

Governance, Risk and Audit Committee



Please contact: Neil White

Please email: neil.white@north-norfolk.gov.uk

Please direct dial on: 01263 516047

Date Not Specified

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber, Council Offices, Holt Road, Cromer, NR27 9EN** on **Tuesday, 9 July 2024** at **2.00 pm**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: neil.white@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Cllr S Bütikofer, Cllr J Boyle, Cllr S Penfold, Cllr C Cushing, Cllr L Vickers and Cllr A Fletcher

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



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

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Chief Executive: Steve Blatch

Tel 01263 513811 **Fax** 01263 515042 **Minicom** 01263 516005

Email districtcouncil@north-norfolk.gov.uk **Web site** www.north-norfolk.gov.uk

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. SUBSTITUTES

3. PUBLIC QUESTIONS

To receive public questions, if any.

4. ITEMS OF URGENT BUSINESS

To determine 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.

5. DECLARATIONS OF INTEREST

1 - 6

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

6. MINUTES

7 - 12

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 26 March 2024.

7. EXTERNAL AUDIT INTERIM VFM REPORT FOR 2021/22 AND 2022/23

13 - 36

To consider a report from the External Auditor on the External Audit Interim VFM Report for 2021/22 and 2022/23.

8. EXTERNAL AUDIT PLAN FOR 2023/24

37 - 92

To consider a report from the External Auditor detailing the External Audit Plan for 2023/24.

9. INTERNAL AUDIT PROGRESS & FOLLOW-UP REPORT

93 - 126

To receive a report from the Internal Auditor on Internal Audit Progress & Follow-up Report.

10. HEAD OF INTERNAL AUDIT'S ANNUAL OPINION REPORT 2023-24

127 - 150

To consider a report from the Internal Auditor on Head of Internal Audit's Annual Opinion Report 2023-24.

11. GRAC SELF-ASSESSMENT

151 - 168

To consider the results of the self-assessment questionnaires returned and completed by Members of the Governance, Risk and Audit Committee.

12. CORPORATE RISK REGISTER 169 - 194

To consider a report from the Council's Director of Resources on the Council's Corporate Risk Register.

13. PROCUREMENT EXEMPTIONS REGISTER 195 - 196

To consider the Procurement Exemptions register.

14. APPOINTMENT OF AN INDEPENDENT MEMBER

To receive an verbal update from the Council's Monitoring Officer on the appointment of an independent person to the committee.

15. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST 197 - 198

To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations.

16. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME 199 - 200

To review the Governance, Risk & Audit Committee Work Programme.

17. EXCLUSION OF THE PRESS AND PUBLIC

To pass the following resolution, if necessary:

"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph _ of Part I of Schedule 12A (as amended) to the Act."

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Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative, close associate; or
 - c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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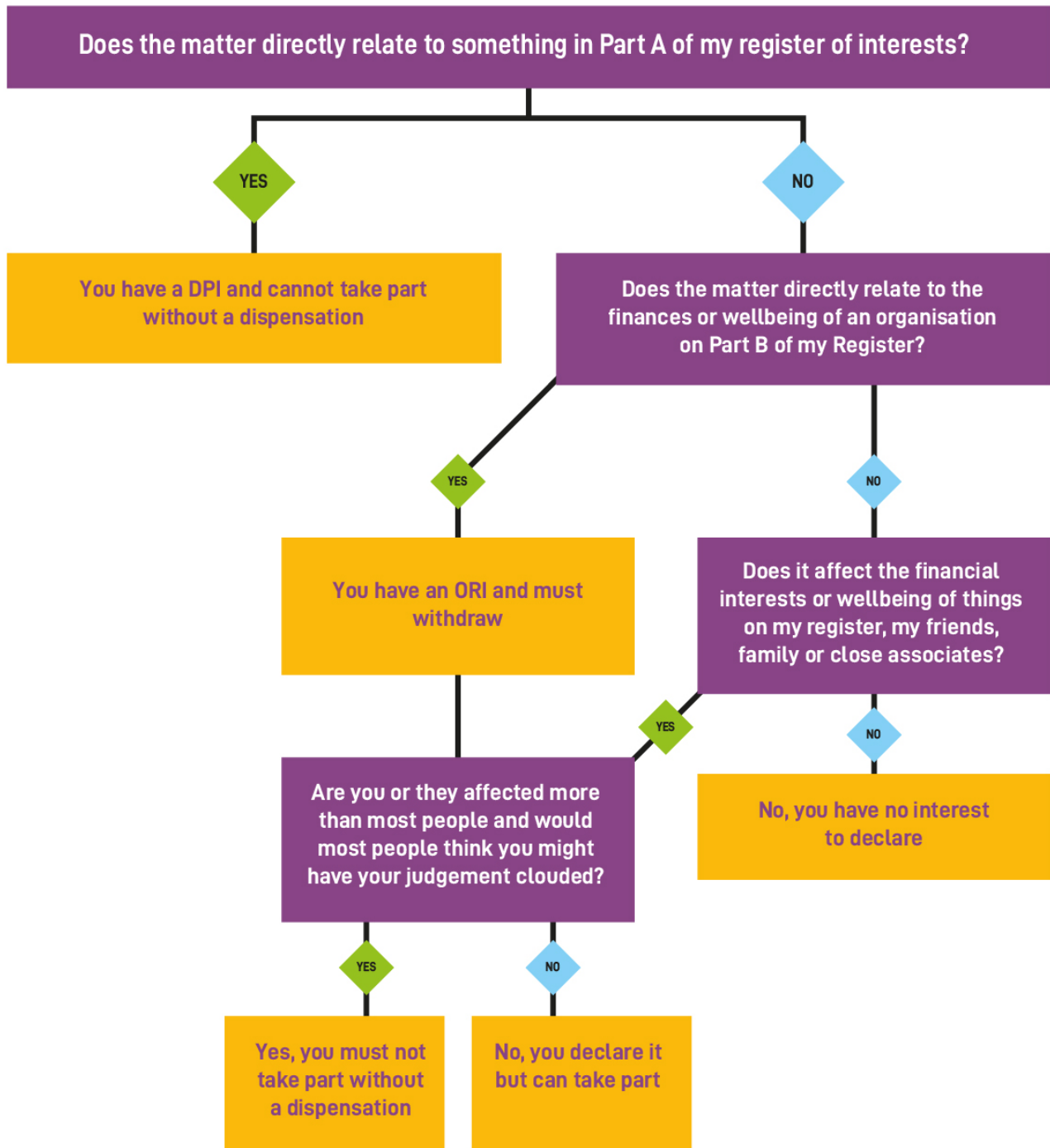
* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - (i) exercising functions of a public nature
 - (ii) any body directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)



GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 26 March 2024 at the Council Chamber - Council Offices at 2.00 pm

Committee

Members Present:

Cllr J Toye (Chairman)
Cllr C Cushing

Cllr S Penfold
Cllr L Vickers

Members also attending:

Cllr P Fisher
Cllr S Bütikofer

Cllr L Shires

Officers in Attendance:

Director of Resources, Assistant Director Legal & Governance, Head of Internal Audit, Democratic Services Officer (Scrutiny)

48 TO RECEIVE APOLOGIES FOR ABSENCE

Apologies had been received from Cllr J Boyle and Cllr A Fletcher.

49 SUBSTITUTES

Cllr P Fisher was a substitute member at the meeting.

50 PUBLIC QUESTIONS

None received.

51 ITEMS OF URGENT BUSINESS

None

52 DECLARATIONS OF INTEREST

None

53 MINUTES

The minutes of the meeting held on 5th December 2023 were approved as a correct record and signed by the Chairman.

54 ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS

Cllr C Cushing asked about paragraph 3.14 of the report which said the Statement of Accounts for 2021/22 and 2022/23 are very unlikely to be the subject of the in-depth audit that might ordinarily be expected and what were the risks of doing this.

The Director for Resources stated that there would be a light touch audit of two years in one and there will be a qualified account due to this. There were some risk

that the Council was taking forward balances that weren't 100% accurate but the Council did not have a complicated set of accounts and were closing down balances as they normally would and were following the appropriate codes, policies and legislation.

The Auditors would also look at the opening balances for 2023/24. The Council was as confident as it could be in preparing the accounts to be accurate.

Cllrs S Penfold and L Shires thanked the Finance staff for their hard work and welcomed the appointment of a Chief Technical Accountant to the Council.

Cllr L Shires commented that it was positive that an indicative date of audit being undertaken in August with a view to sign off by November 2024 has been discussed.

The Chairman agreed with Cllr Shires ambition that the audits should be completed on time but there were the national challenges for the auditors, and we will see if that is achievable.

Resolved – (A) that the accounting policies that will be applied to the Statement of Accounts for 2023/24 be approved, and

(B) the progress of completion of prior years' Statements of Accounts and how they will be audited under the government's proposed cross-system measures that are being put in place to clear the backlog be noted.

55 CORPORATE RISK REGISTER

Cllr C Cushing asked why the risk score for the Council's Medium Financial Plan was not higher than 16.

The Director for Resources was happy with the Plan as it made assumptions that could reasonably be made at the current time. The funding score could be higher but the Plan projects things as they are so was satisfied that the plan was robust and identified the Council's shortfall.

Cllr C Cushing asked why the risk score for People Resources was low as the Council seemed to have recruitment problems especially for key staff.

The Director for Resources stated that the score was lower due to the council's staff turnover and absence rate being low compared to other authorities and the Council has a largely stable staff.

Cllr C Cushing commented that CR 026 Impact of Economic fluctuations on the North Norfolk economy was not really a risk. The Committee agreed with the Director of Finance Resources suggestion that this risk should be removed in future reports.

Cllr C Cushing asked if CR 010 Housing Delivery should include reference to the effect of nutrient neutrality to the housing supply in the district. The Committee agreed that this should be a risk in its own right.

Cllr C Cushing queried whether the Fakenham Leisure Centre project should be added to the register. The Committee agreed that this was a good idea.

Cllr S Penfold asked when the monitoring of the savings for the 24/25 financial year would start to come though. The Director for Resources said that the plan was to include with the quarterly budget monitoring report, but it would be monitored on a monthly basis.

Resolved that (A) risk CR 026 Impact of Economic fluctuations on the North Norfolk economy be removed from the Corporate Risk Register

(B) the effect of nutrient neutrality be added into the Corporate Risk Register, and

(C) the Fakenham Leisure Centre project be added to the Corporate Risk Register.

56 STRATEGIC AND ANNUAL PLANS INTERNAL AUDIT PLAN 2023/24

Cllr C Cushing asked if this was a rolling plan of audits or if there had been anything recently that was significant that had changed the plan.

The Head of Internal Audit stated that it was a programme that was completed every three years, but it was possible to go down a Corporate Risk approach or an assurance mapping one and there was going to be conversation about which was the best way forward. For example, Housing Benefit and Council Tax was due an audit but was performing well and didn't need it. It was case of putting the resources in the right places and the Audit strategy was going to be looked at again in that context.

Cllr L Shires drew the committee's attention to the Audit of the commercialisation of the Council's assets which was scheduled for quarter 4.

Resolved – that the Internal Audit Charter for 2024/25; the Internal Audit Strategy for 2024/25; The Strategic Internal Audit Plans 2024/25 to 2026/27; and The Annual Internal Audit Plan 2024/25 be approved.

57 GRAC SELF-ASSESSMENT

The Committee noted that it was good practise for an Audit Committee to self-assess its performance each year. Unfortunately, there had so far not been sufficient response from the committee members to the self-assessment exercise.

The Committee agreed that the self-assessment forms should be sent out again to the committee members and come back to the committee when greater numbers had completed it.

Resolved – that the Audit Committee self-assessment exercise be undertaken again and the results reported to a future meeting.

58 ANTI-MONEY LAUNDERING POLICY

Cllr C Cushing asked if the policy was from a local government template.

The Monitoring Officer advised that it was not from a template but examples of good practise from other authorities had been used to develop a policy that would work for the council.

Cllr C Cushing asked if all staff had training on this policy on an annual basis. The Monitoring Officer advised that staff had to be aware of the policy, but specific training was given to key staff who were involved with money laundering checks.

Resolved – that the anti-money laundering policy be recommended to Cabinet for approval

59 COUNTER FRAUD, CORRUPTION & BRIBERY STRATEGY

The Committee noted and agreed that the reference in paragraphs 5.2 and 5.6 of the Policy relating to the Head of Internal Audit should be changed to the Assistant Director responsible for Finance.

Resolved – that the Counter Fraud, Corruption and Bribery policy, as amended, be recommended to the Cabinet for approval.

60 PROCUREMENT EXEMPTIONS REGISTER

The Monitoring Officer introduced the report and informed Members that there had been three exemptions between 15 November 2023 and 8 March 2024 which were outlined in the report.

Resolved – that the procurement exemptions be noted.

61 WHISTLE BLOWING POLICY

The Monitoring Officer in presenting the policy stated that the Government was currently reviewing the whistleblowing framework and the results of that review may need the policy to come back to committee to reflect those changes.

Cllr L Shires referred to the section in the policy on Councillor involvement and requested that a shorter version be sent to all members highlighting this.

The Chairman asked about the named people in the schedule of key contacts and how this would be updated. The Monitoring Officer stated that there was the job title as well as a name which should enable people to identify who to contact.

Resolved – that the revised Whistleblowing Policy be approved.

62 REVIEW OF COUNCIL'S ASSET REGISTER

Cllr S Penfold asked what process was used for assessing the value of the assets.

The Director for Resources advised that external valuers were used for the more complex valuations who could go onto site to complete the valuation assessment. Other valuations were done inhouse by qualified staff. The valuations were then scrutinised by the Auditors. Some properties were valued on an annual basis as part of a rolling 5-year cycle.

Cllr S Penfold asked about how intangible assets such as IT software were valued. The Director for Resources would be valued on a cost basis usually for a period of 3 years.

Cllr C Cushing asked what the council did with the asset values and how did they

benefit the council.

The Director for Resources stated that they were on the council's balance sheet and from an operational point of view they should be looked at as to whether those assets are being used to their full potential. If an asset is underutilised would it be surplus to requirements and could potentially be disposed of.

The Director for Resources added that individual assets were not necessarily looked at on an asset-by-asset basis but those assets that were investment properties or income generating would be. There was an asset management plan that was currently being reviewed that would undertake that process.

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Resolved – that the contents of the Council's Asset Register be noted.

63 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Democratic Services Officer (Scrutiny) reported that in respect of Minute there was an outstanding item on land charges on whether a review is undertaken on how land charges are monitored and how this will be reported in the future.

Cllr L Shires advised that it would need to be monitored following the changes from Central Government and the cost implications of those changes.

The Director for Resources advised that this would need further analysis and suggested that it come back to a future meeting.

Cllr C Cushing asked about whether the committee was going to have an independent member.

The Monitoring Officer advised that this is planned for the next financial year.

Resolved – that (A) a report on the effect of changes to Land Charges be submitted to a future meeting, and

(B) the appointment of an independent member be considered in the next financial year.

64 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Democratic Services Officer (Scrutiny) advised that the items for the June Committee meeting should include the annual review of Internal Audit and asked whether the 9 July meeting for the Annual Accounts sign off would go ahead.

The Director for Resources advised that the sign off for the 23/24 accounts was planned for December 2024 and there won't be a formal sign off for the outstanding accounts. The sign off would go to the December meeting.

The Committee agreed to cancel its 9 July meeting.

Resolved – that the committee meeting for 9 July be cancelled.

65 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 3.20 pm.

Chairman



North Norfolk District Council

Value for Money Interim Report

Years ended 31st March 2022 and 31 March
2023

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May 2024



Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

24 May 2024

Dear Governance, Risk and Audit Committee Members

2021/22 and 2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for North Norfolk District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk and Audit Committee meeting on 11 June 2024.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP
Enc.

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and Audit Committee and management of the North Norfolk District Council in accordance with our engagement letter. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

Appendix B sets out the Council responsibilities for value for money, and the Auditor's responsibilities.

The purpose of this interim commentary is to explain the work we have undertaken during the period 01/04/2021 to 31/03/2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2021/22 and 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant risk related to 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed'.

Description of risk identified

In the 2021/22 and 2022/23 financial years the Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. The unaudited statements were not published at the date of this report. The issues have been discussed by the Governance, Risk and Audit Committee where it was reported the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

The issue above is evidence of a risk in proper arrangements in how the Council ensures effective processes and systems are in place to ensure accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements.

Work planned to address the risk of significant weakness

- Reviewing the Council's financial statement closedown arrangements and plans to publish statement of accounts.
- Review Internal Audit reports and council committee papers to determine whether the staff shortages have impacted wider finance team responsibilities.

Executive Summary (continued)


Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 15 to 22. The interim commentary on these pages summarises our conclusions and our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risks identified	Significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2021/22 and 2022/23 the Council continued to manage the impact on finances of a number of issues such as general inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

The final outturn position for general fund income and expenditure for the 2021/22 financial year was an underspend of £0.616 million. The underspending in operations was largely due to more income than predicted and absence of interest payments for capital projects. For the 2022/23 financial year there was an overspend of £0.782 million caused by revenue overspend and shortfall in retained business rates. Volatility was primarily caused by external influences such as companies shutting down or seeking rate relief. The deficit be funded from the General Reserve and the Business Rates Reserve.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2023/24, with the following years having a budget gap (2024/25 to 2026/27). In order to deliver a balanced budget in the medium term, the Council needs to identify savings of £2.5 million. Service managers must identify savings within their budgets. A budget gap will exist without these savings. The Council has sufficient reserves to ensure financial resilience, however these balances will continue to reduce as significant budget gaps in the Medium Term Financial Plan.

The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis, and we are satisfied with the robustness of the estimates.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management. The primary responsibility for these arrangements and reporting on the design and operation of these arrangements, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council has continued to manage governance considerations. The Council reviewed the 2021/22 and 2022/23 Budget and Medium Term Financial Strategy in February 2021 and February 2022, with further quarterly tracking and updates during both 2021/22 and 2022/23. The documents were taken to the Cabinet Committee for approval, which ensures that all Members are kept well informed of the process and financial performance of the Council.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2021/22 and 2022/23 financial years, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Council.

The risk register and risk management policy were also updated in 2021/22 and 2022/23. The risk register focuses on service, corporate and strategic risks. Risks on the register are reviewed quarterly at Governance, Risk and Audit Committee meeting, with elevation to Cabinet meetings for significant risks or issues identified to agree a programme of risk reduction.

Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Non-compliance with key financial controls represents a significant risk of weakness in the Council's governance arrangements. The Council is currently responding to the weaknesses identified and will report progress back to the Committee.

We identified that improvements are required in the preparation of Statement of Accounts across 2021/22 and 2022/23. The Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As outlined in Governance, Risk and Audit Committee the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

The issue above is evidence of weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.'

Based on the work performed, we have identified a significant weakness in the arrangements in 2021/22 and 2022/23 that we will be reporting by exception in relation to Governance.

Recommendation: To assess the responsibilities and resource requirement of the finance function to ensure the Council has effective processes and systems to support its statutory financial reporting requirements and implement Internal Audit key financial control recommendations.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Council prepares the Medium-Term Financial Strategy covering a 4 year period. It sets the vision, priorities, and strategic objectives for the Council. Priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal which is available for general public access. The budget process incorporates the review of other strategies such as the capital and investment and treasury management, ensuring they are consistent.

The Performance Management Framework setting priorities that are relevant to Corporate Plan themes, taking account of stakeholders' needs and expectations. Performance reporting is maintained against the identified priorities and delivery measures, with quarterly reporting to the Cabinet and Overview and Scrutiny Committee throughout the year to continuously monitor performance and take prompt action as needed.

The Council has a procurement strategy to ensure services are procured in line with relevant legislation, professional standards and internal policies. Contract management arrangements monitor the delivery of services.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The budget monitoring process, wherein financial services meet with budget managers to discuss spending to date and forecast for the remainder of the year, identifies any financial pressures and additional income. This process is an essential tool for ensuring that the current year's budget is achievable and is also fundamental in providing the most up-to-date information for inclusion in future budgets. These findings are reported to the Cabinet and Scrutiny Committees through quarterly Budget Monitoring Reports and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met.</p> <p>During the budget setting process, budget managers identify changes to their budgets and report these to the finance department for inclusion in the new draft budgets. The budgets are collated by finance and present the net budget and funding. Where required, resources are reallocated to ensure the budget remains affordable in the medium term.</p> <p>The Council has the responsibility to provide strategic direction, which includes formulating the Council's Medium Term Financial Strategy (MTFS). The MTFS is designed to ensure that adequate resources are available to meet the Council's objectives. It projects the current financial situation and includes a three-year financial projection for the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.</p>

Appendix A - Summary of arrangements (continue)

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The budgets for 2022/23 and 2023/24 are in a balanced position; however, there is a forecasted deficit for the following three years. The Council does hold sufficient reserves, based on their budget, to remain above the minimum level for the foreseeable future. As a result of the cost-of-living crisis and the potential impact it could have on the Council's resources, the budget has been revisited through Budget Monitoring Outturn reports. The Council continues to look for potential areas of savings as part of the budget-setting process, especially in light of ongoing wider economic challenges.</p> <p>The Council's plan is to stimulate innovation, expand existing services, develop new business, and adopt an efficient, sustainable approach that generates greater financial and social returns. This assists the Council's financial resilience and sustainability, enabling it to safeguard and deliver the services that people need, and more effectively achieve its corporate aims and objectives while demonstrating the delivery of value for money (VFM). The Council has a Corporate Plan for 2023-27, the previous plan covered 2019-2023, to ensure they have clear aims and actions for the future, which helps the Council allocate resources to deliver services.</p> <p>The final outturn position for the general fund income and expenditure for the 2021/22 financial year was an underspend of £0.616 million. This underspending in operations was largely due to higher-than-predicted income and the absence of interest payments for capital projects. For the 2022/23 financial year, there was an overspend of £0.782 million caused by revenue overspend and a shortfall in retained business rates. Volatility was primarily caused by external influences, such as companies shutting down or seeking rate relief. The deficit will be funded from the General Reserve and the Business Rates Reserve.</p> <p>During the year, the Council has continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services, with quarterly budget monitoring reports taken to Cabinet meetings. The Council recognizes the financial challenges ahead and has budgeted a balanced budget for 2023/24, with the following years showing a budget gap (2024/25 to 2026/27). To deliver a balanced budget in the medium term, the Council needs to identify savings of £2.5 million. The Council has sufficient reserves to ensure financial resilience; however the Council must identify savings over the medium-term financial plan to mitigate the need to use available reserve balances.</p> <p>A savings exercise was undertaken with officers and members, which identified several potential savings and initiatives to produce extra income, as reflected in the outturn report for 2022/23. The Council has a good track record of delivering savings, with greater scrutiny of savings having taken place since 2016/17 through the revenue monitoring process. The previous savings program, which commenced in 2016/17, now delivers an annual saving of approximately £744k. The Council also identifies a risk that anticipated savings/efficiencies may not be achieved, with a possible significant impact and high likelihood. Regular monitoring and reporting take place, but the size of the funding cuts increases the likelihood of this risk.</p>

Appendix A - Summary of arrangements (continue)

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	As part of the budget setting process each year, the Council looks to align the demands on the budget with the strategic priorities of the Council. These priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal that is available for general public access. A Delivery Plan reserve has been established in the year to support future progress against these plans
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The budget process incorporates the review of other strategies, such as capital investment and treasury management, to ensure consistency. The budgeting exercise ensures that the Medium-Term Financial Plan aligns with the priorities identified in the Corporate Plan. The financial plan considers shared service arrangements and recognizes the need to achieve efficiencies through these arrangements.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Risks are identified through regular budget monitoring carried out between finance and budget managers. When action is required to manage identified risks, recommendations are made by finance to the Corporate Leadership Team, and if necessary, they are then reported to the Cabinet and Scrutiny Committees (and the Full Council if significant). Initially identified savings would be utilized to cover pressures. Where the Council identify additional income (windfall income), the Cabinet is responsible for considering how additional monies can be used; therefore, these funds cannot simply be used by the service that generated them. In the event that these measures are not sufficient to cover the pressures, the Council has reserves that it could draw upon as a one-off to fund the pressures, thereby creating time while additional savings are identified.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Risk Management Framework is regularly reviewed. Risk Reviews take place every quarter at the service, corporate, and strategic levels. Service risks that are significant enough are escalated for consideration to be added as corporate risks. The risk register is presented to the Governance, Risk, and Audit Committee on a quarterly basis. The Council has a Counter Fraud, Corruption, and Bribery Policy, as well as a Whistleblowing Policy. The Council seeks to deter and prevent fraud, corruption, and theft to ensure that all risks in these areas are reduced to the lowest level possible.</p> <p>The Council has an established internal audit function through the Norfolk Internal Audit Consortium. The Internal Audit plan is based on a risk-based approach, and the plan is approved by the Governance, Risk, and Audit Committee. Audit reports are presented to the Committee throughout the year, reporting on audit results and progress against recommendations.</p>
How the body approaches and carries out its annual budget setting process	<p>Each year, the finance department produces a budget timetable that identifies the tasks and key dates. Finance staff meet with budget holders to create a new budget for both revenue and capital, this considers changes in legislation, demand, and local and national factors. Once a draft budget and the proposed levels of fees and charges have been created, they are considered by the Corporate Leadership Team and the Cabinet. A final budget, with all changes considered and included where necessary, is taken back through the committees to the Full Council alongside the formal setting of the Council Tax, precepts, and other strategies. The budget from the previous year is used as the base to build upon, adjusting for known changes and forecasts.</p>

Appendix A - Summary of arrangements (continue)

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>The budget monitoring process, wherein financial services meet with budget managers to discuss spending to date and forecasts for the remainder of the year, identifies any financial pressures and additional income. This process provides assurances that the current year's budget is achievable and ensures that the most up-to-date information is included in future budgets. These are reported to the Cabinet and Scrutiny Committees through quarterly budget monitoring reports and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met. The system provides the necessary data to serve as the base for the report, and experts in technical areas such as Treasury Management are utilized to support staff expertise.</p> <p>The Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including the preparation of the Statement of Accounts and making arrangements for appropriate systems of financial control.</p> <p>Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Key strategic findings include: the Council struggled to perform core financial reconciliations; investments have not been independently authorized since May 2022; aged debts have not been regularly reviewed; and car parking income has not been regularly reconciled.</p> <p>Non-compliance with key financial controls represents a significant risk of weakness for the governance of the Council. The Council is currently responding to the weaknesses identified and will report progress back to the Governance, Risk, and Audit Committee (GRAC).</p> <p>In the 2021/22 and 2022/23 financial year, the Authority was unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. Delays were caused by staff shortages and the need to prioritize closing the budget gap, resulting in the accounts process suffering. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to produce the set of accounts.</p> <p>The issue above is evidence of weaknesses in proper arrangements for supporting the Council's statutory reporting requirements and in having effective processes and systems for accurate and timely management information.</p>

Appendix A - Summary of arrangements (continue)

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's Constitution sets out the decision-making framework, which includes specifying which decisions are reserved for the Full Council and which are for the executive or a committee of the Council. Some decisions within the Constitution are delegated to officers, and these delegations are outlined in the Constitution. The Governance, Risk, and Audit Committee and the Overview and Scrutiny Committee play important roles in ensuring transparency and informed decision-making. The Governance, Risk, and Audit Committee provides oversight and monitors the governance, risk management, and internal control arrangements of the Council, assuring their effectiveness and efficiency. This is achieved through items received by the Committee, including but not limited to internal and external audit, key finance items, governance reviews, and strategic risk management reporting. The Overview and Scrutiny Committee is the Council's primary oversight committee that seeks to ensure the Cabinet is held to account, reliable services are provided, and value for money is achieved.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	Councillors are subject to the Member Code of Conduct, which relates not only to behaviour but also to the disclosure of interests. The Council maintains a register of each Member's interests, including both pecuniary and other interests. Each meeting agenda includes an item that invites Members to declare any interests they may have. This is supported by a flowchart and information provided within the meeting papers. There is a system in place for individuals to lodge complaints about a Member's conduct, and this procedure is published on the Council's website. When Members are offered gifts and hospitality, the Constitution requires that any gift or hospitality over a set value, or otherwise significant, must be registered with the Monitoring Officer. The Monitoring Officer maintains a list of such gifts and hospitality and reports this in the annual Monitoring Officer report. Officers are also subject to a Code of Conduct and have obligations to disclose potential conflicts of interest, gifts, and hospitality. Such gifts and hospitality are similarly recorded in the Monitoring Officer's report. A Member/Officer protocol defines the relationship and roles of these two Council bodies.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Performance Management Framework promotes the communication and understanding of performance management and provides guidance to those responsible for ensuring that performance management is applied effectively and consistently. It defines what performance management is, the key components, types of performance measures, the reporting framework, and roles and responsibilities. Performance management reports are presented to Cabinet on a quarterly basis and are reviewed by Overview and Scrutiny Committee.</p> <p>Financial performance data is regularly reported to committees through the budget monitoring reports.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Each department sets performance targets annually. Benchmarking information against similar councils in England, using CIPFA's Nearest Neighbours model, is provided to assess relative performance and identify high-achieving councils. This comparison aims to review service delivery and improve outcomes for our customers. As part of the Corporate Plan for 2023-2027, a Performance Portal has been established where the public can access the Council's key targets and metrics, and view performance information relative to these targets.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a Customer Service Strategy and a complaints procedure, which, along with other processes such as Freedom of Information requests, allow for internal reviews of decisions. Members of the public have the opportunity to attend and ask questions at Full Council meetings and participate in other committees. The Performance Portal provides further transparency into the achievement of targets. The Council also works closely with neighbouring authorities to ensure efficiencies where possible.</p> <p>Decisions regarding Council representation in partnerships follow a set delegation scheme. The Cabinet approves delegations and plays a key role in forging partnerships with local organizations, provided there is no major policy change. While the Cabinet can delegate partnership-related functions, it remains accountable to the Full Council. The Monitoring Officer ensures high standards of conduct in financial dealings with partners and monitors the risk appraisal for contracts with external bodies. The Chief Financial Officer must confirm that satisfactory accounting arrangements will be adopted in relation to partnerships and joint ventures, including the verification of third-party identities. Directors must secure approvals prior to finalizing negotiations with external entities.</p>

Appendix A - Summary of arrangements (continue)

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council employs an officer as a procurement specialist who can provide knowledge and expertise to other officers, with assistance from the Council's in-house legal service when required. A Procurement Strategy, which is vital for securing best value, supports the Council's priorities and provides information about the Council's procurement values and principles. The Council's Constitution contains Contract Procedure Rules that set out the required procedures depending on the expected value of a contract and the situations in which an exemption from these rules can be granted. The Chief Financial Officer and the Monitoring Officer have oversight in such circumstances.

Appendix B – Council and Auditor Responsibilities

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

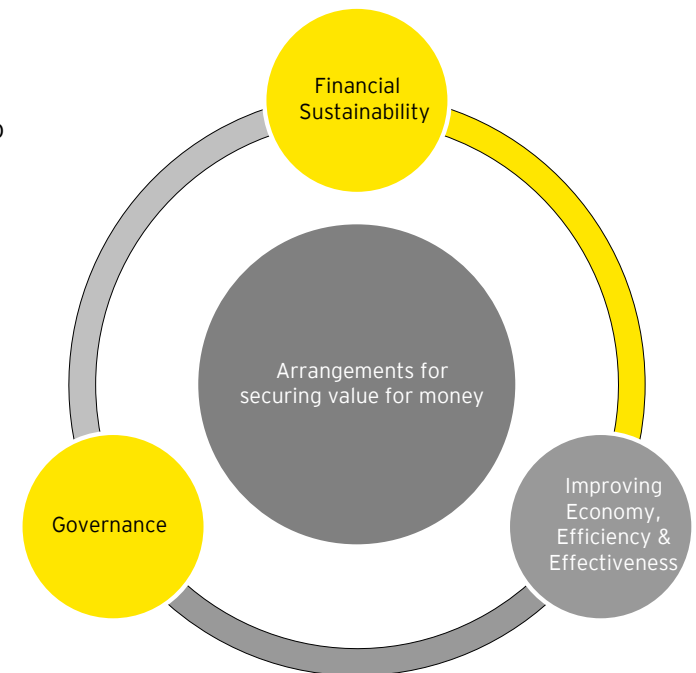
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



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ED None

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North Norfolk District Council

Audit Planning Report

Year ended 31 March 2024

17 May 2024

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Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

17 May 2024

Dear Governance, Risk and Audit Committee Members

Audit planning report Year ended 31 March 2024

Attached is our Audit Planning Report for the forthcoming meeting of the Governance, Risk and Audit Committee. The purpose of this report is provide the Governance, Risk and Audit Committee of North Norfolk District Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play to addressing the audit backlog.

(continued)

The Governance, Risk and Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the governance, risk and audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Governance, Risk and Audit Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Governance, Risk and Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 11 June 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP
Enc

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2023/24 audit strategy



Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited accounts by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.


Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- DLUHC has launched consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic accounts and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has launched consultation on amending the Code of Audit Practice to :
 - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely that we will disclaim the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Governance, Risk and Audit Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Governance, Risk and Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.

Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2020/21 audit	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Other Land and Buildings (Including Investment Property)	Inherent risk	No change in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Property represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2023/24 audit strategy

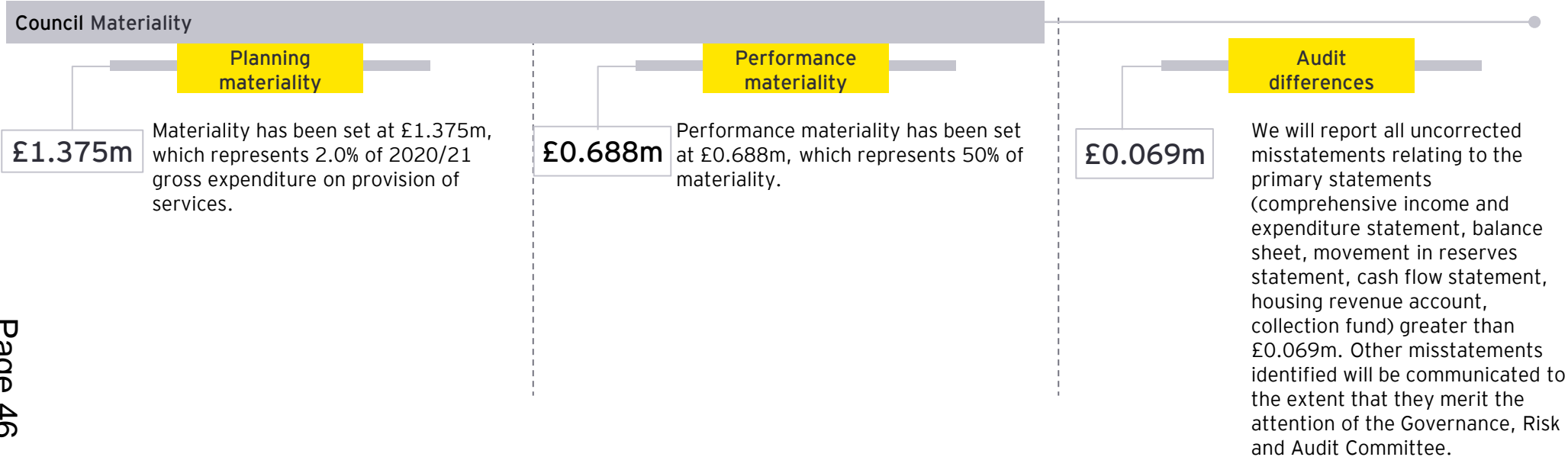
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2020/21 audit	Details
General Ledger system change	Area of focus	New risk	<p>The Council implemented a new main finance system during late 2022/23 (December 2022). The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.</p> <p>We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.</p>
Production and publishing of the Statement of Accounts	Area of focus	New risk	<p>The last published and audited set of accounts was 20/21. The Council has a challenging timetable to produce three sets of accounts for 2021/22, 2022/23 and 2023/24 by 30 September 2024.</p> <p>Therefore, we have assessed that there is a risk to the timeliness and quality of the published 2023/24 statement of accounts, which could have a knock-on impact on our timetable to deliver the audit by the 30 November 2024.</p>

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Governance, Risk and Audit Committee updated on any changes to materiality levels as the audit progresses.

Overview of our 2023/24 audit strategy



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Governance, Risk and Audit Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

This Audit Planning Report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.


Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Planning Report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Governance, Risk and Audit Committee where necessary to do so.

Overview of our 2024 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

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Timeline

A timetable will be agreed with management to complete the audit by 30 November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Engagement Partner (David Riglar)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance
- ▶ The auditor's report that is issued on behalf of EY
- ▶ The overall quality of the audit



Manager (Tyler Gohegan)

The Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determine an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Pension Valuation (Inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension valuation is a material estimated balance and the Code requires that this is disclosed on the Council's balance sheet. At 31 March 2021, this showed a net pension liability of £57.990 million, comprising the present value of the defined benefit obligation (£143.362 million) and the fair value of plan assets £85.372 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- ▶ Assess the work of the pension fund actuary, Hymans Robertson, including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Valuation of Land & Buildings (Including Investment Property) Valuation (inherent risk)

The fair value of other land and buildings (£35.720 million as at 31st March 2021) and Investment Properties (IP) (£0.842 million as at 31st March 2021) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP and surplus property is subject to annual revaluation, while its operational PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated.
- ▶ Consider changes to useful economic lives as a result of the most recent valuation.
- ▶ Test accounting entries have been correctly processed in the financial statements.

What else will we do?

We will continue to consider the need to use EY Real Estates, our internal specialists on asset valuations, to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Real Estates.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the area of focus, and the key judgements and estimates?

General Ledger system change (Area of focus)

The Council implemented a new main finance system during late 2022/23.

Advanced Business Solutions efinancials was changed to Civica Financials in December 2022.

The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.

We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Review the full project plan that was in place for appropriateness.
- ▶ Review the Council's internal validation checks alongside any other accuracy and completeness checks performed over the data migration.
- ▶ Obtain and consider the latest Internal Audit Report review of the system upgrade and data migration process to identify if there were exceptions that we should consider in our approach.
- ▶ Perform enquiries to fully understand and assess the system changes process for reasonableness.
- ▶ Perform our own further reconciliation checks over the data transferred to obtain assurances as to the completeness and accuracy of the data transfer where deemed necessary.

What else will we do?

We will continue to consider the need to use EY Financial Audit and IT to support our work in this area. Based on procedures performed at the planning stage we do not expect to commission EY Financial Audit and IT.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the area of focus, and the key judgements and estimates?

Production and publishing of the Statement of Accounts (Area of focus)

The last published and audited set of accounts was 2020/21. The Council has a challenging timetable to produce three sets of accounts for 2021/22, 2022/23 and 2023/24 by 30 September 2024.

There are also some additional factors including:

Changes in the finance team since the 2020/21 accounts were produced.

Performing the financial statement closedown process with a new general ledger system.

- Other demands on the finance team capacity to perform budget setting and monitoring, and day to day operational duties.

Therefore, we have assessed that there is a risk to the timeliness and quality of the published 2023/24 statement of accounts, which could have a knock on impact on our timetable to deliver the audit by the 30 November 2024.

Our response: Key areas of challenge and professional judgement

We will:

- Discuss and review the closedown process for appropriateness.
- Continuously monitor progress and any knock-on impacts to the audit timeline.
- Review the details of the general ledger system change for any indication of potential closedown issues.

What else will we do?

We have provided a workshop to assist the finance team in refreshing their approach to and confirming our expectations of them for supporting the audit process.

Furthermore, providing insight into best practices to enable us to work towards a more suitable audit timetable in line with the sector wide reset.

We will communicate any potential concerns as they arise in a timely manner to the Governance, Risk and Audit Committee.



03 Value for Money risks

Value for Money

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

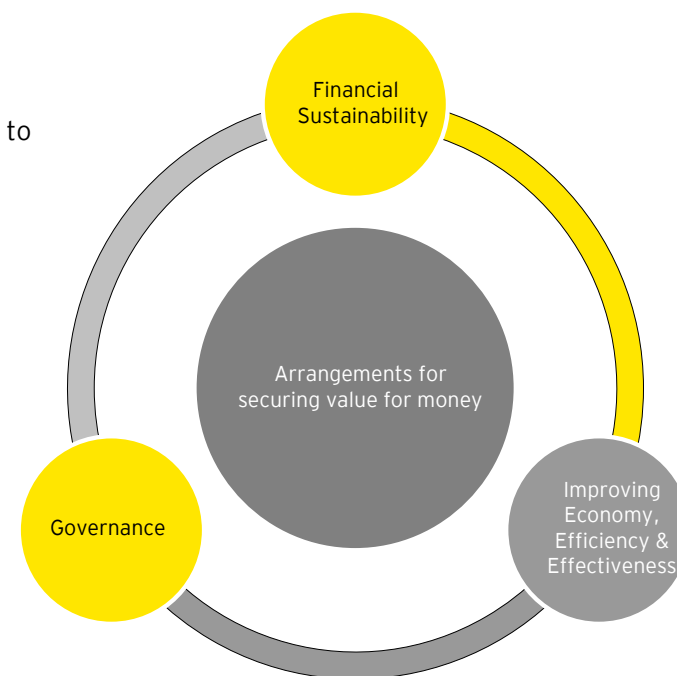
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Page 58 Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.


We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Governance, Risk and Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to fully complete our detailed VFM planning. However, one area of focus is likely to continue to be on the arrangements that the Council has in place in relation to financial sustainability. We will also focus on the Council's arrangements to produce financial statements.

We will update the Governance, Risk and Audit Committee in a later meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2023/24 has been set at £1.375 million. This represents 2.0% of the Council's 2020/21 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix F.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures.

We have set our performance materiality at **£0.688m** which represents 50% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we believe there are factors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a lower end of 50% of our Planning Materiality as our Performance Materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee, or are important from a qualitative perspective.

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Gross expenditure on provision of services

£68.745 Million



The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Governance, Risk and Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Governance, Risk and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Governance, Risk and Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
 - ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance, Risk and Audit Committee.

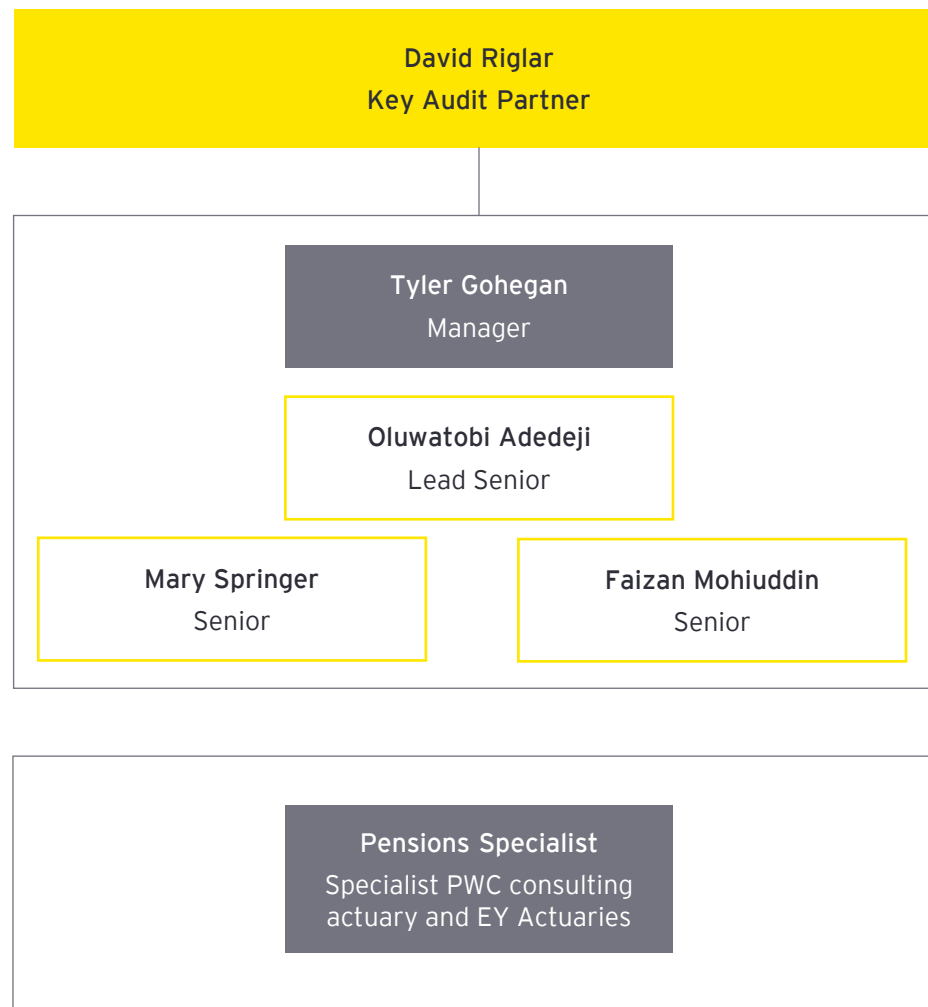
Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06 Audit team

Audit team



Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management, third-party or EY specialists are expected to provide input for the current year audit are set out in the table below:

Area	Specialists
Valuation of PPE Land and Buildings and Investment Properties	Management Specialist - WHE. EY Specialist - EY Valuations team (if subsequently deemed required)
Pensions disclosure	Management Specialist - Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries team

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In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



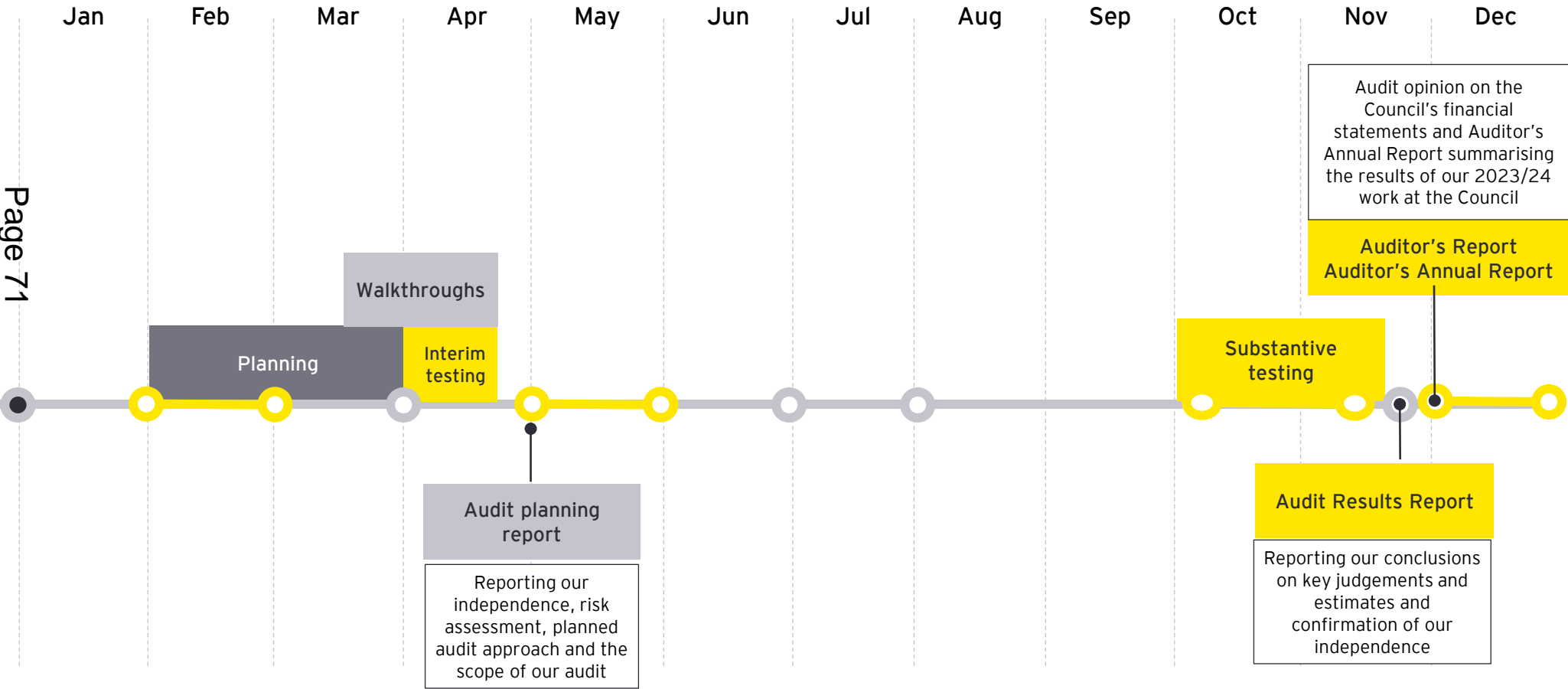
07

Audit timeline

Timetable of communication and deliverables

Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24. From time to time matters may arise that require immediate communication with the Governance, Risk and Audit Committee and we will discuss them with the Governance, Risk and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
 - ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
 - ▶ The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the ratio of non-audit fees will not exceed 1:1. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented on the next page is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Appendix B – Fees

	Current Year 2023/24	Note Reference	Prior Year 2022/23
	£		£
Scale fee	149,591	(1)	TBC
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(2)	0
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	0
Total audit	TBC		TBC
Other non-audit services not covered above (Housing benefits)	TBC	(3)	TBC
Total other non-audit services	TBC		TBC
Total fees	TBC		TBC

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the prior years 2021/22 and 2022/23 audits.

2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this.

The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example preparedness and additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Modified financial statement opinions
- New identified risks and/or issues in year (e.g. system changes)
- Audit scope changes since the scale fees were set (e.g. group audit procedures)

(3) The 2021/22 Housing Benefits work is currently in progress, with an expected completion by the end of September 2024. A final fee will then be determined for 2021/22. For the prior year 2022/23 and current year 2023/24, no audit work has commenced yet and therefore the fee is still yet to be determined.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process

Appendix D – The Spring Report (A combined perspective on enhancing audit quality)

Overview

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E – Required communications with the Governance, Risk and Audit Committee

We have detailed the communications that we must provide to the Governance, Risk and Audit Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Governance, Risk and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit Planning Report - June 2024 meeting of the Governance, Risk and Audit Committee.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results report - TBC

Appendix E – Required communications with the Governance, Risk and Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results report - TBC
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results report - TBC
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Governance, Risk and Audit Committee responsibility 	Audit Results report - TBC

Appendix E – Required communications with the Governance, Risk and Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results report - TBC
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. 	<p>Audit Planning Report - June 2024 meeting of the Governance, Risk and Audit Committee.</p> <p>Audit Results report - TBC</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results report - TBC
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Governance, Risk and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Risk and Audit Committee may be aware of 	Audit Results report - TBC

Appendix E – Required communications with the Governance, Risk and Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results report - TBC
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results report - TBC
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results report - TBC
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results report - TBC
Auditors report	<ul style="list-style-type: none"> ► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report 	Audit Results report - TBC

Appendix F – Additional audit information

Regulatory update

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Governance, Risk and Audit Committee. The audit does not relieve management or the Governance, Risk and Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Governance, Risk and Audit Committee reporting appropriately addresses matters communicated by us to the Governance, Risk and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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Report Title	Progress and Follow Up Report 2023/24	
Are there background papers?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Exempt	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reason for Exemption?		
Decision for Full Council?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Contact Officer	Teresa Sharman, Head of Internal Audit for North Norfolk District Council	
E-mail address	teresa.sharman@southnorfolkandbroadland.gov.uk	
Telephone number	01603 430138	
Are there Non Electronic Appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
List of Background Papers (if applicable)		

Progress and Follow Up Report 2023/24

Summary: This report provides details of progress with the 2023/24 Internal audit Plan and outstanding recommendations.

Conclusions: The 2023/24 Internal Audit Plan is now complete with only one report to be finalised. Outstanding recommendations are progressing.

Recommendation: That the Committee is requested to receive and note:

- Progress with delivering the 2023/24 Internal Audit Plan and outstanding recommendations.

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Teresa Sharman
01603 430138

teresa.sharman@southnorfolkandbroadland.gov.uk

1. Background

- 1.1 This report is issued to assist the Council in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards requires the Chief Audit Executive to report to the Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.

2. Overall Position

- 2.1 The attached report details:
 - Any significant changes to the Internal Audit Plan
 - Progress made in delivering the Internal Audit Plan
 - The outcomes arising from audit work
 - Final report executive summaries
 - Status of agreed recommendations
 - Details of outstanding recommendations

3. Conclusion

- 3.1 The 2023/24 Internal Audit Plan is now complete with only one report to be finalised. Outstanding recommendations are progressing.

4. Recommendation

1) That the Committee is requested to receive and note:

- Progress with delivering the 2023/24 Internal Audit Plan and outstanding recommendations.

Appendices attached to this report:

Appendix A – Progress and Follow Up Report 2023/24

Eastern Internal Audit Services



North Norfolk District Council

Progress and Follow Up Report

Period Covered: 1 December 2023 to 31 May 2024

Responsible Officer: Teresa Sharman – Head of Internal Audit for North Norfolk District 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 requires the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.
- 1.3 To comply with the above this report includes:
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 Since the Internal Audit Plan's approval in March 2023, two audits were deferred in the year as the table below details; there have been no other changes in quarter 4.

Audit description	Nature of the change
NN2401 Risk Management	This audit has been removed from the 2023/24 Audit Plan and is due to be completed as part of the 2024/25 Audit Plan.
NN2410 Coastal Management	This has been removed from the 2023/24 Audit Plan and is due to be completed as part of the 2024/25 Audit Plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 In summary, 159 days of programmed work have now been completed, equating to 100% of the Internal Audit Plan for 2023/24.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and

effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

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

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

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

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

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

- 4.4 During the period covered by the report, the eleven reports have been issued in final and one Position Statement.

Audit	Assurance	P1	P2	P3
NN2415 Post Implementation – Finance System Review	Limited	3	2	0
NN2414 Service Desk	Reasonable	0	3	2
NN2402 Complaints	Reasonable	0	2	2
NN2402 Freedom of Information	Substantial	0	0	1
NN2407 Accounts Receivable	Reasonable	0	0	0
NN2408 Income	Reasonable	0	2	0
NN2405 Accountancy Services	Reasonable	0	2	4
NN2409 Housing Strategy, Homelessness and Housing Options	Reasonable	0	2	0
NN2413 Property Services – Operational Assets	Position Statement	/	/	/

NN12406 Accounts Payable	Reasonable	0	0	3
NN2411 Civil Contingencies and Business Continuity	Limited	4	2	0
NN2403 Key Controls and Assurance	Reasonable	0	1	1

The Executive Summary for these reports is provided at **Appendix 1**, a full copy of this report can be requested by Members.

- 4.5 As can be seen in the table above, as a result of this audit, 36 recommendations have been raised and agreed by management. In addition, six operational effectiveness matters have been raised.

5. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS

- 5.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 5.2 To comply with the above this report includes the status of agreed actions. Currently, there are 41 outstanding recommendations. One is rated as 'urgent', 23 as 'important' and 17 as 'needs attention'.
- 5.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 5.4 **Appendix 2** 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.

Appendices 3 to 6 provide the Committee with details of urgent and important priority recommendations that are overdue for the year in which they were raised. Management responses and a new deadline, where available, have been indicated for each.

APPENDIX 1 – FINAL AUDIT REPORT EXECUTIVE SUMMARIES

Executive Summary – NN2415 Post Implementation - Finance System

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OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit has sought to provide assurance over the following key risks: "The flawed implementation of the replacement of a critical Council system".

SCOPE

A new finance system was implemented in December 2022. A review has been carried out to determine whether system benefits have been realised and provide assurance that any post implementation issues are being closed down.

KEY STRATEGIC FINDINGS



Weaknesses were evident with corporate project management governance arrangements and require prompt attention. Historical issues with corporate project management have been identified with outcomes reported separately to the Governance, Risk and Audit Committee.



Weaknesses were also identified with the pre planning for the project, in respect of project initiation, business case, requirements specification either missing or lacking sufficient detail.

GOOD PRACTICE IDENTIFIED



Key officers, at a senior level, left the Council, thereby placing more responsibility on existing officers and whose efforts should be recognised in managing the implementation of the new Finance System, in addition to their day-to-day responsibilities.



The application has been implemented, albeit with missing functionality that is planned for a future update. Go-Live was a 'hard' deadline that required key decisions to be made to achieve this goal.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
3	2	0	0

Executive Summary – NN2414 Service Desk

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The organisation has not recorded a key strategic risk associated with the Service Desk.

SCOPE

A review of the Service Desk has not been carried out before. Our review has provided assurance that a consistent service is being delivered in line with a defined service level agreement. The audit scope covered the management and resolution of incidents and reviewed the availability of performance data to demonstrate service levels.

KEY STRATEGIC FINDINGS



The Council has established service level commitments for response and resolution times. However, there are no measurable metrics to evaluate service performance.



The Service Desk recorded 884 incidents in July and August 2023. Of these, a total of 299 did not meet the service level commitment for resolution time.



Regular service desk performance reviews are not taking place and performance reports are not presented to the Council management for them to monitor the service.

GOOD PRACTICE IDENTIFIED



Classification and prioritisation schemes have been defined and all raised issues are recorded by a category and a subcategory as well as urgency and priority.



The user service satisfaction surveys have been implemented. This is an automated process which sends regular surveys to staff by email.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	3	2	1

Executive Summary – NN2402 Complaints

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "The Council's reputation is adversely affected".

SCOPE

A strategic risk has been raised in the corporate risk register in relation to the Council's reputation or public perception being adversely affected by its actions/interests. Our review evaluated the controls in place to handle complaints in a timely manner to prevent non-compliance with policy.

KEY STRATEGIC FINDINGS



The Council is not consistently achieving the target timescale of 15 working days to respond to complaints.



Although data on complaints performance is available, it is not being used effectively or reported on.



The defined internal processes are followed for responding to complaints, including for escalation where applicable.



Policies and information regarding how to submit a complaint and how the process works are published on the Council's website.

GOOD PRACTICE IDENTIFIED



The Council has created data dashboards for complaint handling, to enable senior managers to monitor complaints in their service areas.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	2	1

Executive Summary – NN2402 Freedom of Information

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "The Council's reputation is adversely affected and non-compliance with statutory requirements".

SCOPE

A strategic risk has been raised in the corporate risk register in relation to the Council's reputation or public perception being adversely affected by its actions/interests. Our review evaluated the controls in place to handle FOI requests in a timely manner to prevent non-compliance with policy and the Freedom of Information Act.

KEY STRATEGIC FINDINGS



The defined internal processes are followed for responding to FOI requests, including the use of exemptions and reviews where applicable.



Policy, guidance and templates are available to officers to assist with responding to FOI requests.



The Council consistently achieves its target of responding to at least 90% of FOI requests within 20 working days; currently achieving 96%. The target should be increased in order to meet the ICO's 'good' performance target of 95%.



Information regarding FOI requests is published on the Council's website, including the publication scheme, how to submit a request and frequently asked questions.

GOOD PRACTICE IDENTIFIED



All FOI requests are logged on a Disclosure Log spreadsheet, which allows efficient monitoring and reporting of FOI cases.



Every department has a nominated FOI Officer, who is the main point of contact for FOI requests relating to that service.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	0	1	0

Executive Summary – NN2407 Accounts Receivable

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "Failure to effectively manage and recover debts."

KEY STRATEGIC FINDINGS



Two 'Important' recommendations from previous audits remain outstanding and have an agreed revised implementation date of March 2024 (previously December 2023), both of which relate to the management of aged debts.



As of 30th November 2023, the Council had £945k aged debt. 77% are >90 days old and account for 81% of the total value of outstanding debt. This is addressed through the previous recommendations referred to above and has been taken into account in the overall level of assurance.



The Council has an up to date approved Corporate Debt Management Recovery Policy which includes details on the monitoring of debts, recovery and write off.



Core financial reconciliations, including the debtor control account, were not performed between December 2022 and October 2023, due to issues with the new finance system. These reconciliations are now up to date and completed monthly. The absence of these reconciliations for the first six months of the year, and the outstanding recommendations referred to above, have been factored into the overall assurance opinion.

GOOD PRACTICE IDENTIFIED



The new finance system has enabled increased use of email for correspondence, rather than letters. This has improved sustainability for the service and reduced printing and postage costs.

SCOPE

These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. Accounts Receivable coverage in 2023/24 will be focused on corporate debt management.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	0	0	3

Executive Summary – NN2408 Income

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit has sought to provide assurance over the following key risk: "Non-compliance with key financial controls".

SCOPE

These key financial systems feed into the Statement of Accounts and annual Head of Internal Audit Opinion and require regular review to confirm the adequacy and effectiveness of controls in this area. The Council updated its financial system in December 2022. This year's programme of financial system audits will provide assurance that the system controls are operating effectively.

KEY STRATEGIC FINDINGS



A review of access to the Digital Mail Room identified a minimum of two officers from the postal team who no longer work for the Council but still have access.



During the audit some discrepancies in bank charges were identified which require investigation.



Income is received through secure methods and controls are in place to ensure card details are not accessible for others to see.



The previous Key Controls and Assurance audit (NN2302) from June 2023 raised an 'Urgent' recommendation regarding the completion of bank reconciliations. Interim manual processes have been implemented but support from Civica is required to correct the opening balances in the cashbook. This recommendation has a revised due date of June 2024, and will be followed up in the Key Controls audit in March 2024 and through Internal Audit's cyclical follow up process.

GOOD PRACTICE IDENTIFIED



Daily income received exception reports highlight any errors or omissions, which are promptly investigated. The suspense account is reviewed and cleared on a daily basis.



A Business Impact Analysis (BIA) was completed in June 2023. Two actions were raised, relating to skills resilience and succession planning, both of which have been completed.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	0	0

Executive Summary – NN2405 Accountancy Services

OVERALL ASSESSMENT



KEY STRATEGIC FINDINGS

Outstanding recommendations: As reported in the review of NN2302 - Key Controls and Assurance, short-term investments have not been independently authorised since May 2022 due to the absence of a Chief Technical Accountant. Consequently, the previous urgent recommendation raised in that report remains outstanding.

In addition, as also reported in the above review, whilst reconciliations have been performed monthly between the treasury investment records and the General Ledger, on-time and accurately, with discrepancies promptly investigated and resolved, the reconciliations have not been independently reviewed due to the absence of a Chief Technical Accountant and this urgent recommendation also remains outstanding.

We understand that interviews are being held for this post now. However, without also external audits being completed in recent years, which are now unlikely to be completed and will recommence for the 2023/24 financial year, the risk of error and misappropriation remains.

The Director of Resources needs to satisfy themselves that the absence of these independent reviews and authorisations has not resulted in any errors or wrongdoing.

As reported in the review of NN2302 - Key Controls and Assurance, the Fixed Asset Register (FAR) has been updated for 2021/22, with all additions and disposals recorded and with the 2021/22 General Ledger (GL) asset reconciliation also completed. The FAR is currently being completed for 2022/23, together with the corresponding GL asset reconciliation. Consequently, we have not reviewed fixed assets for 2023/24 other than confirming that capital expenditure was accurately processed and appropriately authorised, and that the asset valuation exercise was underway.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit has sought to provide assurance over the following key risk: "Non-compliance with key accountancy controls".

SCOPE

This key financial system feeds into the Statement of Accounts and the annual Head of Internal Audit Opinion and require regular review to confirm the adequacy and effectiveness of controls in this area. The Council updated its financial system in December 2022. This programme of financial system audits helps to provide assurance as to whether the system controls are operating effectively.



We reported in the review of NN2302 - Key Controls and Assurance that, since the introduction of the new Civica finance system in December 2022, the Council had not performed core financial reconciliations (e.g., GL Suspense Account and Payroll Control Account reconciliations). However, the performance of these key reconciliations commenced in Quarter 3 of 2023 and are now performed monthly.

These findings have all impacted the overall level of assurance provided for this review.



The Council has a comprehensive Treasury Management Strategy (TMS) which adheres to the CIPFA Treasury Management Code of Practice. Evidence of daily checking of the Cachematrix portal should also be performed to confirm that counterparties have processed investments promptly, completely and accurately.



Budget holders are involved with Finance, in setting their budgets. Budget reports are provided to managers monthly, with regular review meetings held with budget holders. Financial performance reports were presented to Cabinet and to the Overview and Scrutiny Committee in September and November 2023. As reported in the review of NN2302 - Key Controls and Assurance, the Council does not independently authorise journals, relying on compensatory controls, such as budgetary monitoring which is still happening.

GOOD PRACTICE IDENTIFIED



Management's knowledge of the functionality of the Civica Finance system has increased during 2023/24 and progress has been made in the performance of key controls, for example, preparation of key accounting reconciliations commenced in Quarter 3 of 2023.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	4	0

Executive Summary - NN2409 Housing and Homelessness

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over the following key risk: "The Council failing to carry out their statutory obligations in respect of housing and homelessness".

KEY STRATEGIC FINDINGS



Personal Housing Plans are not consistently updated to show actions being taken to alleviate homelessness.



Instances were identified where formal letters to end a homelessness duty had not been sent to the customer.



There is a backlog of arrears from former temporary accommodation tenants, due to historical resourcing issues. A new process has been implemented to ensure that new debts are actioned promptly alongside clearing the backlog. This new system was put in place at the end of the audit fieldwork, so it was not fully tested. The backlog, dating back to 2020, has been taken into account in the overall assurance opinion.



Effective governance structures, such as strategies, policies and standard processes, are in place to ensure effective delivery of the service.

GOOD PRACTICE IDENTIFIED



The Council has trialled two pilot schemes for amending social housing allocation, in response to increased pressures on homeless services and temporary accommodation.



The team has two Living Well Officers who support people placed in temporary accommodation and help them to develop skills needed for managing a long-term tenancy.

SCOPE

The Council has statutory responsibilities for administering the housing register and preventing and relieving homelessness. This audit evaluated the governance structures in place, including policies, strategies and training; compliance with legislation and local policy in assessing and prioritising housing register and homelessness applications; allocation of social housing; management of temporary accommodation; management of increased demand for services; and monitoring of performance.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	2	0	0

Executive Summary – NN2413 Property Services – Operation Assets (Temporary Accommodation)

INTRODUCTION

1. This review is included in the 2023/24 audit plan.
2. Position Statement NN2310 Property Services Operational was issued in 2022/23 to provide advice on the Council's management of temporary accommodation assets, including health and safety compliance, and the Public Toilet Provision Strategy 2022. Significant improvements were raised relating to the management of health and safety related compliance and management of capital works for the Council's new temporary housing assets.
3. The Council currently owns and leases 22 properties for the provision of temporary accommodation.

SCOPE

4. The objective of the audit was to review the implementation of 18 recommendations made in NN2310 Property Services Operational audit relating to the management of temporary accommodation assets. We did not review the additional four recommendations relating to the Public Toilet Provision Strategy.

MATERIALITY

5. The Council has a duty to provide temporary accommodation for homeless households under the Homeless Reduction Act 2017.
6. The Council has statutory health and safety obligations over its temporary accommodation assets.

KEY FINDINGS

7. The current position of the previously suggested improvements, together with further suggested improvements arising from the review, are detailed in Table 1 below.
8. Two of the 18 original suggested improvements remain outstanding, with 10 being implemented and six superseded by the implementation of Concerto Version 3.024.

AUDIT OBSERVATIONS

9. The audit has concluded with two outstanding suggested improvements that are presented to management for consideration. These are intended to assist management in improving the control environment over management and administration of temporary accommodation assets, within the Council:
 - We originally reported that a Value for Money (VFM) report be produced and presented to senior management and Cabinet looking at whether the purchase of temporary accommodation against the current spend on emergency accommodation (i.e. Bed & Breakfasts (B&Bs)) has produced savings. The production of this report has been delayed allowing for more accurate and complete data to be collected and is included in the Council's 2024/25 Corporate Plan Action Plan, with a June 2024 target completion date.
 - We previously suggested that where a property is leased that an annual statement is received from the landlord that all health and safety compliance has been actioned to ensure that the Council are housing the public in safe accommodation. Responsibility within the Council for obtaining the annual statements from landlords requires clarification, and the outstanding statement for the sole leased property (25 Reeves Court, North Walsham) should be promptly obtained from Flagship Housing.

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Assurance was provided over risks relating to the processes and payment of all accounts payable. The objective of the audit was to review the systems and controls in place, to help confirm that these are operating adequately, effectively and efficiently.

KEY STRATEGIC FINDINGS



Procedure guidance had not been updated since moving to the new Finance system including those pertaining to Accounts Payable.



Civica Financial System - Access rights to the Civica financial system are controlled via user group profiles, with new user access requiring line management authorisation before being set up by the Council's System Administration Group.

Reviews to confirm the continued appropriateness of user access rights should be undertaken and a recommendation arising from the NN2405 Accountancy Services Audit has covered this point.



The Council has a target of 90% for invoices to be paid within 30 days following receipt. This target is not formally monitored. Audit undertook data analytical testing on the full years' payment data which established the Council achieved an average of 86% against target.



All emails to support the successful transmission of BACS payments need to be retained as evidence. This was subsequently confirmed to have been implemented following issue of the draft report.

GOOD PRACTICE IDENTIFIED



All payments without a Purchase Order (PO) were confirmed by third party authorisation within the relevant service area and in accordance with the Payment Exceptions List.



Controls within the system were verified to reduce the risk of duplicate payments.

SCOPE

These key financial systems feed into the Statement of Accounts and annual HOIA Opinion and require regular review to confirm the adequacy and effectiveness of controls in this area. The Council updated its financial system in December 2022. This programme of financial system audits provides assurance that the system controls are operating effectively.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	0	3	1

Executive Summary – Civil Contingencies and Business Continuity

OVERALL ASSESSMENT



KEY STRATEGIC FINDINGS



The Council's Corporate Business Continuity Plan is out of date and requires review. It was originally issued in December 2012, and was reviewed annually until April 2018, with no evidence of review since this date. An updated version is proposed to be issued by June 2024, with a route map for delivery in place.



Only 12 out of 28 service area Business Continuity Plans (BCPs) are current (43%); for example, Information Technology (IT), Environmental Protection, Communications/Web, Building Control and Coastal Management are all deemed to have critical activities but have plans that require review. The Resilience Manager stated that contact details have been updated for all plans, and that an updated standard template is proposed to be presented to the Corporate Leadership Team by 30th April 2024, for approval for roll-out. The BCP for Environmental Protection was only located/provided following issue of the draft audit report.



Only 18 out of 28 (64%) service area Business Impact Analyses (BIAs), a key step in the development of the BCPs, are up to date. All BIAs were due to be completed in June 2023.



No BCP testing timetable exists, with formalisation of the timetable planned as part of the forthcoming BCP rollout. The Corporate BCP has been tested by incidents rather than exercises, for example, Covid-19, IT disruption, and a long-term power outage. We were unable to verify evidence of tests performed for service area plans as the results are not formally recorded. The lack of up to date, tested, BCPs could adversely impact the Council's ability to discharge its regulatory responsibilities where BCPs are subsequently found to be inadequate.



A concise Business Continuity Policy and a more detailed Business Continuity Framework, which sets out how the policy will be implemented, were produced in December 2022, and agreed by Cabinet on 3rd January 2023, with further review due in December 2024. In addition, a current Emergency Response Plan exists, in accordance with the Civil Contingencies Act 2004, together with a current Operational Flood Plan.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit has sought to provide assurance over the following key risk: "Impact of emergency events".

SCOPE

Business Continuity and Civil Contingency have not been audited together recently. A strategic risk has been raised relating to the impact of emergency events. This audit evaluated the Council's preparedness to carry out its duties as a category one responder in the event of a series of incidents.



A comprehensive IT Security Policy covers the requirements for post-Covid agile working and is held on the Council's website for all employees to access. However, there is a need to ensure that all new employees promptly evidence confirmation of their understanding of the content of, and agreement to comply with, the Council's IT Security Policy. There is also a need to develop a schedule of server backup and restore tests for the Fakenham backup site to improve business continuity.

GOOD PRACTICE IDENTIFIED



The Council liaises effectively with external multi-agencies within the Norfolk Resilience Forum (NRF), and there is an agreement in place for the provision of mutual aid between Norfolk's Local Authorities during an emergency. The comprehensive Emergency Response Plan provides operational response details for the ~~Bacton~~ Bacton Gas Terminal Complex which is part of the UK's critical national infrastructure and is covered under the Control of Major Accident Hazards (COMAH) Regulations 2015 (COMAH), being managed by Norfolk County Council.



Detailed records of all incidents, such as false fire alarm activations, are retained, with formal debriefs undertaken, and action plans developed, as necessary, with regular reports issued to the Portfolio Holder responsible for Civil Contingencies.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
4	2	0	0

Executive Summary – NN2403 Key Controls and Assurance

OVERALL ASSESSMENT



KEY STRATEGIC FINDINGS



The Annual Governance Statement (AGS) 2022/23 contains hyperlinks to all key supporting documentation. It was presented to the Governance Risk and Audit Committee on 12th September 2023, with the deadline for publication on the Council's website being 30th September 2023. However, the AGS was not available on the Council's website at the start of the audit in March 2024, although it was subsequently added in April 2024.



As previously reported in Assurance Review NN2302 - Key Controls and Assurance, Car Parking income, including Penalty Charge Notices (PCN), is unable to be regularly reconciled and verified due to the lack of transparent information received from the contractor, Borough Council of King's Lynn and West Norfolk, together with lack of resources in the team. The enforcement contract has been extended for a further year to allow time for a detailed review as to how the Council will manage the enforcement and income reconciliation thereafter. This outstanding recommendation impacts on the report's overall level of assurance. Car Parking income for nine months to 31 December 2023, as reported to the Council's Overview and Scrutiny Committee on 20th March 2024, totalled c£2.5m, with PCN income reported as c.£50k for the same period.



Council Tax and Non-Domestic Rates' calculations are complete and accurate, with discounts, exemptions and reliefs valid, and income received reconciled daily to the revenues system. However, all amendments to Inhibits, should be independently checked each month to minimise the risk of debts not being followed up in a timely manner.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The audit has sought to provide assurance over the following key risk: "Non-compliance with key financial controls".

GOOD PRACTICE IDENTIFIED



Key controls operated effectively over Payroll and Housing Benefits/Council Tax Support processes.

SCOPE

This is an annual review of key controls and feeds into the Statement of Accounts, for those systems not subject to an audit review within the year more coverage will be provided in those areas.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	1	1	0

APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Year	Audit Name	1	2	3	Total Outstanding as at 20 May 24
2019/20	- Planning Applications and Development Management		1		1
	Total		1		1
2021/22	Environmental Health		1		1
	Key Controls and Assurance		1		1
	Waste Management		2		2
	Total		4		4
2022/23	Corporate Health and Safety			5	5
	Development Management includes planning applications			1	1
	ICT-Disaster Recovery		1	2	3
	Key Controls and Assurance	1	5	1	7
	Total	1	6	9	16
2023/24	Accountancy Services		2	3	5
	Complaints and FOI		2	1	3
	Income		1		1
	Land Charges		2	1	3
	Procurement and Contract Management		2	1	3
	Service Desk		3	2	5
	Total		12	8	20
Total		1	23	17	41

The following audits in the table above were assigned a 'limited' overall assurance opinion: -

- 2022/23 – Key Controls and Assurance
- 2023/24 – Land Charges

The following audits in the table above were assigned a 'substantial' overall assurance opinion: -

- 2023/24 – Freedom of Information

The other audits listed in the table above were assigned an overall opinion of 'reasonable'.

APPENDIX 3 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2009 Planning and Development	Recommendation 2: Response time targets and fees for pre-application work be reviewed, to ensure that they enable good quality, timely responses to be provided to applicants.	Important	Head of Planning; Development Manager	31/10/2020	1/7/24	9	Outstanding	A new 'Pre-Application Service' is being designed - with input from our Agents and Developers Forum. Consultation on an initial proposal started in early May 2024. The new proposal will include a new fee regime - which it is intended to take to Council in July 2024 - with the new system being introduced from 1st September 2024. Delivery against the new Service will be monitored within a new suite of Performance Indicators that are being devised for Planning.

APPENDIX 4 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2213 Waste Management	Recommendation 1: Review and update the Inter Authority Agreement to ensure that it is clear in terms of managing relations between all three member Authorities to reflect the operational status of the contract. In particular, this should include agreement on the principles which underpin how the contract should be managed for the benefit of all of the Councils, and on mechanisms for resolving disagreements between the Authorities if they arise.	Important	Director of Communities	29/07/2022	30/06/2024	6	Outstanding	The drafting of the revision to the Inter Authority Agreement has been completed and wording agreed with Eastlaw. The revised agreement has not yet been agreed by the three councils, due to other priorities in the waste contract associated with the round and route re-optimisation and ongoing commercial matters discussions with Serco. Officers will look to progress this as soon as the issues outlined above have been resolved.
NN2213 Waste Management	Recommendation 2: Obtain regular assurances that Serco complies fully with its complaints procedure and that there is audit trail to evidence this. Any non-compliances should be formally raised through the Operational Board meeting. A quarterly report should be made to the Contract Management Board by Serco along with details of corrective action taken.	Important	Environmental Services Manager	29/07/2022	31/3/2024	4	Outstanding	Performance within the Serco customer contact centre has continued to see improvements. The high workload and staff shortages within the team over the last few months has meant it has not yet been possible to further implement a complaint monitoring system as had been intended. With the team now back to full strength, it is hoped this will be progressed within the next few months. Due date has therefore been updated to end March 2024.

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2202 Key Controls and Assurance	Recommendation 3 – North Norfolk DC to ensure it receives 40% of income from the issuing Penalty Charge Notice (PCN) as per the terms of the contract with Council of Kings Lynn & West Norfolk and this can be clearly evidenced.	Important	N/A	25/5/2022	30/06/2024	1	Outstanding	"This has not progressed. However, in December we were successful in recruiting in a previously vacant Accountancy Assistant and with this resource we can hopefully develop a reconciliation process. I suggest that a new deliverable date is 30/06/2024 (allowing for Year-end closure)"
NN2214 Environmental Health	Recommendation 2: The Council to ensure that all licence fee income has been correctly accounted for and that there is agreement between Assure and eFinancials.	Important	Environmental Services Manager and Public Protection & Commercial Manager	30/06/2022	31/3/2024	3	Outstanding	The recommendation is not yet complete. We have made further progress with establishing a new system for managing licensing fee income due and reconciling this information between the Licensing database and finance systems. It is anticipated that this system will be implemented by November for all 'new' annual fees due from that point. We have contacted licence holders with potentially outstanding historical fees and requested that either payment is made or evidence of historic payment is provided (to account for income received that was not able to be reconciled with a specific licence holder in the database). There is still further work to be completed on both aspects of this recommendation but anticipate this will be completed by March 2024. As noted in previous updates, this is a resource intensive exercise and will require additional staffing support to enable completion within the timescales suggested.

APPENDIX 5 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2022/23

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2302 Key Controls and Assurance	Management should ensure that: - all investments made are appropriately authorised; - reconciliations of Treasury records to GL are subject to independent, evidenced, reviews.	Urgent	Director for Resources	31/10/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Management to ensure that:- All issues and emerging themes identified in the Self-Assessment process are captured in the Action Plan;- There is a clear reference from Self-Assessment findings to issues raised in the Action Plan, with each Action Plan issue having a consecutive reference number. - Each Action Plan entry has a target date and owner clearly stated.	Important	Director for Resources	31/12/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Management to ensure that future Annual Governance Statements provide clear visibility of the overall governance position of the Council. For example: - all significant issues arising during the year should be detailed in the "Governance Issues" section, with clear reference to the Action Plan; - all Action Plan issues should be supported by detail in the Governance Issues section; - progress on previous	Important	Director for Resources	31/12/2023	N/A	0	Outstanding	No updated response provided

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	years' Action Plan issues should be reported.							
NN2302 Key Controls and Assurance	Management to investigate the potential for new reports to be developed from the new Finance system detailing number of debts by age category, and value/number by department, to enhance the focussed review of old debt.	Important	Director for Resources	31/12/2023	31/03/2024	1	Outstanding	The new reports are being updated by IT and will be live by the end of March 2024.
NN2302 Key Controls and Assurance	To investigate the purchase order interface on the finance system with the system provider to rectify property service orders being raised and authorised by the same user.	Important	Director for Resources	31/12/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Management to: - ensure that car park ticket machine income records and cash collected are reconciled monthly with any discrepancies promptly and thoroughly investigated; - review arrangements for ensuring the Council receives all income due from Penalty Charge Notices including, if needs be, the future provision of the service. If outsourcing is considered the most appropriate method, a method of independent verification of the income received should be contractually agreed with the current / future service provider, to facilitate the requisite levels of detail to provide the required assurances.	Important	Director for Resources	31/12/2023	N/A	0	Outstanding	No updated response provided

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
22/23 NN2316 ICT-Disaster Recovery	The Council to ensure that the Corporate Business Continuity Plan, which was last updated in April 2018, be reviewed and approved as a matter of urgency. We understand that Council management have already identified this as a priority. As part of this exercise, the IT team to ensure the Council's Disaster Recovery capability is communicated and approved at Senior Management level.	Important	Director for Resources	31/12/2023	N/A	0	Outstanding	The audit of this area in 2023/24 has made the same recommendation and an 'urgent' rating has been applied. The completion date has been agreed as 31/5/24.

APPENDIX 6 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2023/24

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
23/24 NN2402 Complaints and FOI	Reported data on complaints to include closed and open complaints to provide an accurate picture of response times. Complaints to be responded to within the published target timescales and updated/closed on the Workbench system in a timely manner.	Important	Customer Services Manager	1/04/2024	30/06/2024	1	Outstanding	A review of our Corporate Complaints Procedure is underway to bring this in line with the new Local Government & Social Care Ombudsman, and the Housing Ombudsman Services complaints handling code. This will involve updating our policy, staff training, and increased reporting on complaints.
23/24 NN2402 Complaints and FOI	Training to be provided on using the Workbench system to all officers who manage and respond to complaints.	Important	Customer Services Manager	1/04/2024	30/06/2024	1	Outstanding	A review of our Corporate Complaints Procedure is underway to bring this in line with the new Local Government & Social Care Ombudsman, and the Housing Ombudsman Services complaints handling code. This will involve updating our policy, staff training, and increased reporting on complaints.
23/24 NN2408 Income	Complete a review of staff access to the Digital Mail Room rooms and implement a process to regularly review access to ensure only appropriate staff have access.	Important	Customer Services Manager	1/04/2024	31/05/2024	1	Outstanding	Access rights into the Digital Mailroom are under review.
23/24 NN2412 Land Charges	To ensure data cleansing is undertaken regularly as standard practice. Implementing both recommendations will also improve resilience in the long term, with less time and resources required to amend inaccurate data.	Important	Team Leader	31/03/2024	30/06/2024	1	Outstanding	Any data added to the Land Charges register is checked by the Team Leader. Data cleansing identified by HMLR is being worked on currently.
23/24 NN2412 Land Charges	Reconciliations between land charge records and the general ledger to be completed on a monthly basis and be independently reviewed	Important	Planning Support Leader	30/03/2024	N/A	0	Outstanding	No updated response provided

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	with evidence of sign off from the reconciling officer and independent reviewer retained							
23/24 NN2404 Procurement and Contract Management	Complete the spend analysis and lower the threshold going forward to all cumulative spend per supplier of over £5k.	Important	Chief Group Accountant/Procurement Officer	31/03/2024	30/06/2024	1	Outstanding	The council has successfully recruited into the Accountancy Assistant post (Dec 23) and aim to complete this recommendation the end of June.
23/24 NN2404 Procurement and Contract Management	Retain appropriate evidence of the decision to award a contract, for example, via a pro forma document or retention of e-mail correspondence	Important	Procurement Officer	31/12/2023	N/A	0	Outstanding	No updated response provided
23/24 NN2405 Accountancy Services	Whilst the Chief Technical Accountant post remains vacant, the Director of Resources must satisfy themselves by completing appropriate checks to confirm that the absence of these independent reviews and authorisations has not resulted in any errors or wrongdoing.	Important	Technical Accountant	31/3/2024	31/07/2024	1	Outstanding	Monthly treasury reconciliations are being reviewed by Karl Smith (Interim Assistant Director for Finance) until a new Chief Technical Accountant is in post (anticipated July 2024).
23/24 NN2405 Accountancy Services	To ensure that a daily check of the Cachematrix portal is performed to confirm complete, accurate and timely investment by counterparties, with the Daily Record Sheet completed as evidence. Risk: Failure to promptly identify counterparty errors and potential loss of interest.	Important	Technical Accountant	31/3/2024	N/A	0	Outstanding	No updated response provided
23/24 NN2414 Service Desk	The instances of non-compliance with service level agreement resolution time to be reviewed and relevant improvements put in place to ensure that	Important	Network Manager / ICT Web Manager / Applications Support Manager, IT Business Support	28/02/2024	N/A	0	Outstanding	No updated response provided

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	incidents are actioned within the resolution time and closed on the Service Desk							
23/24 NN2414 Service Desk	The Council to establish SMART KPIs to monitor the performance of the Service Desk.	Important	Network Manager / ICT Web Manager / Applications Support Manager, IT Business Support	28/02/2024	N/A	0	Outstanding	No updated response provided
23/24 NN2414 Service Desk	Regular review meetings to be established to ensure the Service Desk meets its objectives and performance targets.	Important	Network Manager / ICT Web Manager / Applications Support Manager, IT Business Support	31/12/2023	N/A	0	Outstanding	No updated response provided

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Report Title			Head of Internal Audit's Annual Opinion Report 2023-24		
Are there background papers?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No			
Exempt	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No			
Reason for Exemption?					
Decision for Full Council?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No			
Contact Officer	Teresa Sharman, Head of Internal Audit for North Norfolk District Council				
E-mail address	teresa.sharman@southnorfolkandbroadland.gov.uk				
Telephone number	01603 430138				
Are there Non Electronic Appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No			
List of Background Papers (if applicable)					

Head of Internal Audit's Annual Opinion Report 2023-24

- Summary:** This report concludes on the Internal Audit Activity undertaken during 2023/24, it provides an annual opinion concerning the organisation's framework of governance, risk management and control and concludes on the effectiveness of internal audit and provides key information for the Annual Governance Statement.
- Conclusions:** The Head of Internal Audit is able to give a reasonable / limited opinion on the framework of governance, risk management and control overall at North Norfolk District Council. Improvement in the control environment is needed.
- Recommendation:** That the Committee is requested to: -
- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
 - Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2024.
 - 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 2023/24.
 - Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

Cabinet member(s):

All

Contact Officer, telephone number,
and e-mail:

Ward(s) affected:

All

Teresa Sharman
01603 430138

teresa.sharman@southnorfolkandbroadland.gov.uk

1. Background

- 1.1 The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).
- 1.2 This report should include the following: -
- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment;
 - Disclose any qualifications to that opinion, together with the reasons for the qualification;

- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS;
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies;
- An overall summary of the performance of the Internal Audit Service against its performance indicators; and
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

1.3 The purpose of this report is to satisfy this requirement.

2. Overall Position

2.1 The attached report contains the annual opinion of the Head of Internal Audit and the outcomes of Internal Audit performance measures and QAIP..

3. Conclusion

3.1 Having considered the audit work for 2023/24 for the Council, the Head of Internal Audit is able to provide **Reasonable / Limited Assurance** in relation to the framework of risk management, governance, and internal control. The opinion reflects the potential direction of travel in the control environment at the Council based on the information outlined in the attached report; therefore, improvement in the control environment needs to be demonstrated over the next audit year.

3.2 The overall performance status for the Contractor performing internal audit for the Council is '**amber**'. Action to improve performance is detailed in the attached report.

3.3 Regarding the QAIP, the service is compliant with internal audit standards as per the external quality assessment in October 2022, and is reviewing compliance with the new Global Internal audit Standards which come into effect on 1 January 2025.

4. Recommendations

1) That the Committee is requested to receive and note:

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2024.
- 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 2023/24.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

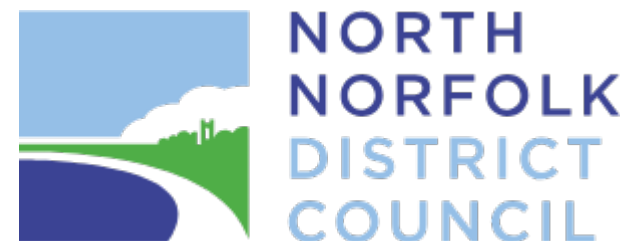
Appendices attached to this report:

Appendix A – Annual Opinion Report 2023/24

EASTERN INTERNAL AUDIT SERVICES



Breckland Council



NORTH NORFOLK DISTRICT COUNCIL

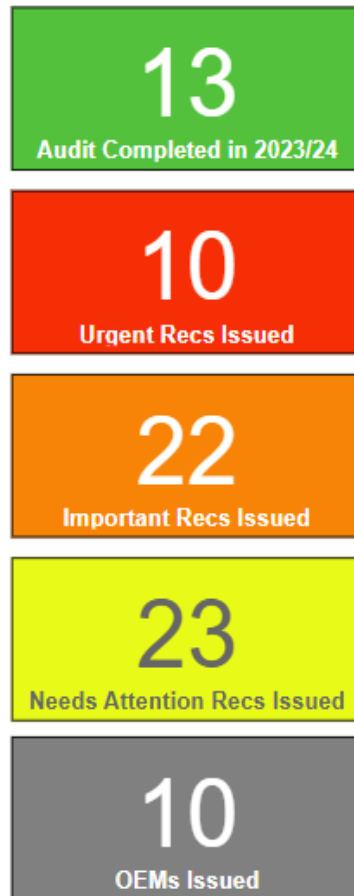
Internal Audit Annual Opinion & Report 2023/24

Head of Internal Audit: Teresa Sharman

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Summary: Internal Audit Work 2023/24



Head of Internal Audit's Opinion 2023/24

Substantial

Reasonable

Limited

No

HOIA opinion –
Reasonable / Limited
10 positive opinions
of which 1 was
'substantial'
3 'limited' opinions

Executive Summary

Purpose

The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).

This report should include the following: -

- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS;
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies;
- An overall summary of the performance of the Internal Audit Service against its performance indicators; and
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal Audit Service for the Council is provided by the Consortium, Eastern Internal Audit Services, hosted by South Norfolk Council, which utilises the services of a contractor, TIAA Ltd.

	<p>All audit work is completed in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors, directed by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note 2019.</p> <p>Internal audit provides an independent and objective opinion on the Council's internal controls by evaluation their effectiveness and operation in practice.</p>
Scope of Responsibility	<p>The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p> <p>In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.</p> <p>The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.</p> <p>This opinion statement is provided for the use of the Council in support of its AGS for the year ended 31 March 2024.</p>
Head of Internal Audit Annual Opinion Statement	<p>Opinion</p> <p>In summary: -</p> <p>I have considered the audit work for 2023/24 for the Council and am able to provide Reasonable / Limited Assurance in relation to the framework of risk management, governance, and internal control. My split opinion reflects the potential direction of travel in the control environment at the Council based on the information</p>

outlined in this report; therefore, improvement in the control environment needs to be demonstrated over the next audit year.

In detail: -

My opinion is based on the audit work completed in 2023/24, and the relative materiality of the issues arising from audit work as well as management's progress in addressing any control weaknesses identified. There are some areas which require the introduction or improvement of internal controls to ensure the achievement of the Council's objectives where limited assurance was provided and urgent recommendations made.

In arriving at my overall annual opinion: -

- Reliance has not been placed on any third-party assurances.
- I have considered management's progress with addressing outstanding recommendations from previous years as detailed below.
- I have considered the outcomes of all audits completed in 2023/24, particularly, the three 'limited' assurance opinions as detailed below.
- I have considered the outcomes of the audit work completed on the High Street Heritage Action Zone Building Improvement Grant funding administered by the Council in relation to the building work at North Walsham Phoenix Group's Youth and Community Space at the former Barclays Bank. This was an additional item to the Internal Audit Plan. This works outlines that there are control weaknesses in the administration and oversight of grants awarded. An executive summary of our findings will be presented to the Committee at its next meeting,

Limited opinions

Three limited assurance opinions have been issued in 2023/24 and key control weaknesses were identified as detailed below. Any control weaknesses represent unresolved risks and should be considered for inclusion within the Council's Annual Governance Statement where the recommendations to address these remain outstanding at year end.

Civil Contingencies and Business Continuity (Final report issued May 2024)

Details of the four urgent recommendations are detailed below: -

- The Corporate Business Continuity Plan has been updated and is due for Corporate Leadership Team approval at the end of May 2024.
- Not all service areas have a Business Continuity Plan in place. At the time of the audit, five out of 15 critical activities did not have one in place.
- A testing timetable for the Corporate Business Continuity Plan is not in place although the Plan has been tested because of incidents arising rather than planned testing activities. The results of service areas' tests are not recorded.
- Business Impact Analyses had not been completed in all services areas. At the time of the audit, only 18 out of 28 service areas had completed one.

This all compromises the ability of the Council to recover and continue its services in the event of an adverse event.

The due dates for management action are all to be completed by the end of July 2024.

Land Charges (Final Report issued October 2023)

- The two urgent recommendations raised have been addressed.
- Two important recommendations remain outstanding in relation to data cleansing of the system used for land register charges and reconciliations between the land register system and the General Ledger.

This all impacts the integrity of the data.

A revised due date has been agreed for the former recommendation detailed above to the end of June 2024 but not the latter which was due for completion at the end of March.

Post-Implementation Finance System Review (Final Report issued November 2023)

- The three urgent recommendations raised are due for completion by November 2024 and relate to ensuring all key project milestone decisions are formally documented, appropriate project controls are put in place commensurate with the size and complexity of the project, and a system specification, project initiation document and business case are developed and approved at the beginning of the

project. It is likely that these recommendations will be closed as there cannot be applied to the finance system now but can be for any future projects.

- A formal post implementation review has still to be completed and should include amongst other things a comparison of planned and actual benefits, an analysis of what worked well and what could have worked better and officer feedback.
- A review of the outstanding functionality not yet implemented with a view to making decisions about which of these remain a priority and which are not, supported by an implementation plan and roadmap.

This may impact the ability of the Council to work as effectively as it could with the technology it has brought and whether they have realised the benefits of the new system.

The due dates for all the recommendations are November 2024.

Third party assurances

No third-party assurances have been relied upon.

Outstanding recommendations

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end 2023/24 is that 41 recommendations, crossing the years 2019/20 to 2023/24, are outstanding as the table below details which has been accounted for in my overall annual opinion: -

Audit Year	No. Outstanding	No. of Urgent	No. of Important	No. of Needs Attention
2019/20	1	0	1	0
2021/22	4	0	4	0
2022/23	16	1	6	9
2023/24	20	0	12	8

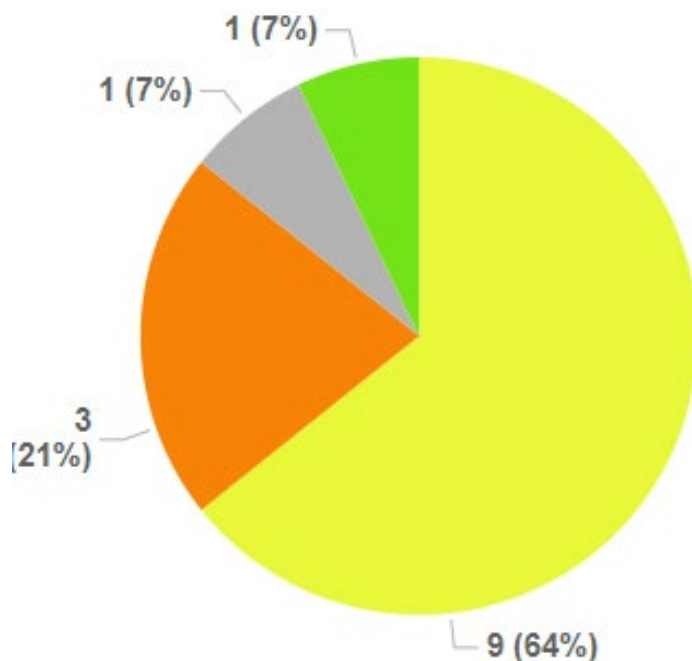
The one urgent recommendation relates to treasury management from the 2022/23 Key Controls and Assurance audit, which was reiterated in the same audit for 2023/24, and will be addressed in its entirety when the new Chief Technical Accountant arrives to this vacant position in July 2024. This recommendation relates to reviewing and authorising short-term investments and the reconciliations between the treasury management investment records and the General Ledger. In the meantime, the Deputy S151 Officer of the S151 Officer have been reviewing the reconciliations.

The important recommendations relate to several audits from financial and service areas. The one from 2019/20 relates to a recommendation from the Planning Applications and Development Management audit in relation to a review of response time targets and fees for pre-application work. A new 'Pre-Application Service' is now being designed, which will include a new fee regime, with consultation on the initial proposal in May 2024. The proposal will be taken to the Council in July 2024 and the new system introduced from 1st September 2024. Therefore, this recommendation should be closed off over the summer.

Please refer to the separate Internal Audit Progress and Follow Up report June 2024, which shows the details of the progress made to date in relation to the implementation of agreed recommendations, and which also provides an update from management regarding all outstanding recommendations.

Audit Outcomes

Below is the spread of audit opinions across audit work completed in 2023/24, One of the 13 audits were advisory work. For a detailed summary of audit work completed, please refer to Appendix 1.



Note: Thirteen audits were completed in 2023/24 but one audit covered two areas and an opinion was given for both areas. Therefore, there were 14 opinions given in the year.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work.

Audit work in 2023/24 covered corporate areas, service areas, governance, I.T., finance systems, housing benefits, council tax billing and business rates and enforcement.

Appendix 2 shows the assurances provided over previous and current audit years to provide an overall picture of the control environment.

Performance Measures Outcomes

Internal Audit PM Outcomes

Detailed below are the outcomes of Internal Audit's performance measures which relate to the performance of the contractor delivering internal audits for the Council. With only six PIs met, the overall performance status is 'Amber'. Other than KPI 1 which is measured annually and KPIs 6 and 8 which are measured continuously, all KPIs are measured quarterly.

Overall Performance Status		Amber
KPI Ref.	Description	Outcome
Senior Management		
KPI 1	S151, S17 Satisfaction, annually minimum good.	Below Expected
Internal Audit Process		
KPI 2	APM issued minimum 20 working days before agreed start date of each review – 90% quarterly.	X
KPI 3	Quarterly draft reports issued within 10 working days of the end of the quarter – 95% quarterly.	X
KPI 4	Quarterly final reports issued 20 working days of the end of the quarter – 95% quarterly	X
KPI 5	Quarterly performance pack reported to the Contract Manager within 15 working days of the end of the quarter	✓
KPI 6	Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	✓
KPI 7	PSIAS compliance – Deep dive review of files indicates good quality evidence saved on file – 100%. Four files per quarter	Not completed

Clients		
KPI 8	Average feedback scores from key clients, quarterly minimum average.	✓
Innovation and Capabilities		
KPI 9	Percentage of recommendations accepted by management 90% overall.	✓
KPI 10	Percentage of qualified / experienced staff working on the contract each quarter – 60%	✓
KPI 11	Number of training hours per member of staff completed each quarter – minimum 1 day per quarter.	✓

KPIs in more detail

Operational KPIs

The table below shows the outcomes of the operational KPIs 2, 3, 4 and 8 in more detail: -

KPI 2 (Issue of APMs)	KPI 3 (Issue of Drafts)
1 out of 13 on time	5 out of 13 on time
KPI 8 (Feedback)	KPI 4 (Issue of Finals)
2 out of 13 returned	3 out of 13 on time

For KPI 8, the average feedback score from the two returned surveys was 5, good. The range for the possible scores is, 6 - excellent and 1 – poor.

KPI 7 – PSIAS compliance - deep dive review of files

Regarding KPI 7, compliance with PSIAS deep dive review of files, this was not completed by my predecessor in quarters 1 and 2 because insufficient audits had been completed across Consortium clients. This continued to be the case with quarter 4 audits continuing into the quarter 1 of the new audit year, and due to the Head of

Internal Audit only being in post for part of quarter 3 and quarter 4 only, it was decided to not complete any deep dive reviews in 2023/24. However, the Head of Internal Audit reviews and approves the issue of all APMs, draft and final reports and views all completed work programmes. As a result, more detail in audit scopes has been requested in APMs, changes to the draft and final reports have been agreed and testing completed has been questioned along the way.

KPI 1 S151 satisfaction

The S151s' satisfaction, KPI 1, was also deemed to be below that expected when reviewed as a collective at the April 2024 Consortium meeting. These together make the overall performance status 'amber' for 2023/24.

Actions to Improve

As the tables above highlight, the Contractor has not met our targets relating to issuing Audit Planning Memorandums (APMs) and draft and final reports within the set timescales.

Reasons for poor performance

Performance in 2023/24 was affected by the carried forward audit work from the previous audit year as well delays in audits starting and progressing in year, which has been due to many reasons such as contractor and Council officer sickness, lack of responses from Council officers to communication from the Contractor, lack of escalation by the Contractor to the Head of Internal Audit or S151s when responses are not received and audits are delayed; therefore, both Council officers and the Contractor have been responsible for this situation.

As a result, the 10% quality payment, which is withheld until the end of the year annually, was adjusted accordingly and not paid in full.

Action to address poor performance

The following action is being taken or considered to improve performance: -

- To prevent a delay to the delivery of quarter 1 audits in 2024/25, the Contractor has appointed another team to complete these audits.

- A Protocol, 'a ways of working together' and expectations of Council officers and the Contractor has been outlined and issued to ensure that audits are completed as planned in 2024/25 without delay. This includes timescales for responding and escalation action.
- As the Contractor does not have exclusivity, consideration is being given to engaging with another contractor to complete some audits during 2024/25.
- The Contractor is appointing another Client Manager on the contract as one of the current managers is part time. This will help ensure that all audit work is progressed timely. In addition, more auditors are recruited.

Quality Assurance and Improvement Programme (QAIP)

QAIP

To comply with Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP) which must include both internal and external assessments. There are three requirements as follows: -

- Ongoing monitoring of the performance of the internal audit activity. This refers to the day-to-day supervision, review and measurement of internal audit activity that is built into policies and routine procedures. The day-to-day monitoring of audit engagement is completed by the Contractor and progress with audit work and plans are monitored by the EIAS through weekly operational and quarterly performance meetings with the Contractor, and by review and approval of audit outputs, as well as by an evaluation of the Contractor's performance against our suite of KPIs.
- Periodic self-assessments to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. A self-assessment is completed annually.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

The results of the QAIP are reported to the Audit Committee each year as part of this annual report.

The Internal Audit Team within EIAS maintain a QAIP which covers internal and external assessments and was detailed within your Strategic and Annual Plan Report 2024/25 to 2026/27.

Internal Assessment

A checklist for conformance with the PSIAS and the CIPFA Local Government Application Note 2019 was completed for 2020/21 and is reviewed for continuing compliance annually. This is a self-assessment which evaluates conformance with the PSIAS.

	<p>This annual self-assessment has not been completed in 2023/24. This is because the Global Internal Audit Standards (GIAS) have been released and will become effective on 1 January 2025. Our focus is now on completing a self-assessment against these to identify any gaps in conformance so that these can be addressed, and a report will be provided to the Audit Committee during 2024/25 on our conformance. A CIPFA version for the Public Sector is expected during 2024.</p> <p>(Note: the PSIAS are based on the mandatory elements of the IPPF).</p>
External Assessment	<p>An external quality assessment (EQA) evaluates conformance with the IPPF.</p> <p>An EQA was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA). The Internal Audit Service received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms').</p> <p>Progress with actions</p> <p>One area of partial conformance was highlighted in coordinating and maximising assurance. Within the Strategic and Annual Plans report for the audit year 2023/24 presented in March 2023, an Assurance Map was provided, outlining the then top risks, along with first, second and third lines of assurance. This was not repeated for the 2024/25 audit year. It has been proposed to complete detailed assurance maps for at least one of the Council's corporate risks.</p> <p>The second area of partial conformance was raised to ensure that all EIAS clients receive an external quality assessment as it falls due on the five-year anniversary. This will be ensured at the five-year anniversary in 2027.</p>

Summary of Internal Audit Work 2023/24

Appendix 1

Audit Area	Status	Opinion	Total	Urgent	Important	Needs Attention	OEMs
Freedom of Information	Final	Substantial	1	0	0	1	0
Complaints	Final	Reasonable	5	0	2	2	1
Accountancy Services	Final	Reasonable	6	0	2	4	0
Accounts Payable	Final	Reasonable	4	0	0	3	1
Accounts Receivable	Final	Reasonable	3	0	0	0	3
Income	Final	Reasonable	2	0	2	0	0
Procurement and Contract Management	Final	Reasonable	7	0	3	3	1
Key Controls and Assurance	Final	Reasonable	2	0	1	1	0
Housing Strategy, Homelessness and Housing Options	Final	Reasonable	2	0	2	0	0
Service Desk	Final	Reasonable	6	0	3	2	1
Civil Contingencies and Business Continuity	Final	Limited	7	5	2	0	0
Post-Implementation Finance System Review	Final	Limited	5	3	2	0	0
Land Charges	Final	Limited	15	2	3	7	3
Property Services - Operational	Final	Position Statement	0	N/a	N/a	N/a	N/a
Risk Management	Deferred	N/a	N/a	N/a	N/a	N/a	N/a
Coastal Management	Deferred	N/a	N/a	N/a	N/a	N/a	N/a

Grant Certifications	<p>The following grants were certified by EIAS during 2023/24: -</p> <ul style="list-style-type: none"> • Food Waste Collection Declaration P/e 2023/24 • Disabled Facilities Capital Grants P/e 2022/23
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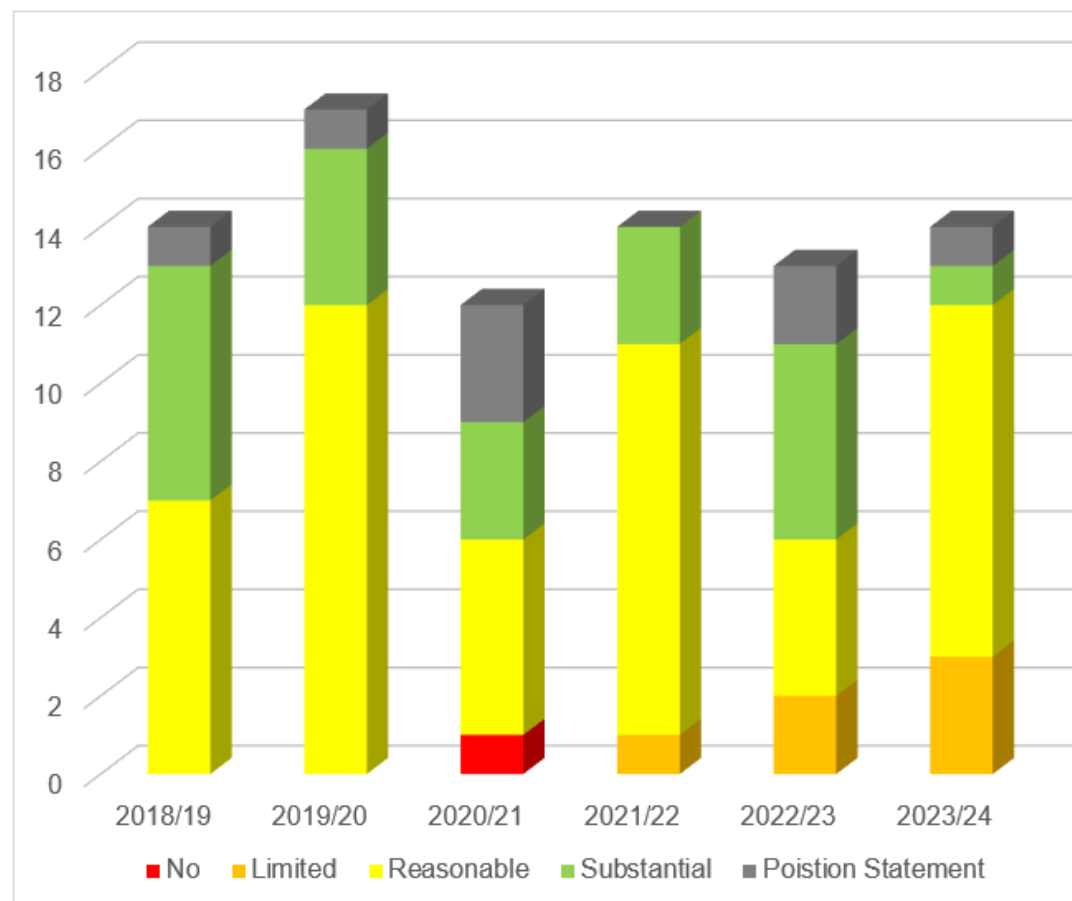
For Your Information: -

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.

(Note: OEMs are Operational - Effectiveness Matter)

Audit Opinions by Year

The following chart shows the opinions provided for audits over the last six years: -



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Report Title		Results of the Governance, Risk and Audit Committee's Self-Assessment Exercise & Action Plan	
Are there background papers?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Exempt	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Reason for Exemption?			
Decision for Full Council?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Contact Officer	Teresa Sharman, Head of Internal Audit for North Norfolk District Council		
E-mail address	teresa.sharman@southnorfolkandbroadland.gov.uk		
Telephone number	01603 430138		
Are there Non Electronic Appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
List of Background Papers (if applicable)			

Agenda Item No _____

Results of the Governance, Risk and Audit Committee's Self-Assessment Exercise and Action Plan

- Summary:** This report outlines the results of the self-assessment questionnaires returned and completed by Members of the Governance, Risk and Audit Committee and action plan from this.
- Conclusions:** Completion of a self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Governance, Risk and Audit Committee, and good corporate governance is achieved.
- Recommendation:** That Members note the final scores for the first tool assessment, the 'Self-assessment of good practice' **attached at Appendix 1** and the second tool assessment, 'Evaluating the impact and effectiveness of the audit committee' **attached at Appendix 2**.
- The Members review the action plan in **Appendix 3** and consider whether all improvement actions have been captured.

Cabinet member(s): Ward(s) affected:

All

All

Contact Officer, telephone number,
and e-mail:

Teresa Sharman
01603 430138

teresa.sharman@southnorfolkandbroadland.gov.uk

1. Background

- 1.1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on "Audit committees - practical guidance for local authorities and police 2022" sets out the guidance on the function and operation of audit committees. It represents CIPFA's view of best practice. The guidance states the purpose of an audit committee "is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements."
- 1.2. In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee's and a new Audit Committee self-assessment template is now available.
- 1.3. Good audit committees are characterized by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
- 1.4. It is good practice for audit committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.

- 1.5. In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
- 1.6. The guidance provides two tools against which the Committee can assess itself. The first, 'Self-assessment of good practice' supports an assessment against recommended practice to inform and support the Committee under the areas of 'purpose and governance', 'functions of the Audit Committee', 'membership and support', and 'effectiveness of the committee'. Scores of 0 – 5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.
- 1.7. The second assessment tool, 'Evaluating the impact and effectiveness of the audit committee' helps Members to consider where it is most effective and where there may be scope to do more. To be effective the Governance and Audit Committee should be able to identify evidence of its impact or influence. For each area, an evaluation of strengths, weaknesses and proposed actions is required. The areas are: -
- Promoting the principles of good governance and their application to decision making;
 - Contributing to the development of an effective control environment;
 - Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
 - Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
 - Supporting effective external audit, with a focus on high quality and timely audit work;
 - Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
 - Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, controls and assurance arrangements;
 - Supporting the development of robust arrangements for ensuring value for money;
 - Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks; and
 - Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.

2. Overall Position

- 2.1. Members were sent the two tool assessment documents detailed at 1.7 and 1.8 above to complete. The scores from the four returned were collated and are shown in **Appendix 1 and Appendix 2**.

3. Conclusion

- 3.1 Completion of a self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Governance and Audit Committee, and good corporate governance is achieved. There are some areas of improvement as detailed in the Action Plan at **Appendix 3**.

4. Recommendations

- 1) That Members discuss and review the returned scores, agreeing final scores for the first tool assessment, the 'Self-assessment of good practice' **attached at Appendix 1** and the second tool assessment, 'Evaluating the impact and effectiveness of the audit committee'

attached at Appendix 2, and consider whether improvement actions need to be developed in any areas.

Appendices attached to this report:

Appendix 1 – Self-Assessment of Good Practice 2024 (containing scores)

Appendix 2 - Evaluating the impact and effectiveness of the audit committee (containing scores)

Appendix 3 – Action Plan

Appendix 1**Self-assessment of good practice 2024**

A regular self-assessment should be used to support the Governance and Audit Committee work programme, training plans and the annual report. This evaluation will support an assessment against recommended practice to inform and support the Governance and Audit Committee. This review incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

Good Practice Questions		Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
Audit committee purpose and governance						
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					5
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					5
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	5
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?				3	5

7	Does the governing body hold the audit committee to account for its performance at least annually?			2		5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"> Compliance with the CIPFA Position Statement 2022 				3	5
	<ul style="list-style-type: none"> Results of the annual evaluation, development work undertaken and planned improvements 				3	5
	<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year? 				3	5
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements				3	5
	Risk management arrangements				3	5
	Internal control arrangements, including: <ul style="list-style-type: none"> Financial management Value for money Ethics and standards Counter fraud and corruption 				3	5
	Annual governance statement					5
	Financial reporting					5
	Assurance framework					5
	Internal audit					5
	External audit					5

10	Over the last year, has adequate consideration been given to all core areas?					5
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?				3	5
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	0				5
Membership and support						
13	Has the committee been established in accordance with the 2022 guidance as follows?					
	• Separation from executive			2		5
	• A size that is not unwieldy and avoids use of substitutes				3	5
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	0			3	
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?		1	2	3	5
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	0			3	5
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	0		2		5
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?		1	2		5
18	Is adequate secretariat and administrative support provided to the committee?					5

19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?				3	5
Effectiveness of the committee						
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	0		2	3	5
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22	Are meetings effective with a good level of discussion and engagement from all the members?	0			3	5
23	Has the committee maintained a non-political approach to discussions throughout?				3	5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			2	3	5
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?				3	5
26	Do audit committee recommendations have traction with those in leadership roles?		1	2	3	5
27	Has the committee evaluated whether and how it is adding value to the organisation?	0		2		5
28	Does the committee have an action plan to improve any areas of weakness?	0		2		5
29	Has this assessment been undertaken collaboratively with the audit committee members?	0	1			5
Total score						
Maximum possible score						200

Appendix 2**Evaluating the impact and effectiveness of the audit committee**

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more.

Assessment Key:

- 5** - Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4** - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3** - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2** - There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1** - no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's- 	<p>4, 4, 5, 5</p> <p>Small committee with active participation.</p> <p>Not well attended by observers. Therefore, works in isolation.</p> <p>More visible output reporting.</p>

	committees to review governance arrangements in partnerships.	length arrangements. <ul style="list-style-type: none"> The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers 	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement 	4, 5, 5, 5 Good work programme
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review 	1, 4, 5, 5,
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies 	3, 5, 5, 5 Request for more concise reports

	assurance gathering and reporting. <ul style="list-style-type: none"> • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit 		
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations 	<ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan and any amendments are well explained. • An audit of high quality is delivered 	4, 5, 5, 5
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	4, 5, 5, 5
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk,	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory 	2, 4, 5, 5 Good governance enables good decision making

control and assurance arrangements	<p>governance and assurance arrangements are in place.</p> <ul style="list-style-type: none"> • Reviewing the effectiveness of performance management arrangements 		
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory 	4, 4, 5, 5
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements). 	2, 5, 5, 5
Promoting effective public reporting to the authority's stakeholders and local	<ul style="list-style-type: none"> • Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their 	<ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor completed the audit of 	4, 5, 5, 5 Started a conversation with officers to improve the understandability of reports

community and measures to improve transparency and accountability	<p>contribution to it.</p> <ul style="list-style-type: none">• Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.• Publishing an annual report from the committee	<p>the financial statements with minimal adjustments and an unqualified opinion.</p> <ul style="list-style-type: none">• The authority has published its financial statements and AGS in accordance with statutory guidelines.• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements	<p>particularly financial reports. They should be condensed to an understandable format.</p>
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Action Plan**Appendix 3**

Action	Owner	Date for completion	Progress
1. Understand how the Governing Body holds the G, R & A Committee to account and identify any improvements to be made (this may be by the Full Council receiving GRAC's Annual Report) (Q7)	Cara Jordan Assistant Director Legal and Governance		
2. For the next annual report of the G, R & A Committee ensure the following are included: - <ul style="list-style-type: none"> • Compliance with the CIPFA Position Statement 2022 • Results of the annual evaluation, development work undertaken and planned improvements • How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8) 	Cara Jordan Assistant Director Legal and Governance and Democratic Services Officer for the Committee		

3. Update the G, R & A Committee's terms of reference to explicitly address all the core areas identified in CIPFA's Position Statement. (Q9)	Cara Jordan Assistant Director Legal and Governance and Democratic Services Officer for the Committee		
4. Ensure that only agenda items that align with the Committee's core functions or selected wider functions are addressed. (Q11)	Democratic Services Officer for the Committee	Every meeting	
5. G, R & A Committee to meet privately with the external auditors and head of internal audit each year. (Q12)	Chair of GRAC	Meeting where External Auditors present their audit report	
6. G, R & A Committee to consider its size, whether the use of substitutes should continue and the inclusion of lay/co-opted independent members. (Q13)	Cara Jordan Assistant Director Legal and Governance		
7. G, R & A Committee members to undertake an evaluation of their knowledge, skills and	Teresa Shaman, Head of Internal Audit to circulate this assessment	Summer 2024	

training needs every two years. (Q15)			
8. As a result of the evaluation in 8 above, develop a training plan to address training needs of G, R & A Committee Members and arrange training. (Q16)	Cara Jordan Assistant Director Legal and Governance and Governance and Democratic Services Officer for the Committee		
9. As a result of 9 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the G, R & A Committee to address this. (Q14 & Q17)	Cara Jordan Assistant Director Legal and Governance and Democratic Services Officer for the Committee		
10. Obtain feedback on G, R & A Committee's performance from those interacting with the committee or relying on its work (Q20)	Teresa Sharman, Head of Internal Audit to circulate feedback questionnaire	Summer 2024	
11. Review results of Self-Assessment of Good Practice exercise at a committee meeting. (Q29)	Is on the agenda	June 2024	Completed
12. Chair to ensure that: -	Chair of GRAC	During 2024/25	

<div><div>a) Issues and concerns are escalated promptly to senior mgmt. (Q6)</div><div>b) The Committee has good working relationships with the internal and external auditors and the DoR (19)</div><div>c) Agenda items are well discussed, with engagement from all members (Q22)</div><div>d) The Committee maintains a non-political approach to discussions (Q23)</div><div>e) The Committee engages with officers as necessary in the discussions of the Committee's business (Q24)</div><div>f) Makes recommendations to improve risk, governance and control as necessary (Q25) and ensures</div></div>			
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these have traction with mgmt. (Q26)			
13. Chair to ensure that a self-assessment exercise is completed annually (Q27) and that all the members participate. (Q29)	Chair of GRAC	March 2025	

Interim Corporate Risk Register as at May 2024

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Agenda Item 12

Overview

The outturn report for 2023/24 will be presented to Cabinet on 8 July 2024, within which we are reporting a year-end deficit of nearly £1.0m. The financial sustainability of the Council is a major risk. There are several areas of major concern whereby the budget pressures are not within our control and are effectively 'demand led'.

Firstly, the demand led budget for Temporary Accommodation is under significant pressure due to the rising need for temporary accommodation across the district.

Secondly, the impact of nutrient neutrality is being felt across many areas of the Council e.g. the Planning and Building Control actual income is well below that anticipated for the year. Planning applications are not being submitted as they are being stalled by nutrient neutrality which has also reduced our New Homes Bonus Grant to virtually zero (from £418k in 2022/23).

Another area of concern is the implementation of a separate food waste collection by March 2026. The capital grant funding that the government are offering is thought to be only half of what the Council would need to cover the capital costs.

The final risk to cite and perhaps the most considerable risk for the future, due to the uncertainty, is around the future funding streams coming from central government. This uncertainty is now around the outcome of the General Election and what the incoming Government intentions are e.g. a possible review of local government – is the two tier system still appropriate.

A new risk has been added to the Corporate Risk Register 'CR 038 Fakenham Leisure and Sports Hub (FLASH) – threat to building within funding window' The major concern with this project currently is that whilst the Council has signed the MoU, sign off by the Government has been held up as we're in a pre-election period. Until this has been signed there is no confirmation of funding which obviously will impact the delivery within the very tight timescale. It is hoped that the Government will recognise this and extend the completion deadline to allow for this 'dead' time before the General Election.


Risk Matrix

5					
4			<u>CR 034</u>	<u>CR 002</u> <u>CR 010</u> <u>CR 015</u> <u>CR 036</u>	
3		<u>CR 009</u> <u>CR 032</u>	<u>CR 001</u> <u>CR 025</u> <u>CR 026</u> <u>CR 037</u> <u>CR 039</u>	<u>CR 008</u> <u>CR 013</u>	
	2	<u>CR 024</u> <u>CR 028</u> <u>CR 030</u> <u>CR 033</u> <u>CR 035</u>	<u>CR 029</u> <u>CR 038</u>		
1					
Impact					
Likelihood	1	2	3	4	5

CR 015 Medium Term Financial Plan

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
<p>1. Forecast funding reductions and shift to local financing from business rates, council tax and new homes bonus.</p> <p>2. Reduced funding to fund current service levels and produce a balanced budget. Use of reserves is not sustainable strategy to bridge income/ expenditure. Funding gaps in the medium to long term.</p> <p>Primary – A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety).</p>	<p>Reporting - New legislation and consultation.</p> <p>Policy Work.</p> <p>Lobbying Central Government.</p> <p>Medium Term Financial Strategy.</p> <p>Corporate Planning / Service Planning.</p> <p>Budget Process / Budget Monitoring.</p> <p>Monitoring impact of the business rates retention.</p> <p>Annual review of the Council's reserves.</p> <p>Timely agreement of the annual Localised Council Tax Support Scheme.</p> <p>Balanced budget agreed.</p> <p>Growth forecasting models.</p> <p>Business cases for commercialisation of assets to deliver future income and efficiencies.</p>	<p>4 x 4 = 16</p> <p>→</p>	<p>Introducing monitoring of savings and additional income in the 2024/25 budget.</p>	<p>3 x 3 = 9</p>	<p>It has been updated with the latest information presented to Full Council on 21 February.</p> <p>On 3 June the Director for Resources is meeting with the Portfolio Holder for Finance and the Chair and Vice Chair of Overview and Scrutiny Committee to discuss presenting to Members an earlier version of the MTFS during the summer of 2024. The purpose is to give Members an earlier picture of the financial situation over the medium term.</p>	<p>Council: Effective & Efficient: 1</p> <p>Managing our finances and contracts robustly to ensure best value for money</p>	<p>Tina Stankley</p>

CR 001 Deteriorating/ underused property assets

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category 1. Lack of funding to repair and maintain assets and increased maintenance costs. 2. Deteriorating/ underused property assets. 3. Loss of revenue / legal liability/ not achieving value for money /reputational risk/ capital commitment. Primary - A Financial, Secondary - H Reputational	Business cases for commercialisation of assets to deliver future income and efficiencies. Adequate budget provision both from revenue and capital to support R&M works and capital investment. Asset Condition Surveys. Compliance policies in place and up to date. Compliance works undertaken in a timely fashion. Adequate staff or appropriately qualified external contractor support. Procure a Strategic Development Partner.	3 x 3 = 9 	Production and approval of the Asset Management Plan	2 x 2 = 4	The Asset Management Plan is going through an internal consultation process.	Council: Opportunity: 3 Increasing the rates of occupation on all council's commercial properties	Karl Smith


CR 037 High cost and resource issues from prosecutions, enforcement action and litigation - NEW

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category							
1. Requirement to take costly action in financial and other resource terms 2. 2. Statutory obligation to investigate and apply enforcement action including health and safety, food safety, licensing, environmental protection, planning. Public suing NNDC, equality act. Enormous overspends to budgets. Not being able to carry out statutory and non-statutory functions due to the large call on staff resources. Also a risk if decide not to take enforcement action – risk of Judicial Review and to reputation 4. Primary=A Financial, Secondary=D Operational (including capacity/delivery/resources/health & safety) E Strategic F Environmental and Social G Governance H Reputational	Case decision making process. Apply two stage evidential and public interest tests Enforcement Policy Apply HSE enforcement matrix Liaise with relevant Portfolio Holder Refer to constitution for procedures EH reserve Staff training in understanding and interpreting legislation Regular inspections	3 x 3 = 9	No reserves currently identified	2 x 2 = 4	Discussed at a Management Team meeting in May 2024 and added to the Corporate Risk Register.	Corporate Plan and statutory duties	Karl Smith


CR 008 Loss of Information

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Loss of information assets. 2. Loss due to cybercrime (hacking/ theft) 3. Operational disruption, impact on customers. 4. Primary – A Financial, Secondary – H Reputational	PSN Code of Connection compliance. ICT Strategy. IT Security Policies. Implement data security protocols. IT Monitoring. Data Protection training. Regular audits of IT security arrangements. Regular 3rd party data protection and integrity testing. Information Risk Policy and Role Description. GDPR compliance Framework. Certificated Security Professional Training.	4 x 3 = 12 →	Cyber security training	2 x 2 = 4	Ongoing cyber security training for all staff taking place. The risk remains high but this is well managed by the IT team, taking all steps possible to guard against and mitigate this risk.	Council: Effective & Efficient: 4 Ensuring that strong governance is at the heart of all we do	Tina Stankley


CR 009 Poor Procurement

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Procurement policies and procedures not followed or not fit for purpose. 2. Inadequate procurements 3. Poor Procurement - poor value for money, poor strategic and operational outcomes, legal challenge, loss of public confidence, lack of transparency. Primary – A Financial, Secondary – H Reputational	Procurement Strategy. Procurement Framework. Joint procurement protocol and opportunities for joint/shared procurement with other authorities. Advice for external suppliers. Procurement responsibility assigned. Publish updated and complete contracts register.	3 x 2 = 6 		2 x 2 = 4	An audit of procurement has been carried and recommendations are being implemented.	Council: Effective & Efficient: 4 Ensuring that strong governance is at the heart of all we do	Tina Stankley


CR 013 Emergency Event

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Any Internal or external event that has a significant impact on the Council. 2. These events could include those that affect the Council and its resources or an event that affects the wider district. 3. The ability of the Council to deliver services is reduced. Primary – A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety)	Corporate Planning / Service Planning. Budget Process / Budget Monitoring. Refresh the project management framework. Emergency Response & Recovery Planning. Business Continuity Planning. Complete critical services' Business Continuity Plans (BCP). Corporate Business Continuity key role training. Corporate Policies and Procedures. Employment Policies. Forward adverse weather guidance. CC 001 Consideration of COVID-19 implications.	3 x 3 = 9 	CC 002 ER1 Review Emergency Response Plan Business Continuity Plans new template is being introduced May 2024. The template is easier to use, clearer and more relevant. Service managers will be asked to transfer their information to the new template by 31 July 2024 - NEW	2 x 2 = 4	Since October 2023 the Civil Contingencies Team have responded to persistent flooding issues, particularly in the Broads, and flooding to properties as a result of the named storms. Nineteen incidents have been responded to since 1 January 2024. The likelihood scored has been reduced from 4 to 3 because seasonal weather is improving.	Statutory obligation	Alison Sayer


CR 024 People Resources

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Employment market conditions. 2. Failure to retain and recruit adequately trained and experienced staff. 3. Negative impact on corporate plan, business transformation, performance and delivery Primary – A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety)	Corporate Planning / Service Planning. Review Pay Policy. Review relocation policy. Employee Referral Scheme. Market Pay Review report. Apprenticeship programme. Check-in process. HR 006 New Ways of Working - Policy Creation. Updated Recruitment Guidelines for Hiring Managers and Employees. Additional information and guidance to support employees when applying for rolls at NNDC.	2 x 2 = 4 	Workforce Development Plan will be drafted written and approved in 2024. A Learning and Development Strategy is being drafted. The aim of this strategy will be to retain current employees- NEW	2 x 2 = 4	NNDC absence rates and turnover rates are significantly less than the sector averages. Susan checking.	Council: Effective & Efficient: 5 Creating a culture that empowers and fosters an ambitious, motivated workforce	Susan Sidell


CR 025 Contract Failure

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Failure of a contractor 2. The Council has a number of contracts for service delivery. 3. Increased costs and operational disruption. 4. Primary – A Financial, Secondary – H Reputational	Procurement Strategy. Procurement Framework. Joint procurement protocol and opportunities for joint/shared procurement with other authorities. Advice for external suppliers. Procurement Officer post established.	3 x 3 = 9 		2 x 2 = 4	The impact level has been reduced because mitigation against failure of our major contracts is built into the contract.	Council: Effective & Efficient: 1 Managing our finances and contracts robustly to ensure best value for money	Tina Stankley


CR 035 Failure to deliver the Local Plan

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event							
3. Consequence of risk happening							
4. Risk category							
1. Local Plan process being delayed. 2. Loss of key staff, changes in legislation and political expectations 3. Failure to deliver corporate objectives for all themes. 4. Primary – D Operational (including capacity/ delivery/ resources/ health & safety), Secondary – E Strategic and H Reputational	Effective project management. Ensuring there is a pool of suitably skilled and knowledgeable Planning staff that can be called on to contribute to the Local Plan process. Member Training.	3 x 2 = 6 	The departure of the Planning Policy Manager will require associated transitional arrangements. - NEW	2 x 2 = 4	Discussion underway regarding transitional arrangements as a result of the Planning Policy Manager retiring.	Statutory obligation	Russell Williams

CR 002 Flooding, erosion and loss of assets and delivery of services

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Lack of Government funding. 2. Lack of ability to maintain coast defences and / or to support local coastal adaption needs. 3. Inability to adapt to climate change - increased coastal erosion and flooding. 4. Primary – E Strategic, Secondary - F Environmental and Social	Corporate Planning / Service Planning. Net Zero 2030 Strategy and Climate Action Plan. Shoreline Management Plan (SMP). Repairs & Maintenance Programme. Procurement practices. Health & Safety checking and monitoring. DEFRA funding of capital schemes. Coastal Monitoring including the use of drones. Control of coastal management schemes through procurement and regular checking. Coastal Partnership East set up. Environment Forum.	4 x 4 = 16 	Refurbish coastal defences at Mundesley. 10-year capital programme. Refurbish coastal defences at Cromer.	3 x 3 = 4	Construction of the Cromer and Mundesley Scheme started 5 March 2024. Urgent health and safety repairs to assets are being undertaken. Non urgent repairs are being included in the ongoing repairs and maintenance programme.	Greener: Coast: 3 Continuing our programme of investment in coastal and resort infrastructure and amenities, building on the progress made in recent years	Tamzen Pope


CR 010 Housing Delivery

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
1. Non delivery of housing targets 2. Potentially many factors that could cause this risk – both at a national and a local level e.g. the state of the economy and/or nutrient neutrality related matters 3. Increasing homelessness, impact on NHB, vibrancy of local communities, impact on social infrastructure, loss of temporary accommodation in district, lack of social housing. Primary – E Strategic, Secondary - F Environmental and Social	1.2.1 Formulate a new Housing Strategy. 1.5.1 Investigate ways to support and assist affordable housing providers. Use of capital. Partnership work with Registered Providers. Local Investment Plan Local Development Framework (LDF) policies. Internal planning protocol. Increased Focus. Housing Strategy implementation. Enhance Housing Association delivery. Community Housing Fund.	4 x 4 = 16 	Work to produce a new Local Plan. Delivery of the Planning Service Improvement Plan. Work with partners on Nutrient Neutrality matters. - NEW	2 x 3 = 6	Local Plan examination complete – awaiting an update from the inspector. Progress on PSIP being made. Reports to O&S scheduled for summer 2024. Norfolk Nutrient Mitigation Fund being launched on 16 May 2024. A bid for second phase of funding has been submitted to the Government – outcome awaited.	Housing: Housing Need: 1 Supporting the delivery of more affordable housing, utilising partnership and external funding wherever possible	Russell Williams


CR 034 Not achieving the Net Zero 2030 target

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
<p>2. Description of Risk or potential event</p> <p>3. Consequence of risk happening</p> <p>4. Risk category</p> <p>1. Inaction/ inability to reduce emissions to net zero.</p> <p>2. Not delivering the Climate Action Plan or parts of it. Currant Climate Action Plan will not achieve net zero target. Contractors unable to deliver services with net zero carbon.. All Council input not achieved. Failing to secure contracts that do not result in net zero.</p> <p>Not achieving net zero by 2030. Impact on the reputation of the Council. Financial impact - needing to offset emissions.</p> <p>Primary – E Strategic, Secondary – F Environmental and Social and H Reputational</p>	<p>Delivering NZSAP and considering the formation of a decarbonisation board.</p> <p>Formal review of NZSAP every two years. Update and adapt the plan to meet the net zero target.</p> <p>Continual monitoring of the delivery of the NZSAP as a major project through the project board.</p> <p>Quarterly monitoring delivery through the Performance Management Framework.</p> <p>Opportunities to offset from general operations and developments.</p> <p>Ensure net zero considerations are at the forefront of all Council decision making.</p>	<p>4 x 3 = 12</p> <p>→</p>	<p>Additional investment in renewable generation and/ or other offsetting initiatives.</p> <p>Ensure all staff and Members are carbon aware.</p> <p>Introduce carbon pricing across all workstreams.</p>	<p>4 x 3 = 12</p>	<p>Trial of EV pool cars started May 2024.</p> <p>Decarbonisation board established.</p> <p>Carrying out carbon literacy and awareness training across the whole workforce.</p>	<p>Greener: Net Zero: 1</p> <p>Continuing our own annual emissions reductions to reach Net Zero by 2030</p>	<p>Martyn Fulcher</p>


CR 028 Governance failures

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category 1. Ignorance or non-observance of the Council's agreed governance protocols 2. Lack of governance, inadequate implementation and enforcement of governance. 3. Poor or illegal decision making. Primary – F Environmental and Social, Secondary - H Reputational	Corporate Planning / Service Planning. Clear robust corporate governance framework. Monitoring Officer actions to ensure governance risk is minimised. Section 151 Officer actions to ensure governance risk is minimised. Constitution/Standing Orders/Scheme of Delegations. Committee report templates. Member/ Officer Protocol. Operation of Overview and Scrutiny Committee. Annual Governance Statement supported by assurance framework. Operation of Standards Committee. Monitoring Officer Report. Head of Internal Audit assurance. Audit programme. Operation of Constitution Working Party. Annual Assurance Statements. Annual Audit Report.	2 x 2 = 4 		2 x 2 = 4	The review of the Constitution is currently taking place with a target date for completion of July 2024.	Council: Effective & Efficient: 4 Ensuring that strong governance is at the heart of all we do	Tina Stankley


CR 029 Poor reputation of the Council in the Community

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category 1. Related to the Council's dealings, interests and performance, and the impact of adverse outcomes. 2. The Council is perceived as inefficient, unresponsive to local need and/ or not transparent. 3. The Council's reputation is adversely affected and public confidence reduced. Primary – H Reputational, Secondary - E Strategic.	Develop and Implement a Communications Strategy. Clear robust corporate governance framework. 3.1.2 Review and refine our Customer Strategy. Training including FOI training. Dedicated PR & Communications Team Local Code of Corporate Governance	2 x 3 = 6 	Review the Customer Service Strategy, Updating complaint handling process to match the Local Government Ombudsman code of practice. Revise the Constitution. Further training activity in relevant areas.	2 x 2 = 4	Several of the action controls are progressing and coming towards completion.	Council: Effective & Efficient	Steve Hems


CR 030 Sheringham Leisure Centre

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category							
1. Failure of contractor or issue with the construction sector, consents not given. 2. Building facility did not go ahead. 3. Facility not delivered. 4. Primary – A Financial, Secondary - H Reputational	Operation of Overview and Scrutiny Committee. Project management & reporting procedures - Sheringham Leisure Centre.	2 x 2 = 4 		2 x 2 = 4	No longer a risk to the Council. However, the final account remains to be settled. There are a small number of snagging issues to be addressed. And the cost of this will be paid from the contract retention.	Communities: Culture: 1 Championing North Norfolk as a place where residents and visitors can enjoy inclusive cultural opportunities and healthy leisure and sports activities	Karl Smith

CR 032 Fakenham new roundabout - Delivery of highway infrastructure (roundabout) on A148

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category 1. Rising construction and materials costs. 2. Funding not available / timing of works. 3. Failure to deliver a new roundabout at Fakenham, necessary to unlock housing growth. 4. Primary – I Projects, Secondary - H Reputational	Emerging Local Plan. Stakeholders monthly meeting. Regular dialogue with Norfolk County Council. Liaising with NNDC Chief Executive. Keeping ward Members informed. Successful bids for funding via NCC. Close liaison with stakeholders in exploring potential funding opportunities. Norfolk County Council project manager appointed. Contractor in place.	3 x 2 = 6 	Regular stakeholder meetings. Emerging Local Plan - examinations ongoing (March 2024) Continued input and financial support in relation to design to ensure that infrastructure can be delivered autumn 2024 if funding matter is resolved. Submitted a bid to DLUHC for additional funding.	2 x 2 = 4	Revised planning applications have been submitted to NNDC. Issued a variation of condition of planning permission to allow roundabout to come forward prior to remainder of the overall scheme. Scheme planned to commence in autumn 2024.	Housing: Housing Need: 1 Supporting the delivery of more affordable housing, utilising partnership and external funding wherever possible	Martyn Fulcher

CR 033 North Walsham High Street Heritage Action Zone - project incomplete

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category 1. Increases in construction costs. 2. Insufficient finance to deliver all elements as planned. 3. One or more elements of the scheme will not be completed or partners not doing what they said they were going to do. Primary – I Projects, Secondary H Reputational		2 x 2 = 4 		2 x 2 = 4	Programme finished. No issues remaining. Close risk.	Economy: Thriving Business: 1 Working with our Market and Resort Towns to reinforce their roles as local service centres, centres of employment, financial services and business activity, served by public transport	Rob Young

CR 036 Cromer and Mundesley Coastal Management Schemes

1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
<p>1. Funding, consents.</p> <p>2. Additional application made for Cromer. This may not be approved. Costs will increase as a result of delays. Difficulties and delays in receiving consents will have an impact on timescales and costs.</p> <p>3. Funding – rescope the project, Consents – increased costs and programme delays and subsequent cost revisions leading to funding issues. Primary – A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety), H - Reputational, I - Project</p>	<p>Project risk register and management of risks monitored monthly.</p> <p>Monthly project meetings with contractor.</p> <p>Regular risk reduction meetings.</p> <p>The risk overseen by the project board.</p> <p>Retaining the design consultant during the project -implemented in the previous quarter.</p> <p>Close liaison with the contractor to identify engineering options has been agreed and is ongoing – arranged during the previous quarter.</p>	<p>4 x 4 = 16</p> <p>→</p>		3 x 3 = 9	<p>The application for additional funding for Cromer has been submitted and ongoing discussions are taking place with the Environment Agency.</p> <p>Consents for both schemes – all information requested has been submitted. Marine Management License received and works are ongoing to discharge conditions.</p> <p>Construction is progressing on both schemes according to the planned programme.</p>	Greener: Coast: 2 Implementing the Cromer and Mundesley Coast Protection Schemes	Tamzen Pope

CR 038 Fakenham Leisure and Sports Hub (FLASH) – threat to building within funding window - NEW

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category							
1. Timeline for building the facility is tight. Completion to draw down funding has to be before the end of March 2026. 2. This is a complex project, with a large number of stakeholders and contractors involved. 3. If the project cannot be delivered on time this could lead to reduced funding being drawn down and not all outcomes being achieved. Primary - A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety) and H - Reputational	Project Management processes Liaison with the Levelling Up Team. Timeline prepared. Procurement process for consultants, architects, engineers in place. NNDC project team established. External steering group established and monthly meetings taking place. Members of the steering group include NNDC, Everyone Active, local councillors, Fakenham Town Council, MP, Football Foundation, Fakenham Academy. Ensuring decision making follows NNDC protocols. Follow NNDC Procurement Guidance. Procurement Officer support. Risk Management Policy and Framework	2 x 3 = 6	Review with Director for Resources the NNDC appetite for financial risk relating to this project. Reporting regularly to DLUHC. Project Risk Register.	2 x 2 = 4	Received confirmation from the Levelling Up Fund that the bid has been Validated and approved by the Minister for Levelling Up. Procurement of main contractors process starts May 2024.	Developing our communities - Promote Health, Wellbeing and Independence for all - Working with partners to promote healthy lifestyles and address the health inequalities faced by our communities.	Erika Temple

CR 039 Rocket House building repair and energy improvement works - NEW

1. Cause of risk	Existing Controls	Score (with controls) Impact x Likelihood = Total rating and change of direction	Action (to achieve target score)	Target Score Impact x Likelihood = Total rating	Progress update	Corporate Objective	Lead Officer
2. Description of Risk or potential event 3. Consequence of risk happening 4. Risk category							
1. Building needs repair and energy performance works to be fully lettable. 2. Exceeds capital budget allocated. Works might not be successful in dealing with damp and increasing EPC rating. 3. Repairs could not be made as planned. Scaled back action may be necessary. Additional funds may have to be requested. This could cause delays. Unknown additional repair issues arise. Damage due to weather events may occur after any repairs are made. 4. Primary - A Financial, Secondary - D Operational (including capacity/ delivery/ resources/ health & safety), H Reputational	Independent surveys (3) of the building. Budgetted repair costs prepared by independent quantity surveyor. Indicative timeline prepared. Capital budget of £1m approved. Agreement made with a tenant vacating to enable the works to go ahead.	3 x 3 = 9	Procurement of contractor to do works. Agree and implement contract management process. Reletting of the ground floor vacant area of the building once repairs complete.	2 X 2 = 4	Short term lease completed until October 2024 when the downstairs tenant vacates to enable the works to take place. Preparation for the procurement process is currently taking place. Technical design for repairs starts from June 2024.	Strong and Responsible – Maximising Opportunity - Increasing the rates of occupation on all council's commercial properties.	Renata Garfoot

KEY

Impact

Corporate Risk					
Impact Type	Catastrophic 5	Critical 4	Moderate 3	Marginal 2	Negligible 1
Objectives	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.	Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
Financial Impact (Loss)	Over £1.5m	£500K - £1.5m	£300K - £500K	£20K - £300K	£0-20K

Likelihood ratings and dimensions

Grade	Likelihood	Probability	Timing
5	Very High	Over 90%	Within six months
4	High	60 - 90%	This year
3	Moderate	40 - 60%	Next year
2	Low	10 - 40%	Probably within 15 years
1	Very Low	below 10%	Probably over 15 years

Categories of risk

A Financial

B Macroeconomic

C Credit and counterparty

D Operational (including capacity/ delivery/ resources/ health & safety)

E Strategic

F Environmental and Social

G Governance

H Reputational

I Projects

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Change of direction

Rating score the same as the previous quarter →

Rating score higher than the previous quarter ↑

Rating score lower than the previous quarter ↓

Note: Rating score of 1 to 6 = Green, 8 to 12 = Amber, 15 to 25 = Red.

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Exemptions granted from 8 March 2024 – 10 June 2024

Date	Contractor	Type of Work	Amount (rounded to nearest pound)	Exemption (Chapter 9, Paragraph 11, Constitution)
12/04/24	Anglian Demolition & Asbestos Ltd	Demolition, clearance and disposal of buildings and ancillary structures at cliff top property in Trimingham	£14,100	(k) A waiver is necessary because of unforeseen emergency involving immediate risk to persons, property or serious disruption to Council services. In extreme circumstances it is accepted that prior written approval may not be possible.
23/4/24	Modern Gov	Software integrated to our website to provide access and details of council meetings	£80,100 (Plus VAT, over 5 years)	(e) involve the provision of highly specialised professional legal or other services;
03/06/24	Policy in Practice	Council Tax Support re-modelling work	£11,000	(g) for the supply of goods or services where there is only one supplier and no acceptable alternative
10/06/24	Hemley Orrell Partnership	Structural survey relating to the pier and to identify a 5- year plan for structural works	£80,000	(g) for the supply of goods or services where there is only one supplier and no acceptable alternative

Notes

- The previous period reported to GRAC was for the period 14 November 2023 to 8 March 2024
- In that period 3 exemptions were reported to the Committee.
- The next reporting period to GRAC will follow on from the last reporting period.

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GOVERNANCE, RISK & AUDIT COMMITTEE ON 26th MARCH 2024 – OUTCOMES & ACTIONS LIST

MINUTE NO.	AGENDA ITEM AND ACTION	ACTION
54	ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS	
	<p>RESOLVED that</p> <p>(A) the accounting policies that will be applied to the Statement of Accounts for 2023/24 be approved, and</p> <p>(B) the progress of completion of prior years' Statements of Accounts and how they will be audited under the government's proposed cross-system measures that are being put in place to clear the backlog be noted.</p>	GRAC
55	CORPORATE RISK REGISTER	
	<p>RESOLVED that</p> <p>(A) risk CR 026 Impact of Economic fluctuations on the North Norfolk economy be removed from the Corporate Risk Register</p> <p>(B) the effect of nutrient neutrality be added into the Corporate Risk Register, and</p> <p>(C) the Fakenham Leisure Centre project be added to the Corporate Risk Register.</p>	DFR
56	STRATEGIC AND ANNUAL PLANS INTERNAL AUDIT PLAN 2023/24	
	RESOLVED - that the Internal Audit Charter for 2024/25; the Internal Audit Strategy for 2024/25; The Strategic Internal Audit Plans 2024/25 to 2026/27; and The Annual Internal Audit Plan 2024/25 be approved.	GRAC
57	GRAC SELF-ASSESSMENT	
	RESOLVED - that the Audit Committee self-assessment exercise be undertaken again, and the results reported to a future meeting.	GRAC IA
58	ANTI-MONEY LAUNDERING POLICY	
	RESOLVED - that the anti-money laundering policy be recommended to Cabinet for approval	Cabinet/FC

59	COUNTER FRAUD, CORRUPTION & BRIBERY STRATEGY	
	RESOLVED - that the Counter Fraud, Corruption and Bribery policy, as amended, be recommended to the Cabinet for approval.	Cabinet/FC
60	PROCUREMENT EXEMPTIONS REGISTER	
	RESOLVED - that the procurement exemptions be noted.	GRAC
61	WHISTLE BLOWING POLICY	
	RESOLVED - that the revised Whistleblowing Policy be approved.	GRAC
62	REVIEW OF COUNCIL'S ASSET REGISTER	
	RESOLVED - that the contents of the Council's Asset Register be noted.	GRAC

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2023/2024

Date	Topic	Lead Officer	Comments	Cycle
9 July 2024				
	Corporate Risk Register	Director for Resources – Tina Stankley	To review the corporate risk register	Quarterly
	Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly
	Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly
	External Audit Interim VFM Report for 2021/22 and 2022/23	External Auditor		Annual
	External Audit Plan for 2023/24	External Auditor		Annual
	Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Audit – Teresa Sharman		Annual
	Appointment of an independent member	Monitoring Officer – Cara Jordan		Committee Request
	GRAC self-assessment	Internal Audit – Teresa Sharman		Annual
10 September 2024				
	Corporate Risk Register	Director for Resources – Tina Stankley	To review the corporate risk register	Quarterly
	Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly
	Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly
	External Audit Results report 2021/22 TBC	External Audit		Annual
	AGS 22/23 & Local Code of	Director for Resources – Tina	Review & approve AGS &	Annual

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2023/2024

	Corporate Governance	Stankley	Local Code of Corporate Governance	
	GRAC self-assessment	Internal Audit – Teresa Sharman		Annual
	Effect of changes to Land Charges	Director for Resources – Tina Stankley		Committee Request
3 December 2024				
External Audit Letter 2020/21	<i>Now renamed External Auditor's Annual Report 2020/21 and Certificate</i>	External Audit	Annual	
Corporate Risk Register	Director for Resources – Tina Stankley		Quarterly	
Internal Audit Progress & Follow-up Report	Internal Audit – Teresa Sharman	To review progress on internal audit recommendations	Quarterly	
Civil Contingencies Update	Resilience Manager		Annual	
Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly	
25 March 2025				
	Strategic and annual plans internal audit plan 2023/24	Internal Audit – Teresa Sharman		Annual
	GRAC self-assessment	Internal Audit – Teresa Sharman		Annual
	Corporate Risk Register	Director for Resources – Tina Stankley	To review the corporate risk register	Quarterly
	Procurement Exemptions Register	Monitoring Officer – Cara Jordan	To review Procurement Exemptions	Quarterly
	Review of Council's Asset Register	Director for Resources – Tina Stankley	To review the number and value of Council assets	Committee Request