



**Audit Committee**

<b>16:30 to 18:45</b>	<b>22 October 2024</b>

<b>Present:</b>	Councillors Driver (Vice-Chair – In the Chair), Carrington, Bolton, Hoechner; Sands (M), Wright and David Harwood (Independent Person).
<b>Apologies:</b>	Councillor Price (Chair)
<b>In attendance</b>	Councillor Kendrick, cabinet member for an open and modern council

**1. Public questions/Petitions**

No public questions/petitions had been received.

**2. Declarations of interest**

No declarations were made.

**3. Minutes**

**RESOLVED**

That the unrestricted minutes of the meetings held on 17 September 2024 were confirmed as a correct record of proceedings and the Chair was authorised to sign them subject to the inclusion of Cllr Wright in the list of those who had tendered their apologies for absence.

**4. Updated Financial Regulations**

The Committee received a report that provided an updated financial regulation prior to these being submitted to Full Council for approval. The main points of the discussion on this report may be summarised as follows:

The Committee **noted** that:

- The Financial Regulations have been reviewed with recognition of good practice in other local authorities, considering the contents of other similar local authorities but also reflecting good practice across a range of local authorities of different sizes and tiers.
- The objective of the review has been to ensure that there is sufficient detail and clarity about roles, responsibilities and the rules that need to be followed to ensure effective financial management in line with the responsibilities conferred on the Chief Finance Officer under section 151 of the Local Government Act 1972.

- The regulations cover the whole financial management cycle, from financial planning and budget setting through to roles and responsibilities in relation to all financial management governance.
- This review has reworked all the financial regulations in their entirety, so whilst the subject coverage will be familiar the contents reflect a complete update. In this context the revised Financial Regulations attached at Appendix A needed to be seen within the broader context of the council's Constitution.
- Whilst the Chief Finance Officer is responsible for preparing the Council's risk management strategy, for implementing it throughout the Council and for advising the Cabinet on proper insurance cover. It is the directors, managers, and staff, through their departmental management teams, who are responsible for identifying, assessing, and taking action to manage risks and monitor, review and escalate these, as necessary. With the Council's Senior Leadership Team having the brief for reviewing the corporate risks and the risk management strategy statement. The risk management strategy will identify those risks that are corporate in nature, which in turn will be reported to the Audit Committee and then to the Cabinet on a quarterly basis

In conclusion the Committee **RESOLVED** to:

- Note the updated financial regulations prior to these being submitted to Full Council for approval.

## 5. Global Internal Audit Standards

The Committee noted that a report on Global Internal Audit Standards would be considered at a future meeting.

## 6. Progress Report on Internal Audit Activity

The Committee considered a report that provided a review on the progress with delivery of the 2024/25 Internal Audit Plan. A summary of the discussions on this report may be summarised as follows:

The Committee:

- **Received** details of the outstanding recommendations by year and priority rating as a result it was noted that considerable effort has been made by management to address outstanding recommendations. Although the audit on NCSL (Housing Repairs and Void Management) had been assigned a 'limited' overall assurance opinion:
- **Noted** that there are a further 30 recommendations which are not due yet for completion that relate to 2023/24 audits and will be implemented within a specific timeframe and by a responsible officer and be monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee.
- **Noted** that another Team was appointed to deliver quarter 1 audits in 2024/25, and they have now handed the quarter 1 audits back to the core team for completion.
- **Noted** that 'a ways of working together' procedure that outlines expectations of Council officers and the Contractor has been issued to ensure that audits are completed as planned in 2024/25 without delay,

including timescales for responding and escalation action which is in place and is being monitored jointly with the Internal Audit Contractor.

- **Noted** that consideration is being given to engaging with another contractor to complete some audits during 2024/25 whilst a second contractor, Shared Internal Audit Services hosted by Hertfordshire County Council has been appointed to complete five audits across the Consortium. 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 in a timely manner.
- **Noted** that the Internal Audit Team now meets on a regular basis with the Councils Senior Leadership Team and that consistent update reports are being submitted to Cabinet and an overall performance framework is being developed that will include a report to Scrutiny and the Councils Cabinet for the end of the current year.
- **Noted** that in regard to the Safeguarding Audit the mandatory safeguarding courses is no longer outstanding, and management are now required to ensure that these compulsory training courses are completed, at defined intervals by the relevant staff.
- **Noted** that the capital works programmes are monitored and managed with contracts for works being procured appropriately and they are achieving value for money.

Accordingly, following consideration of the report, the Committee **RESOLVED**:

1. That the progress on the delivery of the 2024/25 Internal Audit Plan be noted.

## 7. 2024 10 22 Statement of Accounts 2021-22

The Committee considered a report that provided an update on the position regarding the audit of the 2021-22 statement of accounts and presented the updated draft Accounts for member review prior to their final approval. A summary of the discussions on this report is set out below:

The Committee:

- **Noted** that there will be no further external audit work conducted on the 2021-22 Statement of Accounts as laid out in communications from the Ministry of Housing, Communities and Local Government and the Council's external auditors Ernst and Young (EY).
- **Noted** it is recommended that the Chief Finance Officer and the Chairman of the Audit Committee, in consultation with the cabinet member for Resources, be given delegated authority to approve the 2021-22 Statement of Accounts.
- **Noted** that it had considered the unaudited accounts at their meeting on 20 September 2022. At that meeting it had been confirmed that the Council would not achieve the required publication date of 31 September 2022 for audited accounts as EY had scheduled the main part of the audit work to be undertaken in December 2022 and January 2023 due to their resourcing constraints. Subsequently, EY were unable to commence work in the December and it proved impossible to rearrange the audit at a mutually agreeable time.

- **Noted** that following plans developed by the previous government to clear the current sector-wide backlog in local audits the new government has issued confirmation in July 2024 that these plans will continue but with a revised timeline taking into account the delay in finalising arrangements due to the general election. This revised time frame has now been written into legislation with the required statutory instrument coming into force on 30 September 2024.
- **Noted** that the revised backstop date for the completion of all audits up to the financial year 2022-23 is now 13 December 2024. With audit firms moving to provide audit reports to enable councils to publish accounts as soon as the revised Code of Audit Practice from the National Audit Office comes into effect once it has been in front of Parliament for the required forty sitting days (which was from 9 September 2024).
- **Noted** that EY had stated that while they will only issue an auditor's report including a disclaimed opinion for both 2021-22 and 2022-23, they will issue one completion report for those charged with governance per authority that includes: details of the work undertaken for planning; the results from the work completed for this process; and a value for money commentary.
- **Noted** that it had already received an interim value for money report at their meeting held on 17 July 2024.
- **Agreed** that the key objective of an audit is to obtain sufficient evidence to conclude that the auditor has reasonable assurance that the financial statements as a whole are free from material misstatement. Where this is feasible, auditors should issue an unmodified (or 'clean') audit opinion to the City Council. Otherwise, auditors may issue a modified opinion, including a disclaimed opinion if they are unable to provide substantive assurance or a qualified opinion if they are able to provide assurance on parts of the accounts.
- **Recognised** that whilst the statutory backstop dates, will create conditions nationally under which significant numbers of modified or disclaimed opinions are issued. The government has made it clear that, where the backstop dates result in modified or disclaimed opinions, that the Council should not be unfairly judged. Auditing standards require EY to clearly explain the basis of their opinion in their auditor's report. EY will distinguish between disclaimed or modified opinions caused by the backstop date and those caused by other factors such as weaknesses in financial reporting or specific material issues in the accounts. This explanation from the auditor should be included as part of the statement of accounts published by the Council on its website by the relevant backstop date. In addition, locally the City Council has a strong record in the timely delivery of quality financial statements and supporting workings as seen in previous external audit reports.

In conclusion the Committee having received and considered the report **RESOLVED** to

1. **Note** that there will be no further external audit work conducted on the 2021-22 Statement of Accounts as laid out in communications from the Ministry of Housing, Communities and Local Government and the Council's external auditors Ernst and Young (EY).
2. **Delegate** authority to the Interim Chief Finance Officer (S.151 officer) and the Chairman of the Audit Committee, in consultation with the cabinet member for Resources to approve the 2021-22 Statement of Accounts.

## 8. Statement of Accounts 2022-23

The Committee considered a report that provided an update on the position regarding the audit of the 2022-23 statement of accounts and presented the updated draft Accounts for member review prior to their final approval. A summary of the discussions on this report is set out below:

The Committee:

- ❖ **Noted** that the unaudited draft statement of accounts was authorised by Interim Chief Finance Officer (S.151 officer) on 31 May 2023 and published on the website ready for the commencement of the period of public inspection that ran from 1 June to 12 July 2023.
- ❖ **Noted** the published unaudited accounts were considered at their meeting on 11 July 2023. At that meeting it was confirmed that the accounts were subject to change as the Council were still waiting for EY to recommence work on the 2021-22 accounts and any potential changes to that year's accounts could mean a revised set of Accounts for 2022-23.
- ❖ **Noted** as explained in the report on this agenda regarding the 2021-22 Statement of Accounts, the government have now written into legislation a backstop date of 13 December 2024 for the completion of all accounts up to the financial year 2022- 23. That report included details of the relevant legislation and communications received from EY about the work they are planning to complete to deliver the government's plans.
- ❖ **Noted** that whilst there has been no formal audit, officers have reviewed the draft accounts in line with best practice and have made a small number of changes which are detailed below.

In conclusion the Committee having received and considered the report **RESOLVED** to

1. **Note** that there will be no external audit work conducted on the 2022-23 Statement of Accounts as laid out in communications from the Ministry of Housing, Communities and Local Government and the Council's external auditors Ernst and Young (EY).
2. **Delegate** authority to the Interim Chief Finance Officer (S.151 officer) and the Chairman of the Audit Committee, in consultation with the cabinet member for Resources to approve the 2022-23 Statement of Accounts.

## 9. Report from the External Auditors 2021/22 and 2022/23

The Committee **received** a verbal update from the External Auditors in regard to the periods 2021/22 and 2022/23. A summary of the points raised in this update maybe outlined as follows:

The Committee:

- Was **reminded** of the Committee of the Government's intention to implement a backstop to sign off accounts for the financial years 2021/22 and 2022/23 in order for all local authorities to catch up to the current financial year; the original deadline had been 24 September 2024, but this has now been revised to Friday, 13 December 2024. The External Auditor estimated that there

would be circa 50% of Councils across the country with backstopped audits, up to and including the 2022/23 accounts, in place by that date.

- **Noted** that in regard to the audit of accounts for the years 2021/22 and 2022/23, a statutory disclaimer had been applied which stated that the accounts had not been audited but had been required to be closed due to the backstop; Members were assured that the City Council was fully compliant with the backstop requirements.
- **Noted** that a requirement of auditing accounts was to identify those things that might be material and pervasive; the issue with the backstop was that the accounts had not been audited which therefore meant that theoretically there could be material and pervasive errors in the accounts. However, EY stated that the wording was standard in all local authority accounts implementing a backstop and it did not denote any specific issues in regard to the City Council.
- **Noted** that the government in recognising the reputational risk to local authorities had issued guidance on the disclaimer process to reassure the public and others that a disclaimed opinion indicates a 'no-fault' situation rather than an issue with the production or content of the accounts.

In conclusion the Committee **RESOLVED** to note the matters raised by the External Auditors in regard to the periods 2021/22 and 2022/23.

## 10. Statement of Accounts 2023-24

The Committee received a report that presented the unaudited draft Statement of Accounts. A summary of the discussions on this report is set out below:

The Committee **noted** that:

- The unaudited draft statement of accounts had been authorised by the Interim Chief Finance Officer (S.151) on 31 May 2024 and published on the website ready for the commencement of the period of public inspection from 19 July to 30 August 2024 following the publication on the website of the Annual Governance Statement on 18 July 2024.
- The statement of accounts is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom (supported by International Financial Reporting Standards) and includes a full balance sheet, comprehensive income and expenditure statement, movement in reserves statement and cash flow statement.
- Group accounts are also prepared which combine the financial performance and position of the Council's wholly owned subsidiaries Lion Homes (Norwich) Limited and Norwich City Services Limited.

In conclusion the Committee **RESOLVED** that unaudited draft Statement of Accounts 2023-24 be noted.

## 11. 2023-24 EY Audit Progress Report - October 2024

The Committee received a report that outlined the external auditors Progress Report for the year ending 31 March 2024 and provided an update on the findings to date from EY. A summary of the discussions on this report is set out below:

The Committee **noted** that:

- Substantial progress has been made by the EY with work completed on 22 areas with no findings to report and work substantially complete on another 8 areas with no findings to date. Whilst work is ongoing on a further 7 areas, with no findings to report on 6 of those, the seventh is covered by the points below.
- The report from EY notes that the in-year change of financial system has caused unplanned complexities and delays in the audit. Members noted that EY had provided an appendix detailing the initial findings from their IT specialist who had reviewed the enterprise resource planning (ERP) system implementation.
- Appendix 1 in the report highlights concerns including the potential impact on the Financial Statements of the lack of approval of access to the system for privileged users. Members noted that EY whilst are planning to complete additional testing to mitigate any risks. Checks by Finance staff have not identified any inappropriate journal entries.

In conclusion the Committee **RESOLVED** that the external auditors Progress Report for the year ending 31 March 2024 be noted.

## 12. Work Programme

The Committee received a report that outlined its work programme to fulfil its terms of reference as set out in the Council's constitution and agreed by Council. As a result of discussions on the work programme it was **agreed** that the Action Tracker should be presented to every meeting of the Audit Committee.

CHAIR