



Audit Committee

16:30 to 19:05

19 March 2024

Present: Councillors Price (chair), Driver (vice chair), Osborn, Prinsley, Sands (M), Stutely (substitute for Councillor Everett), Thomas (Va) and Thomas (Vi) and David Harwood (Independent Person)

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillors Everett, Francis and Wright

1. Public questions and petitions

There were no public questions or petitions.

2. Declarations of interest

None.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 23 January 2024.

(The chair agreed to take the exempt items early on in the meeting to accommodate a request from officers.)

4. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of 5* and 6* (below) on the grounds contained in the paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

(There is an exempt minute of these items.)

5. Fraud Activity (paragraph 3)

The Interim Chief Finance Officer presented the report and answered members' questions on the outcome of an investigation into fraudulent activity which had been discovered during normal processes.

RESOLVED to note the report.

6. 2023/24 Quarter 3 Corporate Risk Register (paragraph 3)

The committee considered the risks contained in the exempt report.

(Recommendations from discussion on the exempt report were considered in the public section of the meeting under item 7 (below).)

7. 2023/24 Quarter 3 Corporate Risk Register

(The committee returned to public session at this point.)

The Interim Chief Finance Officer presented the report and advised members that CORP15, failure to draw down £15m of Housing Infrastructure Fund (HIF) had materialised because the developer had withdrawn from the Anglia Square redevelopment scheme. This risk would be removed from the Q4 Corporate Risk Register.

Discussion ensued in which a member suggested that a corporate risk could be the failure to bring forward brownfield sites for development. The Interim Chief Finance Officer said that the Town Deal Revolving Fund had limited resources to bring forward sites for development. Anglia Square was not in the ownership of the city council. The fund could not resource the purchase of a site of its size and complexity.

Discussion ensued on CORP03, in which a member suggested that the target score (8) was low taking into consideration the importance of the health and safety for the workforce. The Interim Chief Finance Officer said that a significant amount of work was being done to improve health and safety in the workplace, overseen by a Health and Safety Board which would be reflected in a change in the risk scores by Q4. The council had appointed a Corporate Health and Safety Manager. All staff were required to attend face to face Health and Safety training, with around 75 to 80 per cent of staff having already attended this mandatory training.

The chair pointed out that where a risk appeared to be “static” it appeared as if no improvement was being made. The Interim Chief Finance Officer said that he considered this a fair point and it was one of the areas around risk management that was misunderstood, especially when there were actions being carried out. Members considered that there should be further details of mitigation and controls.

A member said that given the high stakes of the risk to the council, he was surprised that health and safety compliance in council homes and buildings had been removed from the corporate risk register, especially as it was a matter of public concern. The Interim Chief Finance Officer explained that the risk score had been reduced and therefore moved to the directorate risk register. Another member agreed with the chair and said that residents were not satisfied with the delay in installing fire doors in tower blocks. It was moved and seconded that the committee recommended cabinet to reinstate this risk on the corporate risk register and on being put to the vote, on the chair’s casting vote, the recommendation was carried.

The committee had noted that the Norwich City Services Limited (NCSL) business plan would be considered by the Scrutiny Committee and considered that that the Scrutiny Committee should also be recommended to review the council’s business continuity arrangements.

The Independent Person suggested that the inherent risk score needed to be included in the risk register to provide context for the residual risk. The Interim Chief Finance Officer said that this could be considered when the risk register was reviewed. The Independent Person said that he was surprised that the council did not use risk management software. He had noted a few formatting issues where text in the mitigations was repeated having been taken from a spreadsheet.

The Interim Chief Finance Officer advised the Independent Person that Cabinet considered a quarterly performance report which monitored key performance indicators. The Head of Internal Finance confirmed that the internal audit plan focused on the corporate risks. The internal audit team would review the controls as part of the internal audit plan.

As chair of the Licensing and Regulatory Committees, Councillor Stutely referred to CORP17 and said that he welcomed that more resources were available to address the failure to deliver acceptable levels of performance in regulatory services, and to prevent potential harm to members of the public. The Interim Chief Finance Officer said that the Interim Director of Finance was serving on the task and finish group overseeing the risks related to this area and could share details could be shared with him and the chair of this committee. Councillor Stutely stressed the importance of working with the neighbouring district councils as not all taxi or private hire drivers operating in Norwich were licenced by the city council. In answer to a member's question about applications for HMO's (houses in multiple occupation) made 3 years ago not being acknowledged, the Interim Chief Finance Officer confirmed that this backlog was part of the work stream being overseen by the task and finish group.

Councillor Osborn said that he considered that CORP21, Climate Change risk to Council and its residents lacked reference to reputational risk and liability. The chair said that the focus of this risk was not on the wider population, and asked Councillor Osborn to provide the Interim Chief Finance Officer, with the detailed wording for consideration when reviewing this risk.

Discussion ensued on recommendations. The committee, with 3 members voting in favour and 4 against, did not support a suggestion to publish all elements covered under risk CORP22. However, the committee agreed that consideration should be given to increase the risk score.

RESOLVED to:

- (1) note the identified risks and direction of travel in the 2023/24 Quarter 3 Corporate Risk Register report and to make the following recommendations.
- (2) ask the Interim Chief Finance Officer to ask the executive leadership team (ELT) and Cabinet to consider:
 - (a) upgrading the risk score for CORP22 to 20;
 - (b) reinstating Health & Safety Compliance on the corporate risk register;

- (c) inclusion of risk mitigation for mould and damp in council housing;
 - (d) inclusion of inherent risk scores on the Corporate Risk Register and more detail on actions and mitigation to provide further understanding on status;
 - (e) review CORP21 to include reputational risk and liability;
 - (f) consider using risk management software and specific software for management of electronic signatures;
 - (g) note the errors in data on the spread sheet and avoid in future.
- (3) recommend to the Scrutiny Committee that:
- (a) it seeks assurance on the NCSL Business Plan in relation to performance monitoring and governance, particularly in relation to housing repairs and street cleaning;
 - (b) asks for a representative of NCSL to attend the Scrutiny Committee where the business plan is considered;
 - (c) refers any concerns about the governance and control environment surrounding the company to this committee (Audit Committee);
 - (d) that it scrutinises the council's business continuity arrangements.

Actions:

- (1) The chair will write to the chair of Scrutiny Committee outlining the committee's concerns regarding the performance of NCSL in relation to its business plan and requesting that members of the Audit Committee attend the Scrutiny Committee where the business plan will be considered.
- (2) Ask Councillor Osborn is to provide wording to the chair and Interim Chief Finance Officer on his recommendations to amend CORP21.

(As more than 2 hours had passed since the commencement of the meeting, the committee, it was **RESOLVED** to adjourn the meeting until a later date at this point.)

(The committee reconvened on 14 May 2024 to consider the outstanding items on the agenda for the meeting held on 19 March 2024.)

Audit Committee

16:30 to 18:25

14 May 2024

Present: Councillors Price (chair), Driver (vice chair), Prinsley, Sands (M), Thomas (Vi) and Wright, and David Harwood (Independent Person)

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillors Francis and Osborn

1. Declarations of interest

There were no declarations of interest.

2. Progress Report on Internal Audit Activity

The Head of Internal Audit presented the appended report and answered members' questions. The table at 2.2 listed the six audits that would be deferred to 2024/25. There would be a combined internal review of Non-Housing Capital Programme Management NC2412 with the new Asset Management Framework in 2024/25. Members were also advised that as expected there had been progress in the delivery of the plan since the report was written, with 77 per cent of the plan now being completed. Members were referred to Appendix 1 and advised that the following three audit reviews had been finalised and received the following audit opinions:

- Customer Contact Team Reasonable assurance.
- Parking and Enforcement Reasonable assurance.
- Disabled Facilities Grants Limited assurance.

The committee would receive executive summaries of these internal audit reviews at its next meeting.

During discussion, the Head of Internal Audit confirmed the arrangements in place to progress the work against the delivery of the internal audit plan to produce the annual audit opinion. This progress was overseen by the Head of Internal Audit and S151 Officer, and considered by the executive leadership team (ELT), heads of services and this committee. One of the reasons that the audit process had been delayed was because officers had not responded in a timely manner to requests from the internal auditors. The annual report would refer to the protocol that was now in place to address this. Expectations had been clearly stated to heads of services when the 2024/25 Internal Audit Plan was circulated. This should ensure that audits were not delayed resulting in the backlog that had occurred this year. An additional audit team from the contractor was undertaking the 2024/2025 Q1 audits to allow the audit team to catch up with outstanding audits from 2023/24 and then take over by picking up Q2 audits to keep on track going forward.

Councillor Kendrick, Cabinet member for resources, confirmed that it would be inappropriate for a cabinet member to intervene in the audit process.

The Head of Internal Audit explained that the list of 12 actions arising from the position statement on Environmental Sustainability had been presented in the same way as her predecessor. Members were advised that the annual report and quarterly reports going forward would be more readable and pictorial. Audit opinions were not issued for position statements or advisory work, but would be presented as executive summaries in future.

The Independent Person referred to the executive summary of NN2405 Procurement and Contract Management and expressed concern that although the audit opinion was reasonable, a finding of the audit had been that the Contract Management Framework was not being enforced. The Head of Internal Audit explained that the executive summary was taken from a full report and all recommendations would be followed up. Members were informed that the assurance level might reflect that the sample of contracts audited were being managed satisfactorily despite not adhering to the framework, and that the reference to the full report would need to be made to confirm this. The Head of Internal Audit and Head of Finance, Audit and Risk, confirmed that this would be reported back to the committee as part of the internal audit progress report next time. Members considered that it was important that this issue was addressed as soon as possible, without waiting for national guidance. Members considered that non-compliance with the framework needed to be referenced in the Annual Governance Statement.

A member referred to Appendix 4, and under Key Controls 2023/24 asked for further details about the outstanding actions relating to debt recovery. The Head of Finance, Audit and Risk explained that this referred to sundry debt not suppliers. There was a point that debts were considered irrecoverable and needed to be written off. Councillor Kendrick pointed out that there was a robust policy in place. The council could still recover written off debts if the debtor's circumstances changed. The Head of Internal Audit confirmed that debt was included in the Key Controls and tested each year. The Head of Finance, Audit and Risk confirmed that the risks around debt were included on the Corporate and Commercial Services directorate risk register.

The Independent Person said that conversely the council held £1million of council tax that had been overpaid by residents. The Head of Internal Audit said that some of it would be overpayments where a resident had become eligible for single persons' discount and would be credited. However, in some cases the council had no contact details and could not repay the overpayment.

RESOLVED to:

- (1) note the progress against the Internal Audit Plan 2023/24;
- (2) ask that reference to the non-compliance with the council's contract management framework is referred to in the Annual Governance Statement.

3. Strategic and Annual Internal Audit Plans 2024/25 to 2026/27

The Head of Internal Audit presented the report and appended reports. The mapping of assurance plans showed how this cascaded down to the audit plans. There would be more work around this.

The Independent Person said that the Audit Charter should explicitly refer to the council's wholly owned companies. The Head of Internal Audit said that the Charter followed the Public Sector Internal Audit Standards (PSIAS) which had been superseded by the new Global Internal Audit Standards, and as part of that a new Charter and audit mandate would be completed and presented to the committee. She agreed that the wholly owned companies should be included in the new charter and she would need to establish with officers what the audit remit for these companies would be. The Independent Person said that the Global Internal Audit Standards had already been issued for the public sector. The Head of Internal Audit confirmed that although this was the case the standards were not that specific on this point. Compliance with the standards was required by 1 January 2025. The chair commented that it was important to the committee and needed clarification, and asked the Head of Internal Audit to raise this with ELT.

During discussion members considered the importance of a risk-based approach to the risks associated with the wholly owned companies. There were some high risks attached to health and safety from the activities of the companies which directly affected the council's tenants for instance, and the council's investments.

Discussion ensued on the allocation of days on the internal audit plan. The Head of Internal Audit explained that days were allocated based on experience and frequency of the audit. There was flexibility to review the allocation after scoping the audit. The plan was based on an understanding of risk and could be amended if required. A member suggested that the plan could be delivered in percentages with 25 per cent delivered in Q1 and was details of the audit days really needed. The Head of Internal Audit said that the committee and ELT could be more focused on outcomes rather than audit days and that working within a monetary budget to deliver whatever audit days were needed was one approach. It could be possible to report plan delivery as percentages rather than days and should be considered.

The Independent Person referred to the Safeguarding internal audit review and said that the committee had asked that consideration was given to including an internal audit review of mandatory training across the council in the next year's audit plan. The Head of Internal Audit said that this had been discussed with ELT, who had chosen to look into this themselves, and that the assurance needed would be provided to the committee. The Interim Head of Legal and Procurement undertook to follow this up on behalf of the committee.

Members were advised that the internal audit plan was risk based and could be changed if necessary. The Interim Director of Finance advised members that there was a review of the council's risk management approach, including its risk appetite and management arrangements. The Independent Person said that this should be clearly articulated in any document related to it.

RESOLVED:

- (1) to approve:
 - a) the Internal Audit Charter, subject to the inclusion of the two wholly owned companies;
 - b) the Internal Audit Strategy;
 - c) the Strategic Internal Audit Plans 2024/25 to 2026/27; and

d) the Annual Internal Audit Plan 2024/25.

(2) ask the Interim Head of Legal and Procurement to follow up the details of the ELT review of mandatory training for officers and report back to the committee.

4. DLUHC Consultation Response – Addressing the Local Audit Backlog in England

The Interim Director of Finance presented the report which outlined the council's response DLUHC consultation on external audit and plans to address the backlog of external audits of local authorities' accounts. Norwich City Council had prepared Statements of Accounts for both 2021/22 and 2022/23 but these had not been audited because the external auditors did not have the resources. (The phases of the proposed plan are set out in paragraph 11.) The final phase was to review the external audit framework to provide sustainable arrangements going forward having cleared the backlog.

During discussion members were advised that the rates for external audit were a contractual arrangement with external audit and set by the Public Sector Audit Appointments (PSAA). The issue was whether the external auditors had the resources to conduct the external audit within the proposed timescale, defaulting to a disclaimer opinion. Members considered that this was not a fair situation for this council, where its finance team had ensured that the statement of accounts were submitted on time and ready for auditing.

Members were concerned about the reputational risk to the council and that public perception would make comparisons with other councils' financial positions, with several councils subject to Section 114 Notices. The Head of Finance, Audit and Risk said that the statement of accounts was a statutory document and that the content of the disclaimer notice would be limited. The Interim Head of Legal and Procurement suggested that members liaised with her first if they were minded to make an individual press statement on this situation.

RESOLVED:

(1) to note:

- a) the details of the proposed approach to addressing the local audit backlog in England;
- b) the response submitted by Norwich City Council.

(2) ask members to liaise with the Interim Head of Legal and Procurement regarding individual press statements on these arrangements.

5. Audit Committee Self-Assessment Exercise

The chair introduced the report and thanked everyone who had participated in the self-assessment exercise.

The Head of Internal Audit presented the report. Actions identified during the exercise would be delivered during the year.

The chair summed up the value of this piece of work and that it would continue to be undertaken annually. He was pleased that the committee's suggestion that the Scrutiny Committee also undertook a self-assessment exercise had been taken up.

RESOLVED to:

- (1) thank the Head of Internal Audit for facilitating the self-assessment exercise;
- (2) agree the final scores for the first tool assessment, the 'Self-assessment of good practice' attached at Appendix 1.
- (3) that the second tool assessment, 'Evaluating the effectiveness of the audit committee' attached at Appendix 2 would be used next time as the self-assessment tool
- (4) and the action plan for where there are scores less than 5 in Appendix 3 will be reviewed at each meeting during the year.

6. Work Programme

The Interim Head of Legal and Procurement presented the report.

It was noted that there were two additional reports from the External Auditor to be considered at the July meeting. Members also considered the proposal in paragraph 5 that the September meeting was a formal meeting with an informal session for members to meet with the Head of Internal Audit and External Auditor. The Interim Head of Legal and Procurement said that there was a correction to the report in that the Annual Governance Statement AGS would be the actual not draft statement in September. An informal meeting would need to be arranged for members to be briefed on the statement of accounts and AGS before the September meeting.

During discussion members considered that recent meetings had been lengthy and that there were numerous agenda items. The schedule of meetings also included a date in November for an informal session that could be a formal committee meeting if required.

RESOLVED to:

- (1) note the report,
- (2) agree the changes to the work programme and hold a separate informal meeting for a briefing on the Annual Governance Statement and Statement of Accounts.

CHAIR