

### **Audit committee**

**Date:** Tuesday, 24 July 2018

**Time:** 16:30

**Venue:** Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

#### **Committee members:**

##### **Councillors:**

Price (chair)  
Driver (vice chair)  
Coleshill  
Fullman  
Hampton  
Lubbock  
Smith  
Stutely

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## Agenda

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<b>1 Apologies</b>	
To receive apologies for absence	
<b>2 Declarations of interest</b>	
(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
<b>3 Public questions/petitions</b>	
To receive questions / petitions from the public	
Please note that all questions must be received by the committee officer detailed on the front of the agenda by <b>10am on Thursday, 19 July 2018..</b>	
Petitions must be received must be received by the committee officer detailed on the front of the agenda by <b>10am on Monday, 23 July 2018.</b>	
For guidance on submitting public questions or petitions please see appendix 1 of the council's constitution.	
<b>4 Minutes</b>	<b>5 - 8</b>
To agree the accuracy of the minutes of the meeting held on 12 June 2018	
<b>5 Annual Governance Statement 2017-18</b>	<b>9 - 32</b>
<b>Purpose</b> - To review and approve the final audited version of the Annual Governance Statement for 2017-18.	
<b>6 Statement of Accounts and Audit Results Report 2017-18 (To follow)</b>	
<b>Purpose</b> - This report will present the 2017-18 audited Statement of Accounts, the Audit Results Report and the draft letter of management representation.	
<b>7 Internal audit 2018-19 – April to June update (Quarter 1)</b>	<b>33 - 42</b>

**Purpose** - To advise members of the work of internal audit, completed between April to June 2018, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.

The 2018-19 Audit Plan was approved by the audit committee on 13 March 2018.

Date of publication: **Thursday, 19 July 2018**





**Audit committee**

**16:30 to 17:10**

**12 June 2018**

Present: Councillors Price (chair), Driver (vice chair following appointment), Coleshill, Fullman, Hampton, Lubbock, Smith and Stutely

Also present: Councillor Kendrick (cabinet member for resources)

(Apologies had been received from the external auditors who were unable to attend this meeting.)

**1. Appointment of vice chair**

**RESOLVED** to appoint Councillor Driver as vice chair for the ensuing civic year.

**2. Public questions/petitions**

There were no public questions or petitions received.

**3. Declarations of interest**

There were no declarations of interest.

**4. Minutes**

**RESOLVED** to agree the accuracy of the minutes of the meeting held on 13 March 2018.

**5. Annual Report on Internal Audit and Fraud 2017-18**

The principal auditor (LGSS) and the deputy head of internal audit (LGSS) presented the report and answered members' questions. The chief internal auditor's opinion on the basis of the audit work undertaken during 2017-18 was to award a good assurance. The level of assurance therefore remained at the same level as that for 2016-17. The report formed part of the evidence for the Annual Governance Statement.

The chair welcomed the report and said that he was pleased with the good level of assurance. During the audit work that had been undertaken no areas had been identified which would have a major impact on the council's control environment. The principal auditor referred to the report and explained that following internal audits of housing rents and arrears, housing benefits and debt recovery, recommendations had been made to management to review policies and procedures to address the minor weaknesses in the control environment. The chair commented on the resource implications which had led to the backlog in processing housing benefits and debt recovery and was satisfied that measures were in place to address this.

He referred to the appendix 1 as set out in the report and pointed out that only two debt recovery and business continuity policy were the only two audits where the impact on the council's control environment was moderate. Members noted that work to the council's financial systems relating to payroll and procurement governance was in progress. The principal auditor assured members that progress on internal audit recommendations would be reported to the committee when implemented.

The chair said that he was satisfied that the work of the internal audit team during the 2017-2018 financial year had been conducted with due diligence.

**RESOLVED** to receive the Annual Report on Internal Audit and Fraud 2017-18 and to note the chief internal auditor's had awarded a good assurance based on the internal audit work undertaken during the 2017-18 financial year.

## **6. Annual Governance Statement 2017-18**

The deputy head of internal audit presented the report and Annual Governance Statement (AGS).

During discussion the chair referred to paragraph 11 of the report which set out the role of the committee to "review, consider and agree the AGS and improvement action plan contained within it" and said that he considered that a consistent process and due diligence had been followed. The chair agree with paragraph 20 of the AGS in relation to ensuring that the governance arrangements in respect of partnerships and other joint working arrangements reflected the councils overall governance structures.

In reply to the chair's request, the chief finance officer elaborated on the review of the Norwich Regeneration Ltd (NRL). The financial model for the company needed to be reviewed as the company had developed. The council was the company's only shareholder and as investor, lending money for the company to develop housing, it was important that the council's investments were protected. Consultants had been employed to review the financial model to ensure that it was based on a sound financial basis. As a private limited company, NRL was not bound by the same governance and procurement rules as the public sector but in practice as a company set up by the council and with councillors acting as directors it complied with the ethos of the council. Members were advised that the group accounts had been included in the external audit. The cabinet would consider the NRL business plan at its meetings every 6 months.

**RESOLVED** to approve the Annual Governance Statement 2017-18 and endorse its signing off by the chief executive and leader of the council.

## **7. Statement of Accounts 2017-18**

(Councillor Smith left the room for a short period during consideration of this item.)

The chief finance officer, presented a power point presentation on the Statement of Accounts 2017-18 and together with the strategic finance business partner/deputy S151 officer, presented the report.

During discussion the chief finance officer and strategic finance business partner/deputy S151 officer, referred to the presentation/report and answered members' questions. Members were advised that short term investment in NRL and commercial property provided higher returns than bank interest rates. Members were reminded that the statement related to the financial year 2017-18 and that statements for future years would contain additional information on the council's commercial activities and borrowing. The chief finance officer explained that the council's asset management policy and the purchase of commercial properties was long term investment to fund council services. The external auditors would be reporting back to the committee on its opinion on the value for money of the council's arrangements with NRL and, also, its financial model of borrowing and purchase of commercial properties to ensure delivery of council services. The chief finance officer reminded members that full council had approved a revised Minimum Revenue Provision policy in January 2018 (*Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2017-18*, Council, 17 January 2018).

The strategic finance business partner provided further explanation about the inclusion of the group statements in these accounts which reflected the growth of the council's commercial activities. NRL was subject to audit and had employed an independent auditor. As a registered company, the accounts of the NRL would be publically available at Companies House

The chair thanked the officers for the presentation and highlighting the issues concerned. He praised the presentation of the Statement of Accounts, especially the narrative text. He also congratulated the finance team and internal audit for publishing the statement of accounts and the governance statement on the council's website in advance of the new statutory deadline.

Further discussion ensued on the risk to the council from increasing reliance on income from fees and charges, commercial activities and reserves to provide council services rather than total reliance on council tax, business rates and central government grants. The chief finance officer said that there was a lot of risk surrounding government funding, business rates and the effect on Brexit to the national economy. This was a robust set of accounts based on expenditure and income. The council was looking at its efficiency, streamlining service delivery and income generation. The risk register was constantly monitored by the corporate leadership team and the finance officers, and any changes to the risk appetite considered at cabinet and audit committees.

In reply to a question, the strategic finance business partner confirmed that the prudential minimum reserve for the general fund was £4.2 million and there was a similar level for the housing revenue account. This level was set to provide resilience to the council. If income from business rates or council tax were reduced then the council would be prepared to drop to £4.2 million in reserves to make up the shortfall.

**RESOLVED** to approve the draft Statement of Accounts 2017-18.

**8. Annual Audit Committee Report 2017-18**

The chair presented the report which touched on a few of the issues raised by the committee in the previous civic year. He commented that he was pleased that internal audit had taken up his request to audit contracts and fees and charges. He also pointed out that there had been no internal fraud incidents occurring during the year.

**RESOLVED** to approve the content of the Annual Audit Committee Report 2017-18 and to recommend it to council for adoption.

CHAIR



**Report to** Audit Committee  
24 July 2018  
**Report of** Chief Internal Auditor, LGSS  
**Subject** Annual Governance Statement 2017-18

**Item**

**5**

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**Purpose**

To review and approve the final audited version of the Annual Governance Statement for 2017-18.

**Recommendation**

To approve the Annual Governance Statement for 2017-18.

**Corporate and service priorities**

The report helps to meet the corporate priority Value for money services

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick – Resources

**Contact officers**

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**Background documents**

None.

# Report

## Background

1. The Audit and Account Regulations 2015 requires the council to produce an Annual Governance Statement (AGS). It summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead.
2. The draft AGS is considered by the corporate leadership team, and then presented to the audit committee in order to ensure that it reasonably reflects the committee's knowledge and experience of the council's governance and controls. It accompanies the draft statement of accounts, and may subsequently be amended following review by the external auditor (EY). The final statement is signed by the chief executive and the Leader of the Council and approved by the audit committee.
3. At its meeting on 12 June 2018, the audit committee approved the draft AGS.
4. The Accounts and Audit Regulations 2015 require that the final version of the AGS is approved by the audit committee in advance of the Statement of Accounts.

## The Annual Governance Statement

5. The AGS has been compiled using sources of evidence, including:
  - A review of the extent to which the council has complied with each element of its Code of Corporate Governance;
  - A review and re-drafting of the council's Code of Corporate Governance itself, based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
  - Self-assurance statements prepared by heads of service;
  - The Chief Internal Auditor's opinion on the council's internal control environment, which was reported to the audit committee on 12 June 2018.
6. The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The guidance states that the AGS should include:
  - The council's responsibilities for ensuring a sound system of governance;
  - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
  - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
  - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
  - Reference to how issues raised in the previous year's Statement have been resolved;
  - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

7. 'Significant governance issues' are those that:
- seriously prejudice or prevent achievement of a principal objective of the authority;
  - have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
  - have led to a material impact on the accounts;
  - the audit committee advises should be considered significant for this purpose;
  - the chief internal auditor reports on as significant in the annual opinion on the internal control environment;
  - have attracted significant public interest or have seriously damaged the reputation of the organisation; or
  - have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

### **Conclusions**

8. The AGS has been prepared, in accordance with professional guidance, and accompanies the Statement of Accounts. The audit committee approved the draft AGS on 12 June 2018. It has also been reviewed by the external auditors, and signed by the Chief Executive and the Leader of the Council.
9. The process demonstrates good governance, it has been based on various sources of assurance, and the committee is asked to approve the final AGS.





# Annual Governance Statement 2017-18

## 1. Scope of responsibility

- 1.1. Norwich City Council is responsible for ensuring that 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. Norwich City 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.
- 1.2. In discharging this overall responsibility, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk).
- 1.4. This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.
- 1.5. In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement. This arrangement was extended in April 2017 for a further five years and the LGSS partnership now includes Milton Keynes Council (since April 2017).
- 1.6. Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:
  - An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.
  - The LGSS chief internal auditor is responsible for internal audit and reports to audit committee. The fraud team that was based at City Hall, dealing primarily with benefits fraud, transferred to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) on 1 April 2015. Counter fraud work required by the council is referred to the LGSS counter fraud team working to the LGSS chief internal auditor.



## **2. The purpose of the governance framework**

- 2.1. The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Norwich City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at Norwich City Council for the year ended 31 March 2018 and up to the date of the approval of this statement.

## **3. The governance framework**

The council's Code of Governance recognises that effective governance is achieved through the following core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability



## **4. Key elements of the Governance Framework**

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

### **1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively:**

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- Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies.

### **2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

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- The chief finance officer is responsible for advising whether decisions of the cabinet are in accordance with the policy and budget framework.
- In relation to an executive function, the monitoring officer and chief finance officer has responsibility for ensuring that all proposals, decisions and actions incurring expenditure were lawful.
- Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.
- Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.
- In addition key partners of the council, who manage council budgets, are also asked to complete external assurance statements. LGSS have provided assurance, across a range of governance areas, to support the AGS.

### **3. Documenting a commitment to openness and acting in the public interest:**

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- Progress on delivering the Corporate Plan is communicated through a performance management framework. The Scrutiny Committee receives regular reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. In order to demonstrate its openness the Authority also publishes:
  - Constitution
  - Council, Cabinet and Committee Reports
  - Scheme of delegation to officers



- Various transparency reports, such as Pay Policy Statement and Payments over £500

#### **4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

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- The council is part of Your Voice, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.
- The council's Customer first guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the Communications strategy and Communications handbook which helps staff to deal with communications issues.
- Residents are informed about the council's activities at all times. This is done through Citizen, the quarterly magazine for residents; work with the local media; the council website; social media and other channels. Council tenants also receive their own magazine, TLC, focusing on issues affecting them. Both of these publications are available on the council's internet.
- Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.
- In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.
- Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.
- Information on current and closed consultations, including reports and minutes, is available on the council website.

#### **5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning:**

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- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk)





- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. The corporate plan 2015-2020 was approved by council on 17 February 2015. The Corporate Plan 2015-2020 was refreshed during 2017-18 with a supplemental document which is available on the internet.
- The corporate plan was developed through a number of methods including:
  - Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.
  - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
  - Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.
  - Discussions with councillors including an all councillor workshop.
  - Specific discussions with partner organisations
  - Assessing the future resourcing likely to be available to deliver a new corporate plan.
  - Formal review by scrutiny and cabinet.
- In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations.
- The medium term financial strategy (MTFS) is presented to council on an annual basis to support the budget papers and the corporate plan. The MTFS sets out the level of savings that need to be achieved in the coming and each of the following four years. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

## **6. Translating the vision into courses of action for the authority, its partnerships and collaborations:**

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- The council's five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.
- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Service plans are reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.
- The corporate plan 2015-2020 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.



**7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:**

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- The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning, director of neighbourhoods and local LGSS principal auditor. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.
- Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this, all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

**8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money:**

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- Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.
- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.
- The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of HouseMark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council



also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.

- A summary of the overall performance of the council in 2017-18 is included in the narrative report to the statement of accounts for the year ending 31 March 2018.
- Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate.
- The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.
- The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) awards 2014. It was also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015 and in the LGC 'Council of the Year' award 2016.

**9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements:**

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- The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.
- There is also an agreed protocol between the leader and chief executive officer covering their working arrangements.
- The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS, NpLaw and NPS Norwich being covered by service level agreements.

**10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.):**

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- The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation.



- The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

#### **11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function:**

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- The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's and the deputy monitoring officer's roles rest with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).
- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the monitoring officer protocol, which currently forms appendix 9B of the council's constitution.

#### **12. Ensuring effective arrangements are in place for the discharge of the head of paid service function:**

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- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.
- The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.
- The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich City Council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources



with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.

- A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

### **13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:**

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- The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:
  - promoting the development of members
  - developing, monitoring and evaluating the councillors training and development programme
  - supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.
- A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.
- Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

### **14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability:**

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- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published to the council website.
- The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.



- The council's risk management policy was updated, approved by Cabinet in January 2017.
- Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.
- The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. A business continuity policy and framework was approved by Cabinet on 25 June 2014.

**15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014):**

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- The council has recently reviewed its counter fraud arrangements, reflecting professional guidance and good practice, and has published revised anti-fraud and corruption, whistleblowing and anti-money laundering policies.
- The policies are promoted to employees, and are available on both the intranet and website. Employees are required to confirm that they have read these.
- For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.
- Under the partnership and delegation agreement, in 2017-18 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act.
- The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

**16. Ensuring an effective scrutiny function is in place:**

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- The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. A member of the council's scrutiny committee is a member of the Norfolk health scrutiny committee and provides regular updates on their work to the council's scrutiny committee.
- A member of the council is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- A member of the council is also a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety partnership scrutiny panel to provide regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.



**17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact:**

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- In line with the partnership and delegation agreement, the internal audit for 2017-18 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note.

**18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013):**

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- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in October 2017 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

**19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations:**

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- The council provides support and information to the externally appointed auditors (Ernst & Young). Audit findings and recommendations are reported through the Audit Committee.

**20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures:**

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- The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.
- The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships
- Norwich Regeneration Limited (NRL) has a board consisting of two councillors, three officers of the council and an independent board member from Homes England. The board combines a broad range of experience including commercial development, finance, business case development, procurement, risk management as well as general management. NpLaw provide company secretary support to the board. The board is provided additional expertise from various people including officers of the council, a financial advisor, a project manager, estate agents, architects and legal. There has been a comprehensive review of the financial model supporting NRL's work. The updated model



provides a sophisticated tool to support the board in its decision making. This includes considering different options and risk factors. The board has put in place a scheme of delegation to allow day to day decisions to be taken without the need for a full board meeting but major decisions are reserved for the board. NRL is taking a phased approach to development and houses are being sold from its first development and NRL is now taking on further developments. NRL has a business plan in place which goes through rigorous scrutiny requiring the approval of The Council as shareholder as well as the NRL board. Risks are managed at a company level through the business plan and board meetings while project risks are managed through the project process for each project.





## 5. Review of effectiveness

- 5.1. Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the directors within the council who have responsibility for the development and maintenance of the governance environment, the LGSS Chief Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2. The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

### 1. The council and cabinet

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- In February 2015 the council approved the new corporate plan 2015-2020, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery. This was updated in 2017, with changes to the key performance measures, which had been agreed by cabinet and the scrutiny committee. The council will continue to engage with stakeholders to inform the setting of corporate priorities beyond 2017-18, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2017-18 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.
- Council approved financial documents including the Four Year Sustainability Plan, the Council Tax Resolution Scheme, the General Fund Revenue budget, the Housing Rents and Budgets, and the Treasury Management Strategy.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Council considered and delegated the decision to appoint a S151 & Chief Finance Officer to the Chief Executive and the Leader.
- Council considered the appointment of Independent Persons for the Council as per the standards framework to be compliant with the Localism act 2011.
- Following the decision made at full council, the Cabinet resolved to not participate in the Norfolk and Suffolk devolution agreement, with the process to establish an elected mayor and combined authority for the East Anglia region.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2016-2020, and the Risk Management Policy. Cabinet approved that all appropriate mitigation had been taken for risks which exceeded the Councils risk appetite.



- Cabinet approved business plans, including joint ventures for NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited, plus Norwich Regeneration Ltd and the Norwich and Homes and Communities Agency (HCA) strategic partnership.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports. Performance monitoring reports during 2017-18 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2015-20.
- The council's constitution working party recommends to cabinet and council any changes to the constitution.

## **2. The scrutiny committee**

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- The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. Reviews also include delivery of the corporate plan, through performance reports.
- The statutory annual report on the work of scrutiny committee in 2017-18 was presented to scrutiny committee on 22 March 2018 and was presented to Council on 26 June 2018.

## **3. The audit committee**

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- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.
- The Local Audit and Accountability Act 2014 introduced changes to the appointment process for external auditors. The committee reviewed options for appointing external auditors, and endorsed a recommendation to use PSAA Ltd, who was specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. This was recommended to cabinet and approved by full council.
- The committee reviewed counter fraud policies including anti-fraud and corruption, anti-money laundering, and whistleblowing. These were recommended and approved by cabinet.
- In line with good practice, the annual report on the work of the audit committee in 2017-18 was discussed by the audit committee on 12 June 2018 and presented to council on 26 June 2018.



#### **4. The standards committee and monitoring officer**

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- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.
- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from NpLaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report covered the period April 2015 to June 2016 and was presented to the Standards Committee on 8 July 2016. This concluded that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this report for the purposes of the latest regulations.

#### **5. Chief finance officer**

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- The chief finance officer is a statutory appointment, and during 2017-18 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2015-16.

#### **6. Internal audit**

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- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report will be presented to the Audit Committee in June 2018. This report will outline the key findings of the audit work undertaken during 2017/18, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2017/18, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not



complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to audit committee.

- It is the opinion of the Chief Internal Auditor that, taking into account all available evidence, good assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2017/18, and this remains at a similar level from 2016/17. The detail to support this assessment will be provided in the Annual Internal Audit Report

## **7. Corporate governance group**

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- This is an internal officer group meeting every four months, which is chaired by the director of business services, and is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and Learning, director of neighbourhoods and local LGSS principal auditor.

## **8. Other explicit review / assurance mechanisms**

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### External audit

- Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.
- EY's audit results report (ISA260) for 2016-17 was presented to audit committee on 5 September 2017. The annual audit letter 2016-17 was presented to audit committee on 14 November 2017. The annual report on the certification of claims and returns 2016-17 was presented to audit committee on 13 March 2018.
- For 2016-17 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant risks identified other than the ongoing control weaknesses (e.g. regarding property, plant and equipment accounting records on the fixed assets register) which have previously been reported to audit committee.

### Improvement and efficiency.

- The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including:
  - The Gold award for "Delivering through efficiency" in the iESE improvement and efficiency awards 2013.
  - Highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year category.
  - Gold award for overall "Council of the Year" in the iESE improvement and efficiency awards 2014.
  - Local Government Chronicle Award for "Most Improved Council" 2014.
  - Selected as a finalist in the MJ Local Government Achievement Awards 2015, for 'Best Achieving Council'.



- The council was also selected as a finalist in the Local Government Chronicle 'Council of the Year' award 2016.
- In addition, during 2015, iESE undertook a corporate health check of the council, and a review of efficiency was undertaken by Newton Europe, both with positive results
- Achieved silver standard status for the Council's Home Options service by the peer led, National Practitioner Support Service



## **6. Governance issues and actions**

- 6.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 6.2. The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at [www.norwich.gov.uk](http://www.norwich.gov.uk)):

### **External auditors annual letter 2016-17**

- EY's annual audit letter was presented to audit committee on 14 November 2017. EY issued an unqualified audit opinion on the council's financial statements, and an unqualified value for money conclusion, which is a positive report for the Council.
- Some significant risks were highlighted in the financial statements audit: the risk of fraud in revenue and expenditure recognition; and the risk of management override to perpetrate fraud. In these cases, following review and testing, EY did not identify any material misstatements.
- The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding.

### **Emerging legislation**

- The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018.
- The Information Commissioner has confirmed that the United Kingdom will be adopting the EU General Data Protection Regulations which will apply from 25<sup>th</sup> May 2018. This will replace the existing Data Protection Act. It is anticipated that there will be new requirements for the Council to consider and adopt to maintain compliant with the law. The Council already has a positive track record in information governance and will monitor and respond to developments in the legislation as the guidance is published by the Information Commissioner and the European Article 29 Working Party.

## **7. Conclusion**

Based on the work that has been completed, assurance can be taken that the governance arrangements at Norwich City Council are fit for purpose.

Norwich City Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.



## **8. Statement by Leader of the Council and Chief Executive**

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation not only as part of our next annual review, but also continuously throughout the year.

Signed:

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.....

Alan Waters  
Leader of the Council

Laura McGillivray  
Chief Executive

Date:

Date:





**Report to** Audit Committee  
24 July 2018  
**Report of** Chief Internal Auditor, LGSS  
**Subject** Internal audit 2018-19 – April to June update (Quarter 1)

**Item**

**7**

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**Purpose**

To advise members of the work of internal audit, completed between April to June 2018, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.

The 2018-19 Audit Plan was approved by the audit committee on 13 March 2018.

**Recommendations**

The committee is requested to consider the contents of this report.

**Corporate and service priorities**

The report helps to meet the corporate priority for value for money services.

**Financial implications**

None

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick – Resources

**Contact officers:**

Duncan Wilkinson, Chief Internal Auditor, LGSS 01908 252089

Neil Hunter, Head of Internal Audit, LGSS 01223 715317

Magen Powell, Principal Auditor, LGSS 01603 212575

**Background documents**

None

# **LGSS Internal Audit & Risk Management**

## **Norwich City Council**

Quarterly update report

**Q1**

*As at 13<sup>th</sup> July 2018*

## Resources

As outlined to Audit Committee at the beginning of the financial year, it is good practice to keep audit plans under review and update them to reflect emerging risks, revisions to corporate priorities, and resourcing factors which may affect the delivery of the audit plan.

Additional work is considered where it will help to improve the internal control environment and governance arrangements at the Council. Consequently it is appropriate to review the internal audit plan and re-profile accordingly.

The original plan was agreed as 450 days, there have been no further changes to the plan for 2018/19. As at 13<sup>th</sup> July 2018, 92 productive days are projected to have been delivered against the plan which reflects the profiling with the majority of testing completed in quarter's two to four.

## Progress against the plan

### Finalised Assignments

A number of reviews from 2017/18 were finalised in the April/May, and these were reflected in the Annual Report on Internal Audit and Fraud, which was presented to the Audit Committee on 12<sup>th</sup> June 2018. Since then, the following audit assignments have reached completion as set out below:

Directorate	Assignment	Control Assurance	Compliance Assurance	Organisational impact
2017/18 Audit Plan				
Cross cutting	Payroll	Substantial	Substantial	Minor
2018/19 Audit Plan				
Cross cutting	2017/18 Annual Governance Statement	NA		
Cross cutting	Contract Extensions	Satisfactory	Good	Minor
Cross cutting	Disabled Facility Grant (additional grant)	NA – Unqualified grant certification		

At the conclusion of an audit assignment an assurance opinion of the system is reported and these are explained further in Appendix B – Audit Definitions.

Key points from the completed 2018/19 reviews include:

#### Contract Extensions

The corporate management of procurement and contracts is carried out by the business relationship and procurement team, with service management responsible for the ongoing contract management.

The audit carried out sample testing of contract extensions agreed since April 2017. For those tested, appropriate approvals were obtained and the extensions have been recorded on the contracts register and, where applicable, on the exemptions register. However, the control

environment should be strengthened by inclusion of the requirements for extending contracts in the corporate contract procedures and other corporate procurement documents.

Disabled Facility Grant (additional grant)

Norfolk County Council received £6.9m capital funding from the Department of Health for Disabled Facility Grants as part of the Better Care Fund in 2017/18. £969k was allocated to Norwich City Council and we are currently reviewing the expenditure to the grant conditions.

An additional grant of £103k received directly from Ministry of Housing Communities and Local Government (formerly DCLG) required a separate certification. Following audit testing, this was completed within the deadline and signed by the Chief Executive.

**Draft / Interim reports / Work in progress**

At the time of producing this report, the following audit assignments are at draft report stage or work in progress:

Directorate	Assignment
Cross cutting	Norwich Regeneration Limited
Cross cutting	Key Performance Indicators
Cross cutting	Disabled Facility Grant (main grant)
Cross cutting	Commercial Rents
Cross cutting	Fees and Charges Policy

Further information on work planned, and in progress, may be found in the Audit Plan, attached as Appendix A.

**Implementation of management actions**

Throughout the year we have sought assurances from teams that their actions from previous audits have been implemented to schedule. The team is currently following up recommendations from the 2017/18 audit reviews of:

- Debt recovery
- Housing rents and arrears

There are currently no outstanding high level actions, and this provides positive assurance of the Councils commitment to maintain the internal control environment.

**Summaries of completed audits with limited or no assurance**

At the conclusion of an audit an assurance opinion of the system is reported. This reflects the effectiveness of control, compliance and organisational impact. These are explained further in Appendix B – Audit Definitions

Individual reviews which highlight there is only limited or no assurance, in the final report, are communicated to the Audit Committee for awareness. No such audits have been issued this quarter.

## **Other audit activity**

In addition to completing ongoing audit reviews, the Internal Audit team has been conducting work in the following areas.

### **Advice and assurance**

The team provides both proactive and responsive advice where it helps to improve the control environment. There is a contingency in the plan for handling queries, and planning for significant pieces of work which may be commissioned throughout the year. We have assisted the Council in the following area to date:

#### *Implementation of new IT System*

The Council is implementing a new Finance System for HR and Finance.

The Project Board have requested that Internal Audit is involved to proactively provide advice on governance, risk and internal controls during project delivery.

### **Development**

#### *Continuous improvement*

The LGSS Internal Audit team follows good professional practice such as the Public Sector Internal Audit Standards, and the supporting Local Government Application Note. In addition the team is externally reviewed against the standards, and completes a continuous review of its processes as good practice.

The Internal Audit team has reviewed the audit definitions which are issued on conclusion of audit work. The methodology and approach continues to be relevant, and some minor revisions have been made to the terminology which should add clarity to the reporting process. The audit definitions are listed in Appendix B.

## Appendix A – Internal audit plan

### Norwich 2018/19

Audit	Status	Qtr opened / planned	Qtr closed	Profiled days
Transformation Programme	Not started	Q3		15
<b>Total Transformation:</b>				<b>15</b>
National Fraud Initiative	Ongoing	All year	N/a	20
Fraud Investigations	Ongoing	All year	N/a	5
<b>Total Anti-Fraud and Corruption:</b>				<b>25</b>
Accounts Receivable	Not started	Q3		15
Purchase to Pay	Not started	Q3		15
Payroll	Not started	Q4		15
Housing Rents/Arrears	Not started	Q4		20
Housing Benefits	Not started	Q4		20
Council Tax	Not started	Q4		15
NNDR	Not started	Q4		15
Treasury Management	Not started	Q3		15
Debt Recovery	Not started	Q3		10
<b>Total Key Financial Systems:</b>				<b>140</b>
Strategic Risk Management	Not started	Q3		15
Risk Management	Not started	Ongoing	N/a	5
<b>Total Risk Management:</b>				<b>20</b>
Contract Management	Not started	Q2		20
<b>Total Contracts:</b>				<b>20</b>
Fees and Charges Policy	In progress	Q1		10
Commercial Rents	In progress	Q1		10
Attend HR & Finance Project Meetings	Ongoing	All year		15
Project Management	Not started	Q2		10
Norwich Regeneration Limited	In progress	Q1		10
Discretionary and Non-Statutory Service Provision & Expenditure	Not started	Q2		10
<b>Total Risk-Based Audits:</b>				<b>65</b>
Annual Key Policies & Procedures Review	Not started	Q2		6
Financial Regulations	Not started	Q2		2
Contract Procedure Rules	Not started	Q2		2
<b>Total Policies &amp; Procedures:</b>				<b>10</b>
Fees and Charges	Not started	Q4		5
Key Performance Indicators	In progress	Q1		5
Scheme of Delegation compliance	Not started	Q3		5
Procurement Compliance	Not started	Q2		20

Contract Extensions	Complete	Q1	Q1	5
<b>Total Compliance:</b>				<b>40</b>
Information Security & GDPR	Not started	Q2		15
Financial Systems IT & General Computer Controls	Not started	Q3		10
<b>Total ICT and Information Governance:</b>				<b>25</b>
Attend Information Governance Group	Ongoing	All year	N/a	5
Attend Data Breach Response	Ongoing	All year	N/a	5
Attend/facilitate Corporate Governance and RM Group	Ongoing	All year	N/a	5
Annual Governance Statement	Complete	Q1	Q1	10
<b>Total Governance:</b>				<b>25</b>
Grant Awareness	Not Started	Q3		5
Disabled Facility Grant	In progress	Q1	Q2	5
Cycle highways grant	Not Started	Q4		5
<b>Total Grant assurance:</b>				<b>15</b>
Advice & Guidance	Ongoing	All year	N/a	10
Follow-Ups of Agreed Actions	Ongoing	All year	N/a	10
<b>Total Advice &amp; Guidance:</b>				<b>20</b>
Committee Reporting	Ongoing	All year	N/a	12
Management Reporting	Ongoing	All year	N/a	10
Audit Plan	Ongoing	All year	N/a	8
<b>Total Reporting:</b>				<b>30</b>
<b>Operational Plan Total - 2018/19</b>				<b>450</b>

## Appendix B – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

### Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

### Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.



### Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to the Corporate Management Team along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

### Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a system to prioritise our recommendations, as follows:

Essential	Important	Standard
<p>Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The improvement is critical to the system of internal control and action should be implemented as quickly as possible.</p>	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.</p>	<p>The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should implement promptly or formally agree to accept the risks.</p>

