</td>
</tr>
<tr>
<td>Outstanding</td>
<td>8</td>
</tr>
</tbody>
</table>

2.6 In 2016/17 internal audit raised 83 recommendations; 49 of which have already been implemented, 13 of which are outstanding (two important and 11 needs attention), 20 are not yet due for implementation and one was disagreed by management (previously reported to the Committee). The management responses in relation to the two outstanding important recommendations can be seen at Appendix 4 to the report.

<table>
<thead>
<tr>
<th>Number raised to date</th>
<th>83</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete</td>
<td>49</td>
</tr>
<tr>
<td>Outstanding</td>
<td>13</td>
</tr>
<tr>
<td>Not yet due</td>
<td>20</td>
</tr>
<tr>
<td>Disagreed</td>
<td>1</td>
</tr>
</tbody>
</table>

2.7 Good progress is being made with implementing the recommendations made within the 2016/17 financial year, there does however remain some historic recommendations from previous financial years that now need addressing to mitigate the associated risks. Management responses continue to be provided as requested, along with the reasons for the revised deadlines. However more proactive action will be taken over the forthcoming months through attendance at Directorate meetings and provision of (refresher) training for new and existing Managers by the Head of Internal Audit.

3. **PROPOSAL**

3.1 The Finance, Resources, Audit and Governance Committee are asked to receive and note the year end position in relation to the completion of agreed audit recommendations.
4. RECOMMENDATION

4.1 That members note the position in relation to the completion of agreed internal audit recommendations as at 31 March 2017.
### APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Audit Ref</th>
<th>Audit Area</th>
<th>Assurance Level</th>
<th>Priority 1</th>
<th>Priority 2</th>
<th>Priority 3</th>
<th>Priority 1</th>
<th>Priority 2</th>
<th>Priority 3</th>
<th>Total Outstanding</th>
<th>Not Yet Due for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNC1519</td>
<td>Disaster Recovery</td>
<td>Adequate</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SNC1520</td>
<td>Leisure Services Review</td>
<td>Limited</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SNC1601</td>
<td>Housing Standards</td>
<td>Reasonable</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>SNC1602</td>
<td>Car Parks</td>
<td>Reasonable</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SNC1605</td>
<td>Accounts Receivable</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
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<tr>
<td>SNC1608</td>
<td>Committee Services</td>
<td>Reasonable</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>0</td>
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<td>SNC1609</td>
<td>Environmental Services</td>
<td>Reasonable</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>SNC1610</td>
<td>Key Controls</td>
<td>Reasonable</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SNC1611</td>
<td>Accountancy Services</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>SNC1613</td>
<td>Civica OPENRevenues Application</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
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<td></td>
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<td>1</td>
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<tr>
<td>SNC1614</td>
<td>Exchange 2010</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
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<td>1</td>
<td></td>
</tr>
<tr>
<td>SNC1701</td>
<td>CNC Building Control</td>
<td>Reasonable</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SNC1702</td>
<td>Early Help Hub</td>
<td>Limited</td>
<td>4</td>
<td>3</td>
<td>1</td>
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<td>SNC1703</td>
<td>Home Options</td>
<td>Reasonable</td>
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<td>SNC1706</td>
<td>Licencing and Food Safety</td>
<td>Reasonable</td>
<td>2</td>
<td>2</td>
<td></td>
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<td></td>
<td></td>
<td>1</td>
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<tr>
<td>SNC1707</td>
<td>Housing Strategy and Affordable Housing</td>
<td>Reasonable</td>
<td>1</td>
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<td></td>
<td>0</td>
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</tr>
<tr>
<td>SNC1708</td>
<td>Corporate Governance - Big Sky Ventures</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>1</td>
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<tr>
<td>SNC1709</td>
<td>Corporate Governance - Build Insight</td>
<td>Reasonable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>SNC1710</td>
<td>Accounts Payable</td>
<td>Reasonable</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>SNC1711</td>
<td>Local Council Tax Support &amp; Housing</td>
<td>Reasonable</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
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<tr>
<td>SNC1712</td>
<td>Council Tax &amp; NNDR</td>
<td>Reasonable</td>
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<td>1</td>
<td></td>
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<tr>
<td>SNC1713</td>
<td>Risk Management</td>
<td>Substantial</td>
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<tr>
<td>SNC1714</td>
<td>Key Controls &amp; Assurance</td>
<td>Reasonable</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
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<tr>
<td>SNC1715</td>
<td>Payroll &amp; HR</td>
<td>Substantial</td>
<td>1</td>
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<td></td>
<td></td>
<td>0</td>
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<tr>
<td>SNC1716</td>
<td>Waste Management</td>
<td>Reasonable</td>
<td>1</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td>SNC1717</td>
<td>Procurement</td>
<td>Reasonable</td>
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<td></td>
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<tr>
<td>SNC1718</td>
<td>Integra 2 application</td>
<td>Reasonable</td>
<td>4</td>
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<tr>
<td>SNC1719</td>
<td>Walled Garden Firewall Administration</td>
<td>Reasonable</td>
<td>2</td>
<td>3</td>
<td></td>
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<tr>
<td>SNC1720</td>
<td>EZRunner</td>
<td>Reasonable</td>
<td>2</td>
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<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td>0</td>
<td>18</td>
<td>23</td>
<td>0</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>
## APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2014/15 AUDIT REVIEWS

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Management Response</th>
<th>Responsible Officer</th>
<th>Due Date</th>
<th>Revised Due Date</th>
<th>Status</th>
<th>Latest Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNC1519 Disaster Recovery</td>
<td>The Council should draft and agree an appropriate Disaster Recovery test plan and keep appropriate records of them using an agreed template designed for that purpose. The results of the tests should also be reported to senior management, with any lessons learned feeding back into the Disaster Recovery plans using agreed change control processes, this should include a version history that tracks all tests and whether any lessons learnt from each test has resulted in updates being made. Significant updates / changes to the plan should also be formally approved by senior management and communicated appropriately.</td>
<td>2</td>
<td>Agreed - A programme of system recovery tests and dates will be included within the plan having discussed and agreed with the business around timings and relevant staff availability, together with a formal methodology of reporting the results to all interested parties.</td>
<td>Technical Operations Manager</td>
<td>31/07/2015</td>
<td>30/06/2017</td>
<td>Outstanding</td>
<td>The Technical Operations Manager advised that this action is still outstanding but progress with the hardware configuration has been made. Suggested next update June 2017.</td>
</tr>
<tr>
<td>SNC1520 Review of Stock Control</td>
<td>Trend analysis of stock turnover, income and profit should be completed for each Leisure Centre and between Centres to confirm relative performance. In addition, analysis of sales and profit figures for the various different products should be made.</td>
<td>2</td>
<td>Agreed. A consultant has been instructed to carry out a review of the service. Based on the recommendations received the procedures will be adjusted accordingly.</td>
<td>Head of Leisure Services</td>
<td>30/11/2015</td>
<td>31/05/2017</td>
<td>Outstanding</td>
<td>The Head of Leisure Services advised that this will be updated as per external audit/stock take results on-going. Suggest revised implementation date for 6 months time so we can get 3 more external audits completed.</td>
</tr>
</tbody>
</table>
### APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS FROM 2015/16 AUDIT REVIEWS

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Management Response</th>
<th>Responsible Officer</th>
<th>Due Date</th>
<th>Revised Due Date</th>
<th>Status</th>
<th>Latest Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNC1601</td>
<td>Detailed procedure guidance be prepared for the various housing grants/loans offered by the Council which should include the eligibility criteria, timescales for processing, documents required for approval, number of quotations required, authorisation process, framework for prioritisation, reporting and monitoring, and feedback process, as a minimum. A flow chart of each process and priorities be included, along with suggested processing times.</td>
<td>2</td>
<td>A detailed analysis of the DFG and GIG process was undertaken and documented and a Decent Home Loan Procedure for officers prepared in March 2015. DFG applicants are triaged and prioritised. A Countywide programme of improvement initiated by SNC is underway aimed at ensuring consistency and faster outcomes for DFG clients. I agree the information should be pulled together in a format easier to access by the public. Audit CommentDue to the resource required, and the policy approval process to complete the task of pulling together all the required detail a deadline of the end of March 2016 was agreed.</td>
<td>Housing Standards Manager</td>
<td>31/03/2016</td>
<td>31/07/2017</td>
<td>Outstanding</td>
<td>The Housing Standards Manager advised that the review of the DFG process has commenced as part of a wider review of the wider prevention and promoting independence workstreams. The aim is for the report to be ready for consideration by SLT at the end of May. The procedures/report would need to go to SLT, Housing Wellbeing &amp; Early Intervention Policy Committee and then Cabinet. We would be aiming for presenting this to Cabinet on 17th July 2017. A procurement exercise for DFG contractors has commenced will be completed by the end of April.</td>
</tr>
<tr>
<td>Audit Title</td>
<td>Recommendation</td>
<td>Priority</td>
<td>Management Response</td>
<td>Responsible Officer</td>
<td>Due Date</td>
<td>Revised Due Date</td>
<td>Status</td>
<td>Latest Response</td>
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</tr>
<tr>
<td>SNC1601 Housing Standards includes DFGs and discretionary grants</td>
<td>Contractors used in the GIG process are retendered to help confirm best value for money is achieved. Retendering should take place regularly thereafter.</td>
<td>2</td>
<td>Agreed this work was scheduled to have been included in a SNC-wide procurement exercise that was recently curtailed when the procurement team left. Steps are being taken to replace the staff and a new procurement process will take place. In the meantime we are still obtaining competitive quotes for the works included in the GIG grants that we can compare with the GIG prices and also have access to a schedule of rates for this work that again we can use to ensure we are getting value for money. Audit Comment Practical timescales for completing a tender exercise, receiving information from potential suppliers and completing a selection exercise led to the implementation deadline of the end of March 2016 being agreed.</td>
<td>Housing Standards Manager</td>
<td>31/03/2016</td>
<td>31/03/2018</td>
<td>Outstanding</td>
<td>A procurement model has been agreed and going through final legal checks. It is currently intended to go out for expression of interest early in the new year with an aim to complete the exercise by March 2018. Slippage is due to resources being redirected to a priority project. IA: This will continue to be monitored as part of internal audit's cyclical follow up checks.</td>
</tr>
<tr>
<td>Audit Title</td>
<td>Recommendation</td>
<td>Priority</td>
<td>Management Response</td>
<td>Responsible Officer</td>
<td>Due Date</td>
<td>Revised Due Date</td>
<td>Status</td>
<td>Latest Response</td>
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</tr>
<tr>
<td>SNC1602 Car Parks</td>
<td>A schedule for the emptying of all car park machines be maintained, confirming that income is received in accordance with that schedule.</td>
<td>2</td>
<td>Agreed. Each time a ticket machine is emptied, a receipt / ticket is issued which provides a sequential number, confirms which machine it relates to, the date and value of the cash. This is attached to the paying in slip which Finance receives from our cash carrier which is subsequently reconciled. A summary of all collections that Loomis have made is sent to Management Accountant and Parking Services Manager. This should be reviewed to ensure that all machines are being emptied on each &quot;round&quot; and that spot checks could be carried out to ensure that these items are in fact banked.</td>
<td>Parking Services Manager.</td>
<td>31/12/2015</td>
<td>30/06/2017</td>
<td>Outstanding</td>
<td>The Parking Services Manager advised that this is still on-going a user specification is being prepared to put this contract out to tender during Q1 17/18.</td>
</tr>
<tr>
<td>SNC1605 Accounts Receivable</td>
<td>Recommendation 2 - All credit notes be subject to independent authorisation, be supported by documentary evidence justifying the reason for raising the credit note and be promptly raised.</td>
<td>2</td>
<td>The new workflow process is currently being tested. This will allow either manager authorisation or Payment Control team approval - if both are required the workflow will need further design. Anticipate that this facility will be in place within three months.</td>
<td>Finance Manager</td>
<td>30/04/2015</td>
<td>30/06/2017</td>
<td>Outstanding</td>
<td>Still under development and testing</td>
</tr>
<tr>
<td>Audit Title</td>
<td>Recommendation</td>
<td>Priority</td>
<td>Management Response</td>
<td>Responsible Officer</td>
<td>Due Date</td>
<td>Revised Due Date</td>
<td>Status</td>
<td>Latest Response</td>
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</tr>
<tr>
<td>SNC1613 Revenues and Benefits application</td>
<td>A review of all access groups to be conducted to understand the extent of the access that is granted by them and, hence, what has been granted to users as members of the groups concerned. Access to reports and the ability to amend master data are examples of the permissions that could fall into the scope of the review.</td>
<td>2</td>
<td>Agreed. We have completed a user access review. A review of the groups themselves will be conducted at year end.</td>
<td>Finance Manager</td>
<td>29/04/2016</td>
<td>31/07/2017</td>
<td>Outstanding</td>
<td>This review has now been postponed to allow for the review of Revs &amp; Bens that is underway. Generic working will no longer be in place which means that a more rigid review of access rights will be required. Limited risk as all officers that access this application are subjected to DBS checks.</td>
</tr>
<tr>
<td>SNC1614 Exchange / email</td>
<td>Recommendation 1 - Management to draft and agree an appropriate data retention policy and supporting procedures to demonstrate ongoing compliance with the policy.</td>
<td>2</td>
<td>Agreed.</td>
<td>Technical Operations Manager</td>
<td>29/02/2016</td>
<td>31/06/2017</td>
<td>Outstanding</td>
<td>The Technical Operations Manager advised that the data position had been put on hold due to team reorganisation, but now this role will sit in the Resources team and the position will soon be advertised for. Suggested next update, end of May 2017.</td>
</tr>
<tr>
<td>Audit Title</td>
<td>Recommendation</td>
<td>Priority</td>
<td>Management Response</td>
<td>Responsible Officer</td>
<td>Due Date</td>
<td>Revised Due Date</td>
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<td>Latest Response</td>
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<td>---------------------------------</td>
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<td>--------------------------------------</td>
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<td>-----------------</td>
<td>---------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>SNC1701 CNC Building Control</td>
<td>Recommendation 3 - Reconciliations between the building control system and the general ledger are to be brought up to date, kept up to date and independently reviewed. In addition, any discrepancies identified within these reconciliations to be investigated and resolved.</td>
<td>2</td>
<td>The CNC reconciliations are up to date to 31st March 2016. The operations team will continue to send through the monthly summaries as before.</td>
<td>Accountancy Manager</td>
<td>31/08/2016</td>
<td>30/06/2017</td>
<td>Outstanding</td>
<td>The Accountancy Manager advised that we have been piloting a new approach to service reconciliations in planning which will go fully live from 1st April 2017. We then intend to roll out to other services. The implementation date therefore needs extending to 30 June 2017.</td>
</tr>
<tr>
<td>SNC1716 Waste Management</td>
<td>Recommendation 3: A review of all commercial waste customers be carried out to ensure payment has been received for services provided, including any one off collections within the current financial year. In future, collections are not to commence until receipt of payment has been confirmed.</td>
<td>2</td>
<td>We have commenced a commercial waste review and as part of this process we will be implementing tighter financial controls to link the admin and billing systems together. We will utilise the existing monitoring and control processes from Garden waste to ensure that any exceptions are pro-actively managed.</td>
<td>Waste Resource Manager</td>
<td>31/03/2017</td>
<td>30/04/2017</td>
<td>Outstanding</td>
<td>The Waste Resource Manager confirmed that this work is ongoing as part of the commercial waste review as previous comment. We would expect this work to be complete by 28th April 2017.</td>
</tr>
</tbody>
</table>
Eastern Internal Audit Services

SOUTH NORFOLK COUNCIL

Annual Report and Opinion 2016/17

Responsible Officer: Emma Hodds – Head of Internal Audit for South Norfolk Council

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1. INTRODUCTION

1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

1.2 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager – IACM and providing the Role of the Head of Internal Audit) to provide a written report to those charged with governance (known in this context as the Finance, Resources, Audit and Governance Committee) to support the Annual Governance Statement (AGS). This report must set out:

- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2016/17, together with reasons if the opinion is unfavourable;
- A summary of the internal audit work carried out from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the Public Sector Internal Audit Standards (PSIAS) and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.

1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Finance, Resources, Audit and Governance Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at Appendix 3.

2. ANNUAL OPINION OF THE IACM

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Senior Leadership Team and key stakeholders and then approved by the Finance, Resources, Audit and Governance Committee at its meeting on 11 March 2016. Any justifiable amendments that are requested during the year are discussed and agreed with
senior management, and reported through to the above Committee. This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be taken into account during the preparation of the AGS.

The Finance, Resources, Audit and Governance Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

- The overall opinion in relation to the framework of governance, risk management and control at South Norfolk Council is reasonable (positive). It is important to recognise that the specific areas of; Risk Management and Payroll & Human Resources which received substantial assurance.
- In providing the opinion the Council’s risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management’s progress in addressing any control weaknesses identified therefrom have been taken into account.
- The opinion has been discussed with the Section 151 Officer prior to publication.

3. AUDIT WORK UNDERTAKEN DURING THE YEAR

3.1 Appendix 1 records the internal audit work delivered during the year on which the opinion is based. In addition, Appendix 2 is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories;

- Annual opinion audits;
- Fundamental financial systems that underpin the Council’s financial processing and reporting;
- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council’s main activities.

3.3 Summary of the internal audit work

The work undertaken by internal audit services in 2016/17 has covered a wide range of services and has resulted in the assurance opinion reports being given as described below:-

Internal Audit has issued 19 assurance reports, with 18 of these assurances being positive (substantial assurance – two reports and reasonable assurance – 16 reports). The review of the Early Help Hub concluded with a limited assurance, however the majority of the recommendations have been appropriately addressed by management within year, thus mitigating the associated risks.

South Norfolk has participated in a cross authority review for the second year, with the focus this year on the Accounts Receivable service. The overall objective of the review is to identify where there are opportunities to generate savings in processing of transactions regarding Accounts Receivable and, in addition, to provide information to be analysed for future Accounts Receivable audits. The review evaluates the arrangements at the Council in respect of Accounts Receivable and those at three other Councils in the region to identify and share opportunities for good practice.
The Executive Summary of all reports have been presented to the Finance, Risk, Audit and Governance Committee, ensuring open and transparent reporting and enabling the Committee to review key service area controls and the conclusions reached.

3.4 Follow Up of management action

In relation to the follow up of management actions to ensure that they have been effectively implemented the position at year end is that of the 83 audit recommendations raised by TIAA Ltd in 2016/17; 49 have been actioned by management, one was disagreed and 20 are not yet due.

The remaining 13 recommendations relating to 2016/17 are outstanding; two are rated important (priority two) and 11 are classed as needs attention (priority three).

There are also eight recommendations outstanding from the 2015/16 financial year; six important and two needs attention. In addition, two important recommendations outstanding from 2014/15.

In relation to all the 23 outstanding recommendations management have provided updates as to the progress made to date to address the control weaknesses.

The follow up report earlier on the agenda provides the management responses at financial year end and proposed revised deadlines. The Committee has also been proactive in seeking further management explanation as required and have gained assurances as to the underlying reasons for delays in implementation.

It is important that these recommendations are addressed, particularly the prior financial year recommendations, in order to resolve the issues identified and address the associated control and risk weaknesses.

3.5 Issues for inclusion in the Annual Governance Statement

Internal Audit work has not identified any weaknesses that are significant enough for disclosure within the Annual Governance Statement.

4. THIRD PARTY ASSURANCES

4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Standards (PSIAS) and the Local Government Application Note has been completed for 2016/17. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular;
Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

The detailed internal assessment checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017.

The external assessment was undertaken by the Institute of Internal Auditors and it has concluded that “the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”. Thus, confirming conformance to the required standards.

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service is benchmarked against a number of performance indicators as agreed by the Finance, Resources, Audit and Governance Committee. Actual performance against these targets is outlined within the table below and overleaf:

Actual performance against these targets is outlined within the following table:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Frequency</th>
<th>Target</th>
<th>Actual</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Audit Committee Satisfaction</td>
<td>Annual</td>
<td>Adequate</td>
<td>Good</td>
<td>Target exceeded</td>
</tr>
<tr>
<td>2 Chief Finance Officer Satisfaction</td>
<td>Annual</td>
<td>Good</td>
<td>Good</td>
<td>Achieved</td>
</tr>
<tr>
<td>3 Annual draft reports issued within 10 working days of the end of the quarter</td>
<td>Quarterly</td>
<td>100%</td>
<td>100%</td>
<td>Achieved – 20 reports issued</td>
</tr>
<tr>
<td>4 Quarterly assurance reports to the Contract Manager within 15 working days of the end of the quarter</td>
<td>Quarterly</td>
<td>100%</td>
<td>100%</td>
<td>Achieved - All quarterly reports received within 15 working days of year end. Annual</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
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<td>---</td>
</tr>
<tr>
<td><strong>An audit file supporting each review and showing clear evidence of quality control</strong></td>
<td>Quarterly</td>
<td>100%</td>
<td>100%</td>
<td>Achieved for all 20 audits</td>
</tr>
<tr>
<td><strong>Compliance with PSIAS</strong></td>
<td>Annual</td>
<td>Generally Conforms</td>
<td>Generally Conforms</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received</strong></td>
<td>Quarterly</td>
<td>100%</td>
<td>100%</td>
<td>No issues to address</td>
</tr>
<tr>
<td><strong>Average feedback scores from key clients</strong></td>
<td>Quarterly</td>
<td>Adequate</td>
<td>Good</td>
<td>Target exceeded – 8 responses received</td>
</tr>
<tr>
<td><strong>Percentage of recommendations accepted by management</strong></td>
<td>Quarterly</td>
<td>90%</td>
<td>100%</td>
<td>Target exceeded</td>
</tr>
<tr>
<td><strong>Percentage of qualified/experienced staff working on the contract each quarter</strong></td>
<td>Quarterly</td>
<td>60%</td>
<td>90%</td>
<td>Target exceeded</td>
</tr>
<tr>
<td><strong>Number of training hours per member of staff completed each quarter</strong></td>
<td>Quarterly</td>
<td>1 day</td>
<td>1 day</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

**5.2.2** It is encouraging to note that all performance measures have been achieved, with four of these exceeding targets. A good response has been received in relation to client feedback which has been extremely positive recognising the professional service provided & also the value that internal audit has brought to the Council. The Chair of the Committee has also provided positive feedback on the outcomes reported through to the Committee. The contractor has also provided the Council with a higher percentage of qualified / experienced staff to undertake the audit reviews, supported by new auditors to ensure continuity and resilience on the contract.

It is also extremely encouraging to note that all 20 internal audit reviews were at draft report stage by 31 March 2017, with all at final report by 19 April 2017. Thus, ensuring audits are completed within financial year and ensuring that this annual opinion can be ready in line with the earlier reporting requirements associated with the audit of the accounts.
5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

6. PROPOSAL

6.1 The Finance, Resources, Audit and Governance Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note this report, and the reasonable assurance opinion awarded, and confirms that key information provided is carried across to the Council’s Annual Governance Statement, which is also considered on the agenda.

7. RECOMMENDATIONS

7.1 a) Receive and consider the contents of the Annual Report and Opinion of the Head of Internal.

b) Note that a reasonable audit opinion has been given in relation the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control to the framework for the year ended 31 March 2017.

c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council’s Annual Governance Statement for 2016/17.

d) Note the conclusions of the Review of the Effectiveness of Internal Audit.
## APPENDIX1 – AUDIT WORK UNDERTAKEN DURING 2016/17

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Assurance</th>
<th>No of Recs</th>
<th>Implemented</th>
<th>P1 OS</th>
<th>P2 OS</th>
<th>P3 OS</th>
<th>Not yet due</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Opinion Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>Substantial</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Key Controls and Assurance</td>
<td>Reasonable</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td><strong>Fundamental Financial Systems</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Authority Review – Accounts Receivable</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>Reasonable</td>
<td>5</td>
<td>2</td>
<td></td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Housing Benefit and Council Tax Support</td>
<td>Reasonable</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Council Tax and NNDR</td>
<td>Reasonable</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll and Human Resources</td>
<td>Substantial</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Service area audits</strong></td>
<td></td>
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<td>Licensing, Food Safety and Health &amp; Safety</td>
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<td>Corporate Governance – Build Insight Ventures</td>
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<td>Walled Garden</td>
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<td>7* (6)</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
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<tr>
<td>EZRunner (Leisure Application)</td>
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<td>4</td>
<td>4</td>
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<td><strong>Total</strong></td>
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<td>83* (82)</td>
<td>49</td>
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*one recommendation not agreed (priority three)*

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<tr>
<td>Based upon the issues identified there is a robust series of suitably designed 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 audit review were being consistently applied.</td>
<td></td>
</tr>
<tr>
<td><strong>Reasonable Assurance</strong></td>
<td>16</td>
</tr>
<tr>
<td>Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations 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.</td>
<td></td>
</tr>
<tr>
<td><strong>Limited Assurance</strong></td>
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<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td><strong>No Assurance</strong></td>
<td>0</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

| Urgent – Priority 1 | Fundamental control issue on which action to implement should be taken within 1 month. |
| Important Priority 2 | Control issue on which action to implement should be taken within 3 months. |
| Needs Attention – Priority 3 | Control issue on which action to implement should be taken within 6 months. |
### APPENDIX 2 ASSURANCE CHART

<table>
<thead>
<tr>
<th></th>
<th>Previous Contract</th>
<th>Current Contract</th>
</tr>
</thead>
</table>

#### Annual Opinion Audits

| Corporate Governance and Risk Management | Substantial | Reasonable | Reasonable | Reasonable | x |
| Corporate Governance - Build Insight   | Reasonable   | Reasonable  | Reasonable  | Reasonable  | |
| Corporate Governance - Big Sky         | Reasonable   | Reasonable  | Reasonable  | Reasonable  | x |
| Key Controls and Assurance             | Reasonable   | Reasonable  | Reasonable  | Reasonable  | x |

#### Fundamental Financial Systems

| Local Council Tax Support and Housing Benefit | Reasonable | Reasonable | Reasonable |
| Council Tax and National Non Domestic Rates | Reasonable | Reasonable | Reasonable |
| Accounts Receivable | Reasonable | Reasonable | Reasonable | x |
| Accountancy Services | Reasonable | Reasonable | Reasonable | x |
| Budgetary Control | Reasonable | Substantial | |
| Accounts Payable | Reasonable | Reasonable | Reasonable | x |
| Income / Remittances | Reasonable | Reasonable | Reasonable | x |
| Payroll and Human Resources | Reasonable | Reasonable | Substantial |
| Cross Authority Review - Accounts Payable | n/a | n/a | x |
| Cross Authority Review - Accounts Receivable | n/a | n/a | |
| Cross Authority Review - Payroll and HR | n/a | n/a | x |

#### Service Area Reviews

| Performance Management | Reasonable | x |
| Customer Focus, including reception, equalities, marketing, etc. | Reasonable | |
| Freedom of Information and Data Protection | Substantial | |
| Committee Services | Reasonable | |
| Elections and Electoral Registration | Reasonable | |
| Property Valuation and Management | Reasonable | |
| Nplaw Arrangements | Reasonable | |
| Procurement | Substantial | Reasonable | x |
| Leisure | Reasonable | Reasonable | Reasonable | x |
| Stock Control Review | Limited | |
| CNC transfer to South Norfolk DC host | Reasonable | |
| Building Control | Reasonable | Reasonable | |
| Housing Strategy and Affordable Housing | Reasonable | |
| Home Options | Reasonable | |
| New Homes Bonus / Affordable Housing / Home Options | Reasonable | |
| Car Parks | Reasonable | x |
| Waste Management | Reasonable | Reasonable |
| Environmental Health | Reasonable | |
| Licensing | PWS | |
| Food Safety | |
| EH - Stray Dogs, Pest Control and Flooding | Reasonable | |
| Licensing, Food Safety and Health and Safety | Reasonable | |
| Housing Standards including Disabled Facilities | Reasonable | x |
| Grants & Discretionary grants | Reasonable | |
| Early Help Hub | Limited | |
| Community Grants | Reasonable | |
| Development Management | Reasonable | x |
| Partnerships | Reasonable | |
| Localism and Communities / Asset of Community Value | Reasonable | Reasonable | x |
| Homelessness | |

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Page 10 of 12
<table>
<thead>
<tr>
<th>IT Audits</th>
<th>Previous Contract</th>
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<td>2014-15</td>
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<tr>
<td>Network Security and Infrastructure</td>
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<tr>
<td>Remote Access (Supplier and User)</td>
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<td>IDOX Uniform application</td>
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<tr>
<td>Disaster Recovery</td>
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<tr>
<td>Revenues and Benefits Application</td>
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<td>Reasonable</td>
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<tr>
<td>Exchange 2010 &amp; Ancillary Services</td>
<td>Reasonable</td>
<td>Reasonable</td>
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<tr>
<td>Storage Area Network (SAN)</td>
<td>Reasonable</td>
<td>Reasonable</td>
</tr>
<tr>
<td>Integra 2</td>
<td>Reasonable</td>
<td>Reasonable</td>
</tr>
<tr>
<td>Walled Garden</td>
<td>Reasonable</td>
<td>Reasonable</td>
</tr>
<tr>
<td>EZRunner</td>
<td>Reasonable</td>
<td>Reasonable</td>
</tr>
<tr>
<td>Cash Receipting Application</td>
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<td>Service Desk</td>
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</table>
APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor’s work

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Finance, Resources, Audit and Governance Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2016/17 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation’s policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit’s assessment of controls relating to South Norfolk Council is for the year ended 31 March 2017. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:
- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

The Internal Audit Consortium Manager, as the Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA’s examinations as the Council’s internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.
Rules for Financial Governance

Report of the Section 151 Officer
Cabinet Member: (Barry Stone – Finance and Resources)
1. Introduction

1.1 The Rules for Financial Governance form part of “The Constitution of South Norfolk Council” and are reviewed at least every 3 years by the Section 151 Officer in consultation with relevant officers.

2. Background

2.1 Although the Rules for Financial Governance have been reviewed recently it is deemed appropriate to update them now to take account of changes in officers and their duties, in particular, the appointment of a new Section 151 officer at Full Council on 12th December 2016. There are also changes to the Officer Structure outlined in the report on the Peer Review to Full Council on 15th May 2017, which are planned to come into force once the Director of Communities and Well-Being commences and these changes need to be reflected in the Rules for Financial Governance.

2.2 The only significant changes to the Rules for Financial Governance relate to the changes referred to above. These are principally changes to job titles and to reflect the fact that the new Section 151 Officer is not a Director.

2.3 The revised Rules for Financial Governance are attached as Appendix 1.

3. Conclusion

3.1 No significant or material changes to the Rules for Financial Governance other than those referred to above have taken place. Changes in relation to Director titles will come into force once the appointment for the Director of Communities and Well-Being commences.

4. Recommendations

4.1 It is proposed that the Committee recommend to Full Council the changes to the Rules for Financial Governance (Appendix 1).
Appendix 1: Part 4 Rules of Procedure

4.3 Rules for Financial Governance
(the rules by which the Council seeks to maintain proper financial and internal control of its activities)

CONTENTS
1. Introduction
2. Banking Arrangements
3. Budget Preparation
4. Budget Monitoring
5. Statutory Officers
6. Disposal of Scrap and Assets
7. Financial Systems and Accounting Procedures
8. Fraud
9. Income
10. Insurance Arrangements
11. Internal Audit
12. Inventories
13. Land and Properties
14. Orders for Goods and Services
15. Payment of Accounts
16. Payments to Employees
17. Payment to Members
18. Petty Cash Accounts
19. Security
20. Stores
21. Treasury Management
22. Voluntary Funds
23. External Arrangements
24. Variation or Revocation
25. Virements, Supplementary Estimates and Slippage
26. Major Incidents and Emergencies

Appendix 1 Cheque signing arrangements, authorisation for electronic payments
Appendix 2 Inventory requirements
Appendix 3 Payment voucher certification
1. Introduction

1.1. This document provides a framework for the conduct of the contractual and financial business of the Council.

1.2. Its rules will be reviewed at least every 3 years by the Section 151 Officer in consultation with relevant officers.

1.3. Its provisions must be followed by:
   (a) all members and officers of the Council;
   (b) any third parties (e.g. contractors, consultants) used by Council for the delivery of services to the extent that they are relevant. The relevant Director must ensure that any such third party is aware of the obligations placed upon them, and subsequently abides by these obligations.

1.4. Whenever decisions are being made or specific requirements of these rules are being interpreted, the main principles under which they have been compiled should be considered. They are:
   (a) the need to demonstrate clear public accountability and compliance with the seven principles of public life as defined by the Nolan Committee and any Council approved code of conduct for employees and code of conduct for members. This should ensure that the highest standards of personal and corporate integrity are maintained at all times;
   (b) the requirement to achieve the Most Economically Advantageous position in the procurement of goods and services;
   (c) the need to provide and maintain adequate internal and financial control over the Council’s affairs.

1.5. Reference to either the Strategic Leadership Team or Directors shall mean the Chief Executive, Director of Community Services and Well-Being, Director of Planning and Environment and Director of Growth and Business Development.

1.6. Where these rules refer to the Director, that term shall include the Chief Executive.

1.7. These rules should be followed consistently. Exemption from them should only be sought in exceptional circumstances.

1.8. Any exemption must be approved by the Cabinet after the relevant Director has consulted with the Internal Audit Consortium Manager, the Section 151 Officer and the Monitoring Officer.

1.9. In the event of an issue requiring immediate action which would be in contravention of these rules, the Director should take whatever action is necessary, after consulting the Internal Audit Consortium Manager, Section 151 Officer and the Monitoring Officer where possible, and report his/her action retrospectively to the next meeting of the Cabinet.

1.10. If in doubt about the requirements or interpretations of these rules, officers should seek advice from the the Section 151 Officer and the Monitoring Officer as necessary.

1.11. References in these rules to the Chief Executive or Director, either as a general term or by specific title, shall be deemed to include other individuals who have
been given written authority by the Chief Executive or Director to act on their behalf on specific matters.

1.12. If any officer has reason to believe there has been non-compliance with these rules, he/she must immediately notify the Section 151 Officer and the Monitoring Officer as appropriate, who will consult with the Internal Audit Consortium Manager and then take action as necessary. If the officer believes non-compliance rests with the Section 151 Officer and/or Monitoring Officer, he/she must immediately notify either the Director of Growth and Business Development, Internal Audit Consortium Manager or Chief Executive.

1.13. The Section 151 Officer, after consultation with the Director concerned, shall report to Cabinet, as may be thought necessary by him/her on any instance of non-compliance with the Rules for Financial Governance. Any subsequent action will be subject to the Council's Disciplinary Procedures.

1.14. These rules are subject to:

(a) any directives and procedures which have been adopted in the UK by reason of its membership of the European Community;

(b) any Government regulations.

In the event of conflict, such directives, procedures and regulations shall take precedence.

1.15. Where electronic mechanisms are currently used or could be used in the future, to replicate processes described in these rules (e.g. electronic tendering, use of credit cards, texting, SMS messaging), they shall be allowable subject to prior agreement from the Internal Audit Consortium Manager, the Section 151 Officer and the Monitoring Officer.

1.16. The financial values referred to in these rules are deemed to be exclusive of VAT.

2 Banking Arrangements

2.1. The Section 151 Officer shall:

(a) make all arrangements with the Council’s bankers;

(b) operate such bank accounts as he/she considers necessary;

(c) order all cheques and make proper arrangements for their safe custody.

2.2. The Section 151 Officer may incur an overdraft at the Council’s bank not exceeding such figure as specified in the Council’s banking terms and conditions and in accordance with the authority given to him/her by the Cabinet.

2.3. Cheques shall be signed by the Director of Growth and Business Development or the Section 151 Officer or any of two other members of Finance staff authorised by the Section 151 Officer. Current requirements are attached (Appendix 1 -Cheque signing arrangements and authorisation for electronic payments).

2.4. Payments made by electronic means shall be authorised in accordance with provisions made by the Section 151 Officer. Current requirements are attached.
3. **Budget Preparation**

3.1. The Section 151 Officer, in accordance with processes approved by the Cabinet, shall:

   (a) determine the form of capital and revenue budgets after consultation with the Chief Executive and Directors;
   
   (b) prepare estimates of income and expenditure on revenue and capital and present them to the Cabinet for subsequent approval by the Council.

3.2. The Section 151 Officer shall maintain as a minimum a three-year revenue (medium term financial plan) and capital forecast (affordable capital strategy) (to include all significant commitments in future years). It is the responsibility of the Strategic Leadership Team to ensure that budget estimates reflect agreed Business plans.

3.3. Directors will be required to confirm on an annual basis that he/she is able to provide services within the budget allocation provided.

3.4. The Section 151 Officer shall report to Cabinet on the level of financial resources proposed to be utilised in each financial year, advising on the robustness of reserves and the budget.

3.5. The Section 151 Officer shall consult with the Scrutiny Committee and any Council Panels as agreed by Cabinet.

3.6. The Section 151 Officer will advise Cabinet and/or full Council on prudent levels of reserves. The adequacy of the reserves will be reported to members as part of the budget preparation process. This will include advice on the levels of balances or reserves, in accordance with the Council’s overall financial position, the risks associated with holding reserves at certain levels, and their use. The Section 151 Officer will recommend appropriate action to remedy any concerns.

4. **Budget Monitoring**

4.1. Directors:

   (a) are responsible for controlling income and expenditure within the revenue and capital budgets approved by the Council;

   (b) shall consult the Section 151 Officer if any action they are contemplating is liable to substantially affect the Council’s finances or for which no revenue or capital budget exists;
(c) shall meet on a regular basis with a member of the Management Accounting team and sign off a summary (monthly) budget assurance statement for their directorate. Where the Directors have devolved budgetary responsibility to members of their team, then those Budget Managers shall also meet on a regular basis with a member of the Management Accounting team and sign off the budget assurance statements relevant to the areas they manage.

(d) shall provide sufficient information to enable the Section 151 Officer to produce monthly budget monitoring information to the Strategic Leadership Team;

(e) shall provide sufficient information to enable the Section 151 Officer to produce regular monitoring reports on revenue, capital and key corporate projects’ budgets for the Cabinet in conjunction with quarterly performance reporting arrangements to identify any actions Cabinet require to adjust resource allocations. Such reports will contain explanations for projected or actual variations which cannot be funded.

(f) Expenditure & Income for projects will be managed as part of the normal budgetary process and will therefore be reported on as part of the regular monitoring of revenue and capital to Cabinet as described in section (e) above.

(g) shall consult the Section 151 Officer as to whether approval should be sought for a supplementary estimate if he/she anticipates there will be a deviation from budget which cannot be accommodated within the approved virement arrangements;

(h) shall inform the Section 151 Officer if it appears that there will be a shortfall of income compared to that budgeted.

5. **Statutory Officers**

5.1. The Monitoring Officer together with the Section 151 Officer is responsible for advising Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the existing Council policy and/or budget. Actions that may be ‘contrary to the policy and/or budget’ include:

(a) initiating a new policy
(b) committing expenditure in future years to above the budget level
(c) causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase.

5.2. The Head of Resources shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible under the general direction of the Cabinet for the proper administration of the Council’s financial affairs. This statutory responsibility cannot be overridden. The Accountancy Manager is the deputy Section 151 Officer and is authorised to act as the Section 151 Officer in the absence of the Head of Resources. If for any reason neither the Head of Resources nor the Accountancy Manager are available, the Senior Accountant will act as the Section 151 officer.
5.3. The Section 151 Officer is responsible for:
   (a) setting and monitoring compliance with financial management standards
   (b) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
   (c) providing financial information
   (d) preparing the revenue budget and capital programme
   (e) treasury management

5.4. Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council, Cabinet and external auditor if the authority or one of its officers:
   (a) has made, or is about to make, a decision which involves incurring unlawful expenditure
   (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority
   (c) is about to make an unlawful entry in the Authority’s accounts.

Section 114 of the 1988 Act also requires the Authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources including legal advice where this is necessary to carry out the duties under Section 114.

5.5. The Section 151 Officer, in consultation with the Strategic Leadership Team, shall prepare from time to time Rules for Financial Governance for approval by the Council. These Rules for Financial Governance shall deal with the preparation of the data necessary for the Council to consider the annual budget, the administration of the Council’s finances and such other matters as may be considered expedient. It is the responsibility of Directors to ensure that their staff are aware of the Rules for Financial Governance and comply with them.

5.6. The financial affairs of the Council shall be conducted in accordance with these Rules for Financial Governance in accordance with:
   (a) the CIPFA Code for Treasury Management and the Treasury Policy Statement adopted by the Council;
   (b) the relevant CIPFA Codes of Practice;
   (c) the Accounts and Audit Regulations 2015 or as updated by DCLG;
   (d) any other operational guidelines approved by the Cabinet;
   (e) The Council’s Constitution;

5.7. Strategic Leadership Team has a responsibility to establish proper systems of internal control, financial or otherwise, in order to provide assurance to the Section 151 Officer that the financial affairs of the Council are being administered properly, in accordance with the Accounts and Audit Regulations. The Chief Executive is responsible for ensuring that Members of Cabinet are advised of the financial implications of all proposals, having been agreed with the Section 151 Officer.
5.8. Directors are required to manage the resources allocated to them in accordance with the Rules of Financial Governance. These Rules define the nature of the Directors’ roles and responsibilities, and should be read in conjunction with other agreed procedures e.g. Delegation Arrangements.

5.9. The Section 151 Officer will issue financial instructions for use by all staff, dealing with matters delegated to him/her. Directors will ensure that staff comply with them and with the Rules For Financial Governance.

6. Disposal of Scrap and Assets (excluding land and buildings and stores)

6.1. Scrap and assets which are surplus to requirements shall be disposed of in the following manner:
(a) estimated value of the total disposal less than £20,000
   ⇒ by whatever means the relevant Director shall decide consistent with the main principles of these rules;
(b) estimated value of the total disposal greater than £20,000
   ⇒ by tender sought by public advertisement, by public auction or such other means as the Section 151 Officer shall approve after consultation with the Internal Audit Consortium Manager.

6.2 Tenders for disposal of scrap or assets shall be returned in a sealed envelope so marked to the Monitoring Officer for safe keeping or by any other means as approved by the Section 151 Officer. At the appointed time they shall be opened by the Monitoring Officer in the presence of the relevant Director. The most economically advantageous bid shall be accepted, unless approved otherwise by Cabinet.

7 Financial Systems and Accounting Procedures

7.1. Unless agreed otherwise by the Section 151 Officer, the duties of officers shall be allocated to provide adequate segregation of duties and internal control, according to the following principles:
(a) officers calculating, providing information for, checking or recording amounts due to the Council shall only be responsible for collecting such amounts where there are appropriate management oversight controls (e.g. independent review) in place to ensure sufficient segregation of duties;
(b) officers calculating, providing information for, checking or recording amounts due from the Council shall not also be responsible for disbursing such amounts;
(c) officers examining and checking accounts of cash transactions shall not also be engaged in any of those transactions.

7.2. The Section 151 Officer shall:
(a) determine the financial and accounting systems of the Council;
(b) determine the form of accounts and supporting records for the Council in accordance with proper accounting procedures, codes of practice and professional guidance;
(c) be responsible for the production of annual accounts and financial management information, with support from Directors in meeting agreed timetables and making qualitative records available.

7.3. Any changes made to the existing financial systems or establishment of new systems must be approved by the Section 151 Officer.

7.4 Directors operating any financial or related systems will provide a regular and timely reconciliation of financial transactions on a regular basis as specified by the Section 151 Officer.

8 Fraud and Money Laundering

8.1. All employees and members are expected to act in accordance with the Council’s strategy to help fight fraud and corruption.

8.2. They must report any concern or suspicion that something fraudulent or corrupt has happened (or is about to happen) to the Council’s Internal Audit Consortium Manager. Suspicions or concerns should be expressed in the manner outlined in the Council’s Whistleblowing Policy, and any investigations into the matter will be undertaken in line with the procedures outlined in the Counter Fraud and Corruption Strategy – Fraud Response Plan.

8.3 All employees and members are expected to report suspicions that where a transaction the Council has entered, or is due to be entered into, may be subject to money laundering. Such transactions should be reported to the Council’s Senior Fraud Investigations Officer (as the Money Laundering Officer).

9 Income

9.1. Directors shall:

(a) agree with the Cabinet which fees and charges the Cabinet will approve and which the Director will approve;

(b) review all fees and charges on an annual basis in accordance with the Council’s charging policy in consultation with the Section 151 Officer and the relevant Cabinet member, this to be undertaken annually;

(c) provide the Section 151 Officer with details of work done, goods supplied, services rendered or other amounts due to the Council to enable correct recording and prompt rendering of accounts to take place;

(d) consult with the Section 151 Officer prior to applying for any grants or other sources of income to ensure that the Council can support any future obligations arising.

(e) send to the Section 151 Officer (and where required, the Internal Audit Consortium Manager) for examination and certification any grant claims before they are submitted unless he/she agrees otherwise;

9.2. The Section 151 Officer will ensure the regular monitoring reports to Strategic Leadership Team and Cabinet include the levels of outstanding debt and recovery action taken in relation to trade debtors.

9.3. Staff using the Council’s main financial management system will only be able to do so if authorised by the Section 151 Officer, having regard to the level of training received in VAT and other accounting matters.
9.4. Unless otherwise agreed in writing, any documentation or equipment used to confirm receipt of money shall be approved by, ordered and supplied by the Section 151 Officer, who shall be satisfied regarding the arrangements for its control and safe custody.

9.5. Every sum received in cash on behalf of the Council shall be:
   (a) paid in its entirety and without delay direct to the Council’s bank account.
   (b) where requested, acknowledged immediately by the issue of an official receipt, licence, ticket or equivalent documentation;

9.6. If monies are paid direct to the Council’s bank account, the person should be encouraged to enter on the paying in slip a reference to identify the origin of the payment (e.g. receipt number or name of payee). For cheques the same identifying reference shall be entered on the reverse of the cheque.

9.7. Other than cash payments, receipts will not be issued for all other forms of payment received by the Council unless specifically requested by the customer.

9.8. Changes to income transactions (e.g. use of credit cards) must be agreed in advance with the Director of Growth and Business Development and/or the Section 151 Officer.

9.9. Personal cheques shall not be cashed out of official Council funds.

9.10. Every transfer of official funds from one person to another must be confirmed by the signature of the receiving person.

9.11. Write off of debts shall be approved by:
   · the Section 151 Officer if the individual debt does not exceed £25,000;
   · the Cabinet in all other cases.
   · the Section 151 Officer shall set write off limits for Directors below the £25,000 limit in accordance with procedures approved by him/her. Directors may in turn authorise limits for officers, up to the limit set for the respective Director, in consultation with the Section 151 officer.

9.12. Where works in default have been carried out and the cost cannot be recovered immediately, a charge will be put on the property concerned and annual compound interest will be charged up to 2.5% above base rate until repayment in full has been made. The interest charge can be waived in exceptional cases on the agreement of the Strategic Leadership Team and the Section 151 Officer.

9.13. Towards the end of each financial year the Section 151 Officer shall require Directors to inform him/her by a stated date of all significant items of outstanding income relating to that financial year.

10. Insurance Arrangements

10.1. The Section 151 officer shall
   (a) periodically review (at least annually) all insurances in consultation with Directors;
   (b) effect all insurance cover;
   (c) negotiate all insurance claims on behalf of the Council;
(d) give advice regarding the level of insurance cover required by individuals or organisations working or wishing to work for the Council;

(e) monitor compliance with such advice.

10.2. Directors shall:

(a) promptly notify the Section 151 Officer of all new risks, properties, plant, equipment and vehicles which require to be insured and any other alterations affecting existing insurances;

(b) promptly notify the Section 151 Officer of any loss, damage or event likely to lead to an insurance claim and, where appropriate, inform the police;

(c) pass to the Section 151 Officer, without delay, any third party claims against the Council;

(d) consult the Monitoring Officer and the Section 151 Officer respecting the terms of any indemnity which the Council is requested to give.

10.3. Where insurance cover does not exist, the Section 151 Officer shall forward any claims to the Monitoring Officer for consideration.

10.4 Officers and members of the Council have a responsibility to manage risks effectively in accordance with the Council’s Risk Management Strategy. Officers will communicate actions surrounding risk management to Cabinet on a regular basis. The Section 151 Officer will determine in consultation with Strategic Leadership Team those risks which the Council will insure itself against.

11 Internal Audit

11.1. The Council shall maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 2015, and shall comply in all significant aspects with the CIPFA Code of Practice 2003 for Internal Audit in Local Government. Day to day control of internal audit is the responsibility of the Internal Audit Consortium Manager. In discharging his/her responsibility the Internal Audit Consortium Manager shall regularly consult with the Head of Resources and the Director of Growth and Localism to assist them in fulfilling their roles of Section151 Officer and Monitoring Officer.

11.2. The Internal Audit Consortium Manager shall carry out an annual audit needs assessment and produce appropriate strategic and annual plans. These will be reviewed by the Finance, Resources, Audit and Governance Committee before being approved by Cabinet.

11.3. The Internal Audit Consortium Manager shall produce an annual report and opinion, a summary of internal audit activity and the level of assurance it can give on the council’s systems of internal control to the Finance, Resources, Audit and Governance Committee. This will include oversight of the Annual Governance Statement.

11.4. The Finance, Resources, Audit and Governance Committee shall review the effectiveness of the system of internal audit on an annual basis in order to support the Annual Governance Statement.

11.5. Responsibility for developing and managing the Council’s overall assurance framework rests with the Section 151 Officer, who shall consolidate the work on risk, audit, internal control and governance.
11.6. Internal Audit’s primary roles are:
   (a) to objectively examine, evaluate and report on the adequacy of the control environment within the Council;
   (b) to assist managers in preventing and detecting fraud and abuse.

11.7. The Internal Audit Consortium Manager and any persons authorised by him/her shall have authority to:
   (a) enter any Council premises or land;
   (b) examine all records, documents and correspondence (in manual or electronic form) relating to any activities of the Council;
   (c) require and receive explanations from any employee or other persons engaged by the Council concerning any matter under examination;
   (d) require any employee or other persons engaged by the Council to produce on demand any cash, stores or other Council property under their control.

11.8. The Internal Audit Consortium Manager shall:
   (a) have the right to report unedited in his/her own name to any person employed by or body constituted by the Council;
   (b) have direct reporting access to Strategic Leadership Team, Chief Executive, Cabinet and full Council.

11.9. Internal Audit Consortium Manager shall be notified immediately by Strategic Leadership Team or Director concerned of any circumstances which might suggest the possibility of irregularities affecting cash, stores, income, expenditure or other property of the Council. This regulation shall in no way relieve any member of Strategic Leadership Team or Director from dealing with any legal and/or disciplinary action.

11.10 It is the responsibility of Directors to ensure that recommendations in audit reports are considered and responded to promptly, and to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

12 Inventories

12.1. Directors shall:
   (a) maintain inventories in accordance with the requirements of the Section 151 Officer (Appendix 2-Inventory requirements);
   (b) ensure that all items on the inventory are checked at least annually;
   (c) report any discrepancies without delay to the Section 151 Officer.

12.2. Unless specific written approval has been given otherwise by the relevant Director, Council property shall:
   (a) not be used for non Council purposes;
   (b) only be removed from Council premises in accordance with the ordinary course of the Council’s business. A formal record of removal and return shall be kept;
   (c) be marked with the Council’s ownership.
13. Land and Properties

13.1. The Section 151 Officer shall maintain a record of all land and properties owned by the Council recording:

(a) the location;
(b) extent and plan reference;
(c) purchase details;
(d) purpose for which held;
(e) nature of interest;
(f) rents payable or receivable;

13.2. All title deeds to property owned by the Council shall be held securely in the custody of the Monitoring Officer.

13.3. Acquisition and disposal of any land or property shall, following consultation and agreement with the Section 151 officer, and in all cases supported by a financial appraisal providing the budgetary implications and for acquisitions having examined the VAT implications around the option to tax, be approved as follows:

(a) Transactions including Assets and Disposals up to a value of £20,000 per annum per asset will be approved by the Development Project Manager (Big Sky Property Management Ltd), the Section 151 officer and/or the Director of Growth and Business Development.

(b) By the Strategic Leadership Team, if the estimated proceeds or costs are below £250,000;

(c) By Cabinet if the estimated proceeds or costs are greater than £250,000.

(d) In exceptional circumstances, an opportunity may arise which maybe time limited and the decision would have ordinarily been approved at Cabinet; however no Cabinet meeting is to be held within the timeframe. In such circumstances, the decision can be delegated to the Chief Executive in consultation with the Leader of the Council and the relevant portfolio holder. A retrospective report must be taken to the next Cabinet or Council meeting whichever is sooner.

(e) In cases c) and d) above a report must be submitted to the Council’s Strategic Leadership Team for approval.

13.4. All leases, whether as landlord or tenant, shall be dealt with as follows:

(a) In all cases approval shall only be given if supported by a financial appraisal from the Section 151 Officer giving the budgetary implications

(b) leases of up to and including 5 years and/or up to a value of £20,000 per annum to be negotiated and concluded by the Development Project Manager (Big Sky Property Management Ltd),

(c) leases which are over 5 years and up to and including 20 years and/or between £20,000 and £50,000 per annum to be approved by the Strategic Leadership Team.

(d) leases which are longer than 20 years and/or greater than £50,000 per annum to be approved by the Cabinet;

13.5 Approval of rent reviews shall be subject to the same limits as in paragraph 13.4 above.
14 Orders for Goods and Services

14.1. All official orders shall be:

(a) in an electronic format approved by the Section 151 Officer;
(b) signed only by those persons authorised by the Chief Executive or the Section 151 Officer in accordance with the financial limits set by the Chief Executive, or the Section 151 Officer subject to a maximum limit of £100,000;
(c) countersigned by the Chief Executive and either the Section 151 Officer or the Director of Growth and Business Development if in excess of £100,000.

14.2. A list of such persons authorised, showing the limitation of their individual authority in terms of value and areas of responsibility, shall be kept by the Director and the Section 151 Officer and updated promptly by him/her when changes occur.

14.3. Official orders shall be issued for all goods and services with the exception of:

(a) utility services;
(b) payments from petty cash accounts;
(c) periodic payments such as rents;
(d) services/goods paid for using the Council credit card;
(e) such other exceptions as the Director of Growth and Business Development shall agree in writing.

14.4. Official orders:

(a) Shall be issued through the Council’s financial management system, so that the use of suppliers and budgets are effectively controlled;
(b) Should the Council’s financial management system be unavailable then with the specific authority of the Section 151 Officer, orders can be placed, but must in all cases be confirmed through the financial management system as soon as it is available.
(c) only be issued if budget provision exists for the cost involved. If insufficient budget exists, refer to virement and supplementary estimate rules at para 25;
(d) Where these relate to contracts, all contracts and any variations to those contracts have been undertaken in line with the Council’s Contract Standing Orders
(e) identify completely and accurately the goods or services required;
(f) use existing corporate contract arrangements where suitable, unless there is an auditable reason not to, which has been agreed with the Section 151 officer; further details are contained within the Contract Standing Orders;
(g) refer to any relevant contract, quotation or agreement;
(h) show an estimated or actual cost.

14.5. Prior to raising orders on the Council’s financial management system:

(a) Check to ensure the Supplier already exists on the financial management system;
(b) If the purchase order is to be raised for a new supplier then the potential new supplier should be requested to complete the “New Supplier” form available on the Council’s intranet;
(c) An assessment of the potential new supplier should be carried out which is
ded to the risks involved; this should include the financial standing,
suitable & reliability; in line with the contract standing orders, a pre-
qualification questionnaire may be required where large-scale spending is
expected with the supplier. The new supplier must have been chosen as a
result of the following Contract Standing Orders.
(d) A re-evaluation of existing Suppliers, in relation to the financial standing,
suitable & reliability, should also be carried out on a periodic basis where
either contracts are for large sums of money and/or the supplier provides
goods or services which, if they ceased to be available, would place the
Council’s services at risk.

14.6. Each order shall conform to any directions of the Council in respect of
environmental standards, central purchasing and the standardisation of supplies and materials.

14.7. All invoices from Suppliers, with the exception of those listed in 14.3 above, shall
be required to contain a relevant purchase order number in order to be paid.
Invoices which do not contain the purchase order number will not be considered
as an authorised supply and will therefore be returned unpaid to the Supplier.
Where individual services persistently receive invoices from suppliers where a
purchase order has not been raised, the relevant Director will be informed.

14.8. Ordering goods through the Council’s credit card must comply with internal
procedures held by the Section 151 Officer. These mirror the procedures applied
to the conventional ordering of goods as described above. The credit card must
only be used where it is in the business interests (not administrative convenience
of officers) of the Council to do so, and in all cases must not be used to
cumvent the controls inherent within the purchase ordering system. Credit
cards may be issued to the Chief Executive and Directors, who will ensure
sufficient controls and segregation of duties being in place. Use of the card is
appropriate for:
(a) One-off payments, where it is unlikely that the same supplier will be used
again;
(b) Course, travel or hotel bookings where payment in advance is needed to
secure places, tickets etc;
(c) Where the supplier concerned trades wholly or primarily over the Internet and
card payment is the only practical option.
(d) Where the need for goods or services is urgent and card use would secure
prompt delivery. But not for:
(e) For travel expenses etc under £50 per occasion – these should be paid
personally and re-imbursement claimed through salaries in the normal way.
(f) Where current corporate contracts or other arrangements exist.
(g) Where the supplier is set up as a supplier on Integra.
(h) For minor items for which payment could conveniently be made personally and
reimbursement claimed through Petty Cash

15. Payment of Accounts

15.1. The responsibility for making payments (other than from petty cash accounts)
rests with the Section 151 officer using whatever means he/she considers
appropriate.

15.2. Unless the Section 151 Officer believes that further enquiries are necessary,
payment shall be made promptly on receipt by him/her of properly certified
invoices, other acceptable payment documents or properly authorised electronic data (Appendix 3 – Payment Voucher Certification).

15.3. Payment to suppliers will be made via BACS unless they have been paid by petty cash, the company credit card or Direct Debit.

15.4. Officers of the service which has issued the official order or which will incur the expenditure are responsible for certifying the amount to be paid in accordance with the Goods Receipting process or the payment voucher certification processes attached.

15.5. A list of persons who can certify invoices and other payment documents shall be supplied to the Section 151 officer by Directors and the Chief Executive. The list shall contain:

(a) the specimen signature of such persons; and
(b) the limitation of their individual authority in terms of value

The relevant Director shall notify the Section 151 Officer when changes occur. All lists shall be reviewed and updated annually.

15.6. Directors can authorise individual invoice payments up to a value of £50,000. Payment vouchers in excess of this will require secondary certification by the Chief Executive or the Section 151 Officer.

15.7. Towards the end of each financial year the Section 151 Officer shall require Directors to inform him/her by a stated date of all significant items of outstanding expenditure relating to that financial year.

15.8. No amendments shall be made to VAT invoices. If such invoices are incorrect, they shall be returned to the relevant creditor for correction in accordance with the VAT regulations.

15.9. Amendments to any other payment documents must be made in ink, signed by the person making the alteration and endorsed with the reason.

15.10. Ex gratia payments to persons other than employees shall be approved by:

a. the relevant Director if less than £5,000 in total, provided the Director of Growth and Business Development, the Section 151 Officer and the Monitoring Officer are in agreement;

b. the Chief Executive in all other cases.

16. Payments to Employees

16.1. Appointment of all employees shall be in accordance with the regulations of the Council and the approved establishment, grades and rates of pay. All recruitment to vacant posts, or changes to the existing establishment, must be agreed by Strategic Leadership Team. A recruitment assessment form must be completed by the service, which is then approved by the Section 151 Officer and Director, prior to presentation to Strategic Leadership Team; the form should then be certified by the Chief Executive.

16.2. Each Director shall consult the Head of Resources on terms and conditions affecting employees.

16.3. The responsibility for making payments by way of salaries, wages and other emoluments to all employees and former employees rests with the Head of Resources.
16.4. The Head of Resources shall be notified by the Directors without delay of all matters affecting such payments. Notification shall include:

(a) appointments, resignations, dismissals, suspensions, transfers and secondments;
(b) sickness and any other absence other than annual or flex leave;
(c) changes in remuneration other than normal increments, pay awards and other matters of general application;
(d) information necessary to maintain records of service for superannuation, income tax, national insurance and any other required purpose.

16.5. All time records and other pay documents shall be in a form prescribed by the Section 151 Officer and be certified by Directors. They shall be submitted within three months of occurrence to the Head of Resources to enable payment to be made on the due date.

16.6. A list of persons who can certify time records and pay documents shall be supplied to the Head of Resources by Directors and Chief Executive. The list shall contain:

(a) the specimen signature of such persons; and
(b) the limitation of their individual authority in terms of value.

The relevant Director and Chief Executive shall promptly notify the Head of Resources when changes occur. All lists shall be reviewed and updated annually.

16.7. Payment of honoraria to employees and ex gratia payments, following consultation with the Head of Resources shall be approved by:

(a) the relevant Director if less than £5,000 in total;
(b) the Chief Executive if greater than £5,000 in total.

16.8. Persons certifying claims for travel and subsistence shall be satisfied that:

(a) allowances and other expenses are necessarily incurred;
(b) they are in accordance with the Council’s approved scheme;
(c) they are properly payable by the Council;
(d) they are supported, where appropriate, by VAT receipts;
(e) the claim is arithmetically correct.
(f) The claim relates to a recent period (not greater than three months ago)

17. Payments to Members

17.1. The Monitoring Officer shall certify entitlement to allowances and other expenses claimed by members. In so doing he/she should be satisfied that:

(a) allowances and other expenses are necessarily incurred;
(b) they are in accordance with the Council’s approved scheme;
(c) they are properly payable by the Council;
(d) they are supported, where appropriate, by VAT receipts;
(e) the claim is arithmetically correct;
17.2 All payments shall be made by the Payroll Manager upon receipt of the duly completed forms.

18 Petty Cash Accounts

18.1. The Section 151 Officer shall provide such petty cash accounts as he/she considers necessary for paying minor items of expenditure. They shall be operated in accordance with his/her directions. The maximum individual amount which shall be payable from such accounts will be £50 unless otherwise agreed by the Section 151 Officer.

18.2. Income received on behalf of the Council shall not be paid into any petty cash account but accounted for separately as provided elsewhere in these rules.

18.3. Officers responsible for petty cash accounts shall provide a certificate to the Section 151 Officer regarding the state of the account whenever he/she requires.

18.4. On ceasing to be entitled to hold a petty cash account, an officer shall account to the Section 151 Officer for the amount for which he/she was responsible.

18.5 The need for the continued existence of petty cash accounts shall be reviewed annually by the Section 151 Officer.

19 Security

19.1. Each Director shall:

(a) maintain adequate security for all buildings, stores, furniture, equipment, cash and anything else of value for which he/she is responsible;

(b) consult the Section 151 Officer if he/she thinks security is defective or circumstances arise where special security arrangements may be needed;

(c) agree with the Section 151 Officer maximum limits for amounts of cash to be held in person or on Council premises, which shall not be exceeded without the permission of the Section 151 Officer;

(d) ensure compliance with any statutory requirements in respect of data protection.

19.2. Keys to safes and other secure containers will be issued and monitored by the Section 151 Officer to named individuals who shall sign to confirm receipt. Such keys shall be kept on the person and any loss must be reported to their Director immediately. Security and privacy of information held in the central computer installation and on networked or stand alone PC’s shall be maintained in accordance with instructions issued by the Section 151 Officer.

19 Stores

20.1. All records relating to stores shall be kept in a form approved by the Section 151 Officer.

20.2. Directors shall:

(a) arrange for stock checks to be carried out at least annually by persons independent of those responsible for day to day operations of the stores;
(b) ensure that stock holdings are not in excess of reasonable requirements;
(c) review slow moving and obsolete items at least annually;
(d) approve any stock write off.

19.3 Where stores are no longer required arrangements for disposal shall be agreed by the relevant Director and the Section 151 Officer.

20 Treasury Management

20.1. The Section 151 Officer will maintain an effective treasury management function, complying with the strategy and policy approved by Cabinet:
(a) The Council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of the treasury management activities.
(b) The Council’s policies and practices make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities.
(c) The pursuit of best value in treasury management, and the use of suitable performance measures, is valid and important tools for responsible organisations to employ in support of their business objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.
(d) The Council adopts the Treasury Management Policy and Practices.
(e) To facilitate effective Treasury Management, this Council will create and maintain a treasury management policy statement, stating the policies and objectives of its treasury management activities, and suitable treasury management practices (TMPs) detailing how the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
(f) Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.
(g) The Council delegates responsibility for the monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Council’s policy statement and TMPs and if a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management. The Section 151 Officer will maintain this function in accordance with CIPFA Codes of Practice.

20.2. The Section 151 Officer will advise the Cabinet on a range of Prudential Indicators in accordance with the Prudential Framework. This information must incorporate:
   (a) Capital Strategy -including 3 year forecast
   (b) Revenue budget forecasts
   (c) Asset Management Plans

20.3. Full Council will determine future prudential indicators having regard to affordability, capital strategy and the advice of the Section 151 Officer.

20.4. All investments of money under Council control shall be made by the Section 151 Officer, in the name of the Council or in the name of nominees approved by the Council. Bearer securities shall be exempt from this regulation but any purchase of such securities shall be reported to the Council.

20.5. All borrowings, including operating leases or other financial instruments, shall be effected by the Section 151 Officer in the name of the Council.

20.6. The Section 151 Officer shall be the Council’s registrar of bonds and mortgages and shall maintain records of all borrowings of money by the Council.

20.7. The Section 151 Officer shall inform and advise the Cabinet upon the need and methods for the financing of all capital expenditure. He/She shall be responsible for the raising of all loans and repayments of loans in accordance with policy and arrangements approved by the Council through Cabinet.

20.8. All trust funds shall wherever possible be in the name of the Council.

20.9. Officers acting as trustees by virtue of their official position shall deposit any securities relating to the trust with the Monitoring Officer unless the trust deed provides otherwise.

20.10. Any officer who, in the course of their official duties, has in their care assets or income which are not owned by the Council has a duty of care to the owner to ensure that such assets or income are treated with the same propriety as if they belonged to the Council.

21 Voluntary Funds

21.1. All voluntary funds operated by employees in connection with the work of the Council must be notified to the Section 151 Officer and be operated in accordance with his/her written instructions.

21.2. Such funds may be subject to review by internal audit as if they were official funds of the Council.
22. External Arrangements

22.1. The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Head of Paid Service (Chief Executive) or officer nominated by him/her represents the Authority on partnership and external bodies. The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to governance and financial administration in partnerships that apply throughout the Authority.

22.2. The Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

22.3. Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

22.4 Bodies who receive grant funding from the Council should ensure they have appropriate records in place to support how that funding will, or has been spent. All applications for funding will be treated in a fair and consistent manner and processes will be in place to scrutinise applications to ensure that they have been appropriately and accurately completed, are in line with corporate objectives and are likely to deliver the benefits identified. There will be robust processes in place to ensure that grant funding awarded has been used in the manner agreed as outlined in the conditions attached to the grant.

23. Variation Or Revocation

23.1 Any motion to add to, vary or revoke these Rules for Financial Governance shall be adjourned to the next ordinary meeting of the Council (unless Cabinet recommends an addition or variation to the Council).

24. Virements, Supplementary Estimates and Slippage

24.1. Budget items that are considered to be controllable (as defined by the Section 151 Officer) may be vired between cost centres, at CIPFA subjective classification levels.

24.2. The relevant Budget Manager or Accountancy Manager, or Section 151 Officer (or Deputies) can authorise virements between codes for amounts up to £5,000. If virements are between Directorates the Directors are required to authorise the virement.

24.3. The relevant Director, (Directors if virements are across Directorates) or in their absence the Section 151 Officer (or Deputies) can authorise virements between codes up to an annual limit of £100,000 per individual code.

24.4. Any virement which would mean an individual code has had more than £100,000 vired from/to it in the financial year will need to be approved by the Strategic Leadership Team.

24.5. Individual revenue or capital virements exceeding £100,000 will also require the approval of Cabinet.
24.6. Individual virements on revenue or capital schemes exceeding £250,000 will require the approval of Cabinet and Council.

24.7. It is for the Director to ensure that virements comply with the Council’s stated service policies, and specifically expenditure from virement will not be permitted where Cabinet and/or Council have previously decided that such expenditure should not be incurred. Virements must also not incur recurring expenditure.

24.8. Virement will not be allowed in respect of previous budget slippage, nor from supplementary estimates.

24.9. Where no budgetary provision exists and the scope for virement appears limited, then supplementary estimates will be sought from Strategic Leadership Team or Cabinet, subject to a maximum limit of £50,000 and £100,000 per annum respectively. Any supplementary estimates, which would exceed this overall limit, can only be approved by Council.

24.10. Should there be an underspend at the end of a financial year in both the overall Council budget and the relevant service budget, Directors may request slippage. This relates to commitments entered into as at 31 March for which there is no adequate provision in the subsequent year’s revenue or capital budget.

24.11. Slippage requests will be approved by Strategic Leadership Team and Cabinet. Slippage sought for the same item for a subsequent year will only be permissible with the approval of Strategic Leadership Team, Cabinet and full Council.

25. Major Incidents and Emergencies

25.1. The following framework is established to deal with a major incident or emergency, as defined in the council’s Major Incidents and Emergency Plan.

25.2. The Chief Executive (or a Director nominated to act as Acting Chief Executive in her/his absence) is authorised to incur expenditure of up to £100,000 without prior member involvement, but a report must be submitted to the Leader of the Council as soon as possible.

25.3. Directors are to obtain the Chief Executive’s prior approval for any item of expenditure in excess of £10,000 but they may incur expenditure below this level with follow up notification to the Chief Executive at the earliest opportunity.

25.4. The Chief Executive will advise the Section 151 Officer when authorisation to incur expenditure has been given.

25.5. An Emergency Committee, comprising five elected members as indicated in Part 13.2 of this Constitution be authorised to sanction expenditure in excess of £100,000 subject to a maximum limit of £500,000. However, where expenditure is expected to exceed £500,000, a special meeting of Council must be called to consider the matter.

25.6. A report on the cost to the Council of any major peacetime emergency, with an indication of how much could be recoverable through insurance, Government grant and other sources, is to be made to the next available meeting of Cabinet which will give consideration to the approval of a supplementary estimate; the net cost being found from balances.
CHEQUE SIGNING ARRANGEMENTS AND AUTHORISATION FOR ELECTRONIC PAYMENTS

1. Cheque signing

1.1. Cheques shall bear the facsimile signature of the Section 151 Officer or the Director of Growth and Business Development and be countersigned if required by; either of the two above if they are not the facsimile signatory or any of two other members of Finance staff authorised by the Section 151 Officer.

1.2. Signatories must not sign cheques which are supported by payment vouchers which they themselves have certified for payment.

1.3. Cheques raised manually shall be signed by:

· one authorised signatory if the value of the cheque is less than £50,000;
· two authorised signatories if the value of the cheque is greater than £50,000.

1.4. Cheques produced by the normal computer runs shall be manually signed by:

· one authorised signatory if the value of the cheque is between £20,000 and £50,000;
· two authorised signatories if the value of the cheque is greater than £50,000.

2. Authorisation for electronic payments

2.1 Designated individuals are authorised to set up payees on the system and set up sums to be paid. The computer system does not permit the same individual to do both. Release of funds is only possible when the transactions have been authorised by one of the cheque signatories listed above using password control. After authorisation, funds are released using an electronic device held by a nominated individual.

2.2 The computer system will not permit release of funds by a cheque signatory who has set up that same payee.
INVENTORY REQUIREMENTS

1. Items to be included/not included in Inventories

The inventory is used to record low, and middle value assets of the Council which have a “fixed” element to them, i.e. they will last, and be used for, more than 1 year. Items of ongoing, disposable stock, which is replaced on a frequent basis and not used for more than a year should be contained within the service stock records, and is not considered inventory for this purpose.

1.1 Personal computers/related hardware/software

All personal computers and related hardware and software acquired via the IT section will be entered in an inventory maintained by that section. Other Directors need make no provision for inclusion of such items in their inventories.

1.2 Office furniture

No office furniture is to be included in inventories.

1.3 Other equipment

Equipment which falls outside the definitions given above must be included in inventories if the replacement value is estimated to be more than £1,000. Equipment whose replacement value is estimated to be less than £1,000 but which is considered to be “portable and attractive” may be included at the discretion of the Director. This also includes equipment which is located outside of South Norfolk House.

2. Format of the Inventory

2.1 The inventory should be kept in a format which records:

(a) the description of the item together with the serial number or similar identifier where available;

(b) the location of the item;

(c) the date of acquisition (where known);

(d) the estimated replacement value;

(e) the date the existence of the item was last confirmed;

(f) the date and method of disposal (where items have been disposed of).
APPENDIX 3

PAYMENT VOUCHER CERTIFICATION

1.1 Before certifying a payment voucher the certifying officer must be satisfied that:

(a) the payment is one which the Council is empowered to make;
(b) the account is the liability of the Council;
(c) the goods have been received, examined and approved as to quality and quantity, or the service rendered or work done has been performed satisfactorily;
(d) the prices are in accordance with quotations, contract or current market rates or otherwise reasonable;
(e) the account is arithmetically correct;
(f) the account has not previously been certified for payment;
(g) there is provision in the budget for the expenditure;
(h) the coding is correct;
(i) the account is charged to the correct financial year;
(j) particulars of the payments have been endorsed on the copy of the order;
(k) if necessary, entries have been made in stores records or inventories.

1.2 The payment voucher should normally contain 3 signatures (not initials):

(a) one to confirm the goods/services have been received (unless no tangible goods or services are involved);
(b) one to confirm the account has been checked;
(c) one to certify payment.

As a minimum, 2 of these signatures must be those of different officers.

1.3 If the payment is not for tangible goods or services no signature to confirm receipt is required.
Procurement Strategy 2017-2021

Report of the Procurement Consortium Manager
Cabinet Member: Barry Stone, Finance and Resources

CONTACT
Ian Purdom 01508 533645
ipurdom@s-norfolk.gov.uk
1. Introduction

1.1 The Council’s current Procurement Strategy 2012-2015 needs to be revised to reflect the changes in procurement legislation and to ensure continuation of best practice procurement processes for the Council. Following a period of procurement staff changes, with the recruitment of the Procurement Consortium Manager it has given the Council the opportunity to strategically review its procurement strategy and processes for going forward until 2021.

1.2 Officers wish to share the draft Procurement Strategy 2017-2021 with FRAG committee to gain feedback on the new document, to ensure it meets the Council’s priorities and objectives, reflects service requirements and legislation, before presenting to Cabinet in 2017 seeking approval for adoption.

2. Background

2.1 The current Procurement Strategy requires updating as it has exceeded the original timeframe agreed. There is a requirement to ensure a revised strategy considers the National Procurement Strategy for Local Government which was launched in June 2014.

2.1.1 The current Procurement Strategy 2012-2015 has been revised and localised to make a more simplified document to enable the Council to achieve its Corporate, Business and Moving Forward Together plans.

2.1.2 The revised five-year Procurement Strategy 2017-2021 will be reviewed annually to ensure its continues to meet the Council’s plans.

3. Current Position

3.1 The Council has undertaken and will refresh a range of initiatives and activities to encourage staff at all levels to be aware of the benefits of procurement and commercialisation to enable the Council to meet its challenging budget position. The procurement of
Works, Services and Supplies contractors are strictly procured under EU Public Contract Regulations 2015, UK Law and the Council’s Constitution.

3.2 In addition, using EU Public Contract Regulations 2015, UK Law and the Council’s Constitution manage risk proportionately while maintaining compliance when procuring services and goods, this may include innovation around procurements and contracts.

3.3 Future procurement processes for Works, Services and Supplies will require appropriate clauses to minimise risks with the Council’s contracts in preparation for the UK leaving the EU.

3.4 The Procurement Strategy 2017-2021 sets the strategic direction and rational for the Council’s future procurement and commercialisation plans including and not limited to achieving value for money, supporting local economies, strong leadership, expansion of and revenue generation opportunities and obtaining corporate social responsibility values.

3.5 A key element of the Procurement Strategy 2017-2021 is the further development and expansion of the Procurement Consortium Services which it currently provides by partnering and collaboration to other Public Bodies which will aggregate spends and may provide significant savings.

4. Proposals

4.1 It is proposed that the FRAG committee review the revised Procurement Strategy 2017-2021 and provide feedback to Officers.

4.2 The Procurement Strategy 2017-2021 will then be presented to Cabinet for approval.
5. Risks and implications arising

5.1 The Council has and is facing significant funding reductions; as a result procurement plays a significant role in assisting the Council to balance its budgets. Without a clear direction and best practice procurement, opportunities could be lost in achieving maximum value for money and revenue generation.

5.2 The procurement process has risks and the Council manages these risks through ensuring best practice is followed. Risks are identified and mitigation put in place to either eliminate or manage proportionately to the risk.

6. Recommendation

6.1 FRAG Committee to review the revised Procurement Strategy 2017-2021 and provide feedback to Officers.
Procurement Strategy

2017-2021

Date: May 2017
Reviewed: May 2017
Next Review Due: May 2018
Introduction

This Strategy sets out what procurement is and the procurement objectives for South Norfolk Council (SNC) which are required to assist in meeting SNC’s overall vision and priorities, as laid out in the Corporate Plan. The aim of effective procurement is to ensure the Council achieves value for money with its limited financial resources and complies with statutory requirements.

Our Vision and Priorities

Our vision is to retain and improve the quality of life and prosperity of South Norfolk, for now and future generations, to make it one of the best places to live and work in the Country. Our priorities are set out below, and are reinforced by our values: to be customer focused, collaborative and commercial in our approach to service delivery.

What is procurement?

Procurement is the process of obtaining works, supplies and services to enable the Council to deliver it priorities as outlined through the Corporate Plan. In procuring works, goods and services the Council continuously seeks to deliver best value and have a transparent process which is open to scrutiny at all levels. With reducing funding, it is essential that procurement delivers value for money and efficiency savings throughout the Council.

Commercialisation is the process of delivering our existing services in new and different ways, to increase income and profit margins, improve customer experience or reduce costs. Commercialisation is undertaken in the context of the public sector environment in which we operate. Councils face restrictions on what they can carry out as a commercial purpose, how and where they can charge for services, and in which capacity they can trade and each case should be individually judged to determine what is the best way forward.
What are Procurement's key objectives 2017-2021

Five key objectives seek to:

- Simplify and improve procurement processes through revising the Council Standing Orders and procurement documentation. SNC is and has been facing funding reductions. Procurement plays an important role in assisting teams to deliver services within this environment. By revising contract standing orders, the processes involved can be simplified and made more efficient. However, current procurement legislation is complex and is a statutory requirement, with the potential for costly legal challenges, if breaches occur and this needs to be borne in mind when revising practices. Creative solutions can, though, deliver innovative contracts, which provide other value for money benefits such as revenue generation, social value, discounts and training.

- Consider procurement options before going out to the market to ensure the right outcome is achieved. If tendering is decided upon as the right solution, ensure that it is an attractive opportunity to the market by encouraging more SMEs to bid for opportunities through forward planning, wider advertising and market engagement. Seek to promote bid opportunities by ensuring projects are well developed and allow the market to actively engage in contract opportunities. Simplifying the procurement process and contract management will assist in raising procurement standards within the public sector and encourage more suppliers to participate in contract opportunities. Taking this approach will also assist in attracting the best contractors and maximizing value for money in delivery of the Council's priorities.

- Introduce formal performance indicators and contract management on strategic contracts to ensure suppliers meet their obligations and the Council achieves value for money. Performance indicators and contract management will cover risk, compliance, satisfaction, value for money, complaints and continued innovation. This process should feed into the next contract opportunity. With limited resource to carry out contract management, there is a requirement to maximise the benefits of this activity and therefore it is envisaged that performance indicators will be applied to any contract > £50k.

- Provide innovative procurement solutions within the existing Public Contracts Regulation 2015, UK law, and within the existing local government transparency. Participate in future consultations on legislative changes and maintain ongoing compliance.

- To grow the Procurement Consortium to provide a centre of excellence across the public sector. Providing strategic and professional procurement services. Leading and collaborating on procurement opportunities to assist organisations in achieving greater value for money and reducing procurement costs.
What are we going to do?

Current financial year 2017/18

<table>
<thead>
<tr>
<th>Economic Growth, Productivity and Prosperity</th>
<th>Health, Wellbeing and Early Help</th>
<th>Place, Communities and Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurements to support the district wide digital strategy for online business.</td>
<td>Where appropriate procurement to assist in promoting Health &amp; Wellbeing in contracts using the Public Services (Social Value) Act 2012.</td>
<td>Procurement to ensure contracts are in place that are effective, efficient and provide value for money to:</td>
</tr>
<tr>
<td>Procurement to seek contractors to enhance broadband provision across the District.</td>
<td>Procurement advice in relation to the refurbishment works at Long Stratton Leisure Centre.</td>
<td>• Maintain household waste and recycling collection services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Maintain the Council's transport fleet safely for tyres, vehicle spares.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Maintain the Council’s tree surveys and surgery services for the community assets team.</td>
</tr>
</tbody>
</table>

Moving Forward Together

Procurement for the following contracts which provide services and supplies across the organisation:
• Cash Collection
• Legionella
• Cleaning Services and supplies
• Health and Safety services

Specifically, we will:
• Update on a quarterly basis the Council’s contract register and forward plan which contain details of current contracts which exist or forthcoming procurements to alert potential contracts of future opportunities.
• Review Contract Standing Orders.

More generally we will look to:
• Ensure the Council achieves best value through effective and efficient procurement and to ensure procurement processes are compliant with the Public Contract Regulations 2015, UK law and the Council's Constitution.
• Provide support to South Norfolk Businesses through enabling them to access Council procurement activities and embedding the importance of social value in procurement.
• Lead the procurement consortium, actively seeking opportunities for new partners to join the service and / or to provide advice and guidance to other partners in order to generate income for all participating Councils.
• Ensure the Council's resources are managed effectively and provide value for money, reducing the risk to the Council's reputation and procurement challenge.
Medium/Longer Term Activities – to be delivered over duration of the strategy

- To provide procurement information in real time for Local Government Transparency Code
- To provide procurement services to suppliers to assist in winning more public sector opportunities
- Use technology to automate evaluation of appropriate elements of bid submissions
- To maximize the benefits of Social Value in contract opportunities for the community
- To continuously improve procurement processes

How will we measure our success?

- By improving and making procurement processes simpler through revising Standing Orders and procurement documentation, increase the number of participants per contract opportunity for the supply of Works, Service and Supplies based on traditional procurement processes.
- By recording the number of alternative options considered before commencing a particular procurement process.
- Monitor the benefits of corporate social responsibility provided to the community within contracts and equate these into £s.
- Measure and monitor key performance indicators within contracts > £50k and utilise this information to develop and enhance performance, ensuring continuous improvement throughout the life of the contract.
- To increase the number of local authorities and other public bodies who join the Procurement Consortium.
## FRAG Work Programme

**28/07/2017**  
- Statement of Accounts 2016-17  
  - Peter Catchpole  
- Annual Governance Statement 2016-17  
  - Peter Catchpole  
- Audit Results Report  
  - External Audit  
- Contract Standing Orders  
  - Ian Purdom  
- Annual Report on Counter Fraud Activity 2016/17 (if anything to report)  
  - Ian Purdom  
- Training Session for members to complete their Self Assessment  
  - Emma Hodds

**24/11/2017**  
- Internal Audit Activity Report  
  - Emma Hodds  
- Internal Audit Follow Up Report  
  - Emma Hodds  
- Annual Audit Letter  
  - External Audit  
- Self Assessment of the FRAG Committee  
  - Emma Hodds  
- Asset Management Plan  
  - Peter Catchpole

**Mar-18**  
- Certification of Claims & Returns Annual Report 15/16  
  - External Audit  
- Internal Audit Activity Report  
  - Emma Hodds  
- Strategic and Annual Internal Audit Plans 2018/19  
  - Emma Hodds  
- Annual Report of FRAG Committee  
  - Emma Hodds  
- External Audit Plan 17/18  
  - External Audit

**Jun-18**  
- Internal Audit Activity Report  
  - Emma Hodds  
- Internal Audit Follow Up Report  
  - Emma Hodds  
- Internal Audit Consortium Manager’s Annual Report and Opinion for 2017/18, including Review of the Effectiveness of Internal Audit  
  - Emma Hodds  
- Draft Annual Governance Statement 2017/18  
  - Peter Catchpole  
- Review of Draft Statement of Accounts 2017/18  
  - Peter Catchpole