

Audit committee

Date: Tuesday, 29 November 2022

Time: 17:00

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

Informal session – Self-Assessment Training Needs Analysis – 16:30

In the session we intend to carry out a training needs analysis. The outcome of which will be to develop a training plan that closes any gaps in committee knowledge.

Committee members:

Councillors:

Price (chair)
Driver (vice chair)
Everett
Haynes
Kidman
Sands (M)
Stutely
Wright

For further information please contact:

Committee officer: Jackie Rodger
t: (01603) 989547
e: jackierodger@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

Independent person

David Harwood

Information for members of the public

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Agenda

Page nos

1 Apologies

To receive apologies for absence

2 Public questions/petitions

To receive questions / petitions from the public which have been submitted in accordance with the council's constitution.

3 Declarations of interest

(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.)

4 Minutes

5 - 12

To approve the accuracy of the minutes of the meeting held on 4 October 2022

5 Internal Audit Progress Update 2022/23

13 - 46

Purpose - This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23.

6 Managing the risk of fraud and error in the payment of Coronavirus Business Grants

47 - 56

Purpose - This report is to provide an update on the work undertaken in respect of fraudulent applications for Coronavirus Business Grants.

7 Work Programme

57 - 62

Purpose - This report sets out the committee's work programme to fulfil its terms of reference as set out in the council's constitution and agreed by council.

Date of publication: **Monday, 21 November 2022**



Audit committee

17:30 to 19:25

4 October 2022

Present: Councillors Price (chair), Driver (vice chair), Everett, Haynes, Kidman, Sands (M), Stutely and Wright, and David Harwood (independent person)

Also present: Councillor Kendrick, cabinet member for resources

1. Public questions and petitions

There were no public questions or petitions.

2. Declarations of interest

There were no declarations of interests.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 12 July 2022.

After the meeting it became apparent that the list of members present in this set of minutes was incorrect and should have read as follows:

Present: Councillors Price (chair), Driver (vice chair), Champion (substitute for Councillor Haynes), Everett, Kidman, Stutely (from item 5 below) and Wright

4. Draft Annual Governance Statement 2021/2022

The head of legal and procurement (monitoring officer) introduced the report. On 12 July 2022, the committee had approved the Code of Corporate Governance which provided an overview of the council's corporate governance framework and an action plan to strengthen it. The Annual Governance Statement (AGS) reflected the governance arrangements, effectiveness of internal controls and risk management in the year 2021/2022. It was a draft report as the final version could only be completed and signed off alongside the annual statement of accounts. The independent person had shared some comments on the AGS with the chair and officers and the monitoring officer suggested that these were considered outside the meeting and incorporated into the final version for approval by the committee at a later stage.

The chair welcomed the independent person's input and, said that having read the points he had raised, considered that it would be beneficial to share these with other members.

A member commented that the AGS reflected the situation in the past year, 2021/2022, and asked how the final document would reflect the changing economic landscape and the impact that this would have on the council's delivery of a balanced budget for 2022/2023. The head of legal and procurement services said that the final AGS would include the identification of any significant risks and concerns that affected the governance arrangements of the council. Last year's final version of the AGS (2020/2021) reflected housing compliance which had arisen during the period that the statement had been published and the completion of the audit. The AGS would need to reflect the cost of living crisis and economic situation, and how it affected the council and residents.

A member expressed concern that this was an important document but, as had been case last year, would not be approved until the external audit was completed. The executive director of corporate and commercial services commented that the council was caught up in the delay to the audit cycle due to issues faced by external auditors in completing local government audits. She advised members that Public Sector Audit Appointments (PSAA) had written to the council and chair to update them on the appointment of external auditors for the five-year period from 2023/2024. Two firms had expressed an interest. Members were advised that it was expected that the fees would increase significantly.

During discussion a member said that she did not consider the councillor enquiry system effective. Members commented on member training and development and the committee's concern that all members of the council should understand the role of the audit committee. The head of legal and procurement said that it was proposed to hold an all-member training session on the role of the scrutiny and audit committees in November. It was suggested that climate change and concerns about global security, due to the war in Ukraine, could be linked to the cost of living crisis and the economy.

In reply to a member's question, the executive director of corporate and commercial services explained what was meant by "cross-cutting" as used in bullet point 3 of the statement by the Leader of the council and the chief executive in relation to the creation of the senior leadership team. She gave the example of the cost of living crisis and that this impacted on different services, therefore a cross-cutting collaboration would ensure that all directorates or services involved were represented in those discussions. The chair said that this question demonstrated that the text needed to be accessible to the general public and easily understood.

The independent person referred to the covering report which set out how the AGS had been prepared, in accordance with the CIPFA framework. He considered that this was important information that should be in the AGS itself, and that the public needed to understand the process that was undertaken and who had been involved in the statement rather than it just being in a covering report. The head of legal and procurement said that it was an iterative process and that an important part of it was the review of the Code of Corporate Governance Statement. It was her intention to review the format and structure of the document next year. The statement had been prepared and circulated to officers, then the corporate leadership team and the leader. It was then published on the website for public consultation as required. The chair noted that some assurance could be provided by no comments being received from the public.

The chair asked whether it was sufficiently transparent to include details of the process in the covering report. A member considered that the publication of the report, its various drafts and relevant minutes for the committee, and the statement on the website, provided adequate transparency and information for the public. Members should consider the resource implication in terms of officer time. During discussion, members commented on the AGS being a public facing document. The independent person also referred to the CIPFA guidance and said that the AGS should be brief. The committee considered that other points raised by the independent person could be shared with members and discussed online outside the meeting. The head of legal and procurement reassured members that any changes incorporated into the final AGS would be subject to member approval at committee. She agreed that the AGS was a long document but there had been a lot of work on the Corporate Code of Governance this year and it would have been onerous to change the format of the AGS this year. The AGS for 2022/2023 would be more succinct. The executive director of corporate and commercial services said that she would be happy as a one off to include the process to provide the committee with an understanding of the processes that went into the AGS in the covering report that provided an overview to the committee, with a link from where the AGS was published on the website, as there was no requirement to include the process for the AGS in the document. Members considered that this was a logical way forward.

The executive director of corporate and commercial services welcomed the comments from the independent person and said that the council as a learning organisation was open to best practice. The chair, with the consent of the independent person, suggested that the comments were shared with members. The head of legal and procurement asked that for clarity she had a discussion with the independent person before sharing the comments to ensure that there was no confusion.

RESOLVED to approve the draft Annual Governance Statement 2021/2022, subject to further discussion outside of the meeting on the points raised by the independent person.

5. Statement of Accounts 2021/22

The interim head of finance, audit and risk presented the report and paid tribute to the corporate finance business partners, Robert Mayes and Jean Stevenson, for their work on the report and the preparation of the draft statement of accounts (SoA). These were the unaudited accounts; the external auditors were expected to commence the audit in December 2022. The accounts were published on the website and no objections or questions had been raised during the public consultation period.

The chair on behalf of the committee expressed gratitude to the officers for submitting the accounts on time. The interim head of finance, audit and risk confirmed that officers had completed the pre-audit work and that the audit was expected to last a month to six weeks. The accounts would be signed off shortly after the conclusion of the audit. The chair reminded the committee that it would have the opportunity to consider the audited statement of accounts.

The interim head of finance, audit and risk then answered questions from members of the committee on the accounts. This included advising members that regarding Section 16. Investment Properties (page 117 of the agenda papers, 66 of the SoA),

the £15.6 million gain was due to fair value adjustments and that such a swing was not unusual in investment properties. In reply to a member's question, the interim head of finance, audit and risk said that in some cases the maintenance of the investment properties was the responsibility of the tenant but would check the veracity of the following statement:

"The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement."

A member referred to Section 5. HRA (Housing Revenue Account) Council Dwellings (page 163 of the agenda papers, 112 of the SoA) and noted that the number of council dwellings purchased under Right to Buy had increased in 2021/22 and whether higher interest rates would affect this. The interim head of finance, audit and risk said that there was no evidence of this but pointed out that certain mortgage products had been removed from the market. Another member asked whether the council would buy back council dwellings if the resident could not afford mortgage repayments and was advised that the council had previously repurchased properties and had powers to do so but that in most cases such properties were sold on the open market.

The chair referred to the statement of accounts and to issues that had been raised in the regular reports on the Medium Term Financial Strategy (MTFS) relating to financial risk management and underspends in both the General Fund and Housing Revenue Account capital programmes. Members concurred with his statement that the SoA provided a fair and true reflection of the council's accounts for 2021/2022.

RESOLVED to note the draft Statement of Accounts 2021/2022 was published on the council website on 28 July 2022.

6. Risk Management Update

The interim head of finance, audit and risk presented the report. Members were advised that cabinet (14 September 2022) had deferred consideration of the *Q1 22-23 Corporate Performance Assurance Report* in accordance with procedures for the National Mourning Period on the death of the Queen and therefore, he could not provide any feedback from that meeting. Four new risks had been added to the corporate risk register, as set out in paragraph 5 of the report. The format of the report had been changed, although because this was for the first quarter, some of the comments were still in the old format. Members were advised that there was an exempt appendix attached to the agenda papers.

In reply to a member's question, the executive director of corporate and commercial services said that the residual risk for CORP01 Council Funding Medium-Long Term was based on predictions in July. The corporate leadership team (CLT) reviewed this risk all the time and whilst there was a lack of clarity from the government, they would be reviewing the council's economic position and risk scores at a dedicated session later that week.

A member referred to paragraph 6 of the report relating to the removal of the antisocial behaviour risk from the corporate risk register, and asked what the policy was for moving risks, suggesting that risks stayed on the register for 6 months to be monitored. The executive director of corporate and commercial services said that this was the corporate risk register, and that each directorate had its own risk

register which sat behind it. Once a risk was no longer considered strategic it would be monitored at directorate level, but if it were to become a strategic risk would then be moved back to the corporate risk register.

A member referred to the new corporate risk, CORP21 Equality Impacts Due to Climate Change, and asked if there was any indication when the five control statuses currently showing as red would move to amber or green. The executive director of community services explained that placing a new risk on the register involved a significant amount of work. She assured members that milestones and dates for achieving outcomes would be added to the register so that the risk could be monitored.

Regarding CORP18 Failure to address Natural England Advice on Nutrient Neutrality (NN), a member asked how this was being done and how was it affected by water companies discharging raw effluent into rivers and the sea. The chair said that there was a process and that he had received some updates from the head of planning and regulatory services. The executive director of corporate and commercial services said that they would note this question and that there would be a further briefing for members of the council to update them on NN next month.

Discussion ensued on the risk to the council from local government reorganisation. Members considered that the effect of the cost of living crisis, rising running and fuel bills and the effect of government funding cuts would drive forward local government reorganisation as the county council sought to address its budget deficit by seeking to incorporate district councils with their assets into a county wide unitary authority. The executive director of corporate and commercial services said that CLT could review this as part of the cost of living crisis. She explained that the registers were regularly reviewed and that it was good practice to ensure that gaps were filled. Members were advised that whilst the MTFs might not be balanced, the council would be able to balance its budget for next year. The chair commented that it was reassuring that the council was aiming for a balanced budget next year given the current economic conditions.

In reply to a member's concern that council tenants would be unable to pay their rents, the head of legal and procurement said that the scrutiny committee would be considering a review of the council's approach to debt support.

Councillor Kendrick, cabinet member for resources, confirmed that he had every confidence in the officers' ability to reduce risks to the council even when faced with a "moving target". He pointed out that the current status of CORP16 Implementation of the Elections Act was red due to the lack of clarity from the government on the roles and expectations of local authorities which meant that the council could not develop an implementation plan. The head of legal and procurement said that there was expected to be some movement on Friday and that there was further work required to look at mitigation to risk. The council's risk profile might increase if a general election or referendum were to be called. A member commented that the system was not broken but there was a risk that people were disenfranchised by this Act.

In response to a member's question about the council's risk appetite, the interim head of finance, audit and risk explained how the risk score matrix was used to apply the scores used on the risk registers. All risks had an officer assigned to it as a risk owner. The corporate and senior leadership teams discussed risks and determined

the residual risk. Mitigation or actions to reduce the residual risk were levers to bring it down. The target risk represented the cabinet's risk appetite. The report should provide the committee with assurance that the council was moving in the right direction. The executive director of corporate and commercial services said that fundamentally the leadership team determined the risk appetite. The corporate risk register was considered by cabinet on a quarterly basis and if members were not satisfied with targets could be reviewed.

The head of internal audit for Norwich City Council confirmed that she was consulted on the risk register and that the committee had previously considered the Risk Strategy which could be circulated to members. The risk appetite was tied into the Risk Strategy.

Discussion ensued on the independent person's views on the relationship of scores linked to the likelihood or the impact of a risk. The independent person provided an example that a death was unlikely, but that the impact of a death was the same however often it occurred. Reducing the likelihood of a death would mean that whilst it occurred less often, its impact remained the same. To reduce the score, you reduce the likelihood, either to put in more resource and therefore put more cost into it. The committee needed to be aware that cabinet was content to accept this approach to risk management. The chair pointed out that the CLT and the cabinet owned the corporate risk register. The cabinet member for resources said that mitigation could reduce the impact of a significant event happening. For example, the council had significant back up plans to ensure business continuity and delivery of services if City Hall became unavailable due to an incident. He recognised that the death of a worker was a tragic event for which the council sought to reduce the likelihood.

The executive director of corporate and commercial services said that any decision made by the council required a risk assessment. Financial resources were always considered in any decision that was taken. The council had created risk reserves whether for savings options and mitigation of risk, and a business change reserve to provide funding, if there was not sufficient funding in the service's budget. There were situations where it was necessary to invest for improvement and risk mitigation was a good example of this.

The chair said that he considered that it would be useful if the committee revisited its understanding of the cabinet's risk appetite when next reviewing the risk register.

RESOLVED to note the risk management report and ask that the committee revisits the risk appetite when it next reviews the risk register.

7. Internal Audit Progress Update 2022/2023

The head of internal audit presented the report, which included progress against action plans for completed audit reviews. During the presentation she highlighted the three areas which the internal audit team, following a review of the risks to the council, considered should be included in the internal audit plan as set out in paragraph 2.1 of the appended report and that these themes could be incorporated into the three year rolling internal audit plan. With reference to paragraph 4.4, members were advised that the audit report on Leasehold Management had been issued to management and would be brought back to committee once a management response had been received. Members were also advised that the

reports on Environmental Services and Capital Accounting and Programme Management were now at the review stage. The outstanding internal audit recommendations were set out in Appendix 3.

The vice chair referred to the annual audit committee training and suggested that other members of the council should understand the role of the audit committee in overseeing internal audit. He pointed out that the internal audits covered areas which would be of interest to members of other committees, such as the review of licensing fees and charges. The chair concurred that opening up audit committee training for all councillors would be beneficial to members of the audit committee and help interaction with other members of the council.

During discussion it was noted that Councillor Stutely, chair of licensing committee, would be briefed later that week on licensing fees and charges and that the scrutiny committee would be considering the fees and charges in due course.

Discussion then ensued on the three areas for inclusion on the internal audit plan. A member said that he supported the proposal for Safeguarding and Financial Viability to be included in the work plan as standard and that he considered that Nutrient Neutrality was a standalone piece of work. The independent person suggested that the audit team looked at the implementation of the new HR and finance system, the impact of the council from disruption to its supply chain, commercialisation and the impact from increased rents and running costs, and increased risk of employee fraud due to the cost of living crisis. The head of internal audit thanked the independent person for his suggestions and said confirmed that these issues, whilst not all standalone, would be discussed with CLT for inclusion in the plan. The executive head of corporate and commercial services said that the new HR and finance system would be considered as part of the compliance assurance on key controls. The head of customers, IT and digital and colleagues were working hard to implement the new finance/HR system, and whilst the council wanted proactive audit assurance the executive director of corporate and commercial services was concerned that there were other projects in this service.

In reply to a question from the chair, the head of internal audit confirmed that internal audit plan in Appendix 1 would deliver the audit plan by the year end, and incorporate the additional changes discussed to the audit plan if agreed following the discussion with CLT. It was a risk-based plan and was under constant review. She explained that internal audit was moving away from number of days delivered to coverage over key risks.

The chair commented that he hoped that CLT and the internal audit team should consider greater coverage in the internal audit plan next year to compensate the lower level of coverage last year.

RESOLVED to note the progress in delivering the remainder of the 2021/2022 internal audit plan or work and progress with delivery of the 2022/2023 plan.

8. Work Programme

RESOLVED, having considered the report, to agree the work programme.

9. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of items 10* to 11* (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

10.* Risk Management Update – exempt appendix (Paragraph 3)

The interim head of finance, audit and risk presented the exempt appendix

The committee considered the risks set out in the exempt appendix.

The executive director of community services answered members' questions on the second risk and confirmed that the focus was on ensuring that the service was provided. The chair said that cabinet would be responsible for ensuring that mitigation was carried out and that the service was delivered.

RESOLVED to note the exempt appendix to the Risk Management Update report (item 6 above).

11.* Update on Transition to the New Delivery of Internal Audit Services (Paragraph 3)

The head of internal audit provided an update on the new arrangements for the delivery of internal audit services.

RESOLVED to note.

CHAIR



Committee name: Audit

Committee date: 29/11/2022

Report title: Internal Audit Progress Update 2022/23

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of Internal Audit – Norwich City Council

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2022/23.

Recommendation:

It is recommended that members receive details the results of the outstanding 2021/22 internal audit plan of work and review progress with delivery of the 2022/23 plan.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report helps to meet all the corporate priorities.

Report details

1. The Audit Committee receive updates on progress made against the annual internal audit plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
2. The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - And where applicable will provide any significant outcomes arising from completed audits;
 - Provides an update on outstanding internal audit recommendations.

Consultation

3. Not applicable for this report.

Legal

4. There are no specific legal implications arising from this report.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	Not applicable for this report.
Health, social and economic impact	Not applicable for this report.
Crime and disorder	Not applicable for this report.
Children and adults safeguarding	Not applicable for this report.
Environmental impact	Not applicable for this report.

Risk management

Risk	Consequence	Controls required
Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion.	Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.	Progress against completing the annual internal audit plan is reported to the Audit Committee in accordance with the Public Sector Internal Audit Standards. Additional resources are deployed where required to ensure adequate levels of coverage are provided for the annual opinion.

Other options considered

5. Not applicable for this report.

Reasons for the decision/recommendation

6. The committee is receiving this report to comply with the Public Sector Internal Audit Standards and to assure itself on the progress being made against planned audit activity.

Background papers:

Appendices: Appendix A Internal Audit Progress Update 2022/23.

Name: Faye Haywood, Head of Internal Audit

Telephone number: 01508 533873

Email address: faye.haywood@southnorfolkandbroadland.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Eastern Internal Audit Services



Norwich City Council

Progress Report on Internal Audit Activity

Period Covered: 8 September 2022 to 18 November 2022

Responsible Officer: Faye Haywood – Head of Internal Audit for Norwich City Council

CONTENTS

1. INTRODUCTION..... 2

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN 2

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK 3

4. THE OUTCOMES ARISING FROM OUR WORK 3

5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22 4

6. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS 5

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK..... 6

APPENDIX 2 – EXECUTIVE SUMMARY FOR FINALISED REPORTS 2021/22..... 8

APPENDIX 3 – EXECUTIVE SUMMARY FOR FINALISED REPORTS 2022/23..... 16

APPENDIX 4 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS..... 4

APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20 5

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21 5

APPENDIX 7 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22 7

1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues.
- 1.3 To comply with the above this report includes:
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 In accordance with the PSIAS, the annual internal audit plan should be reviewed on a regular basis and adjusted, when necessary, in response to changes on the organisation's business risks, operations, programmes, systems and controls.

Since the approval of the plan in March 2022, a horizon scan of risks with the potential to impact the Council have been considered by Internal Audit. As a result of this, the most strategic risks have been considered and following a discussion with the Audit Committee and the Corporate Leadership Team, the 2022/23 Internal Audit Plan has been re-profiled.

- 2.2 The following audits have been suggested for deferral to 2023/24.

Area	Explanation
NC2308 Income	Finance team resources are presently focused on the ERP project. Therefore the team's ability to provide support internal audit with this in-depth review is significantly reduced. A full-service areas audit will be reprofiled into 2023/24. Assurances in this area will still be covered in Quarter Four as part of Key Controls and Assurance work.
NC2307 Accounts Receivable	Finance team resources are presently focused on the ERP project. Therefore the team's ability to provide support internal audit with this in-depth review is significantly reduced. A full-service areas audit will be reprofiled into 2023/24. Assurances in this area will still be covered in Quarter Four as part of Key Controls and Assurance work.
NC2322 Housing Compliance Validation Checks	NC2322 Housing Compliance Validation Checks audit has been deferred due to external verification work being undertaken as part of self-referral to the regulator. Internal audit will receive the results of this work to inform future planning requirements and where appropriate rely on this work for the annual opinion. A proportion of the days assigned will be made available for advisory work with the Compliance Board.
NC2304 Procurement and Contract Management	The Council's Contract Standing Orders are currently being reviewed. It is proposed this audit is undertaken after they have been approved to provide more value-added assurance. As suggested by the Audit Committee this audit will in addition to compliance with CSO's will seek to provide assurances over supply chain risks.
NC2324 Community Safety and ASB	Discussions with management have highlighted that this area does not now represent a strategic risk. The resources allocated to this audit will be used to provide assurance over the councils safeguarding procedures.

- 2.3 Additional audits and advisory work has been added to the 2022/23 Internal Audit Plan as described below.

Area	Explanation
ERP Project Support	To provide support to the ERP board in an advisory capacity to support project management. System integrated controls and system implementation advice will be provided.
Civica CRM system/master data management project support	To provide support to the board in an advisory capacity to support project management. System integrated controls and system implementation advice will be provided.
NC2328 Safeguarding	A compliance risk is currently highlighted within the Corporate Risk Register covering safeguarding. Due to the impact that the cost-of-living crisis will likely have on residents the audit will provide assurance that the Councils arrangements will contribute towards the mitigation of this risk. Policies, the identification and reporting of concerns, partnership working, and staff training will be reviewed.

- 2.4 The updated plan with changes can be found at Appendix 1. In addition to the additional audits mentioned above, the number of audit days have increased across the remaining reviews to allow the team to cover a wider scope and carry out a more in-depth review.
- 2.5 As a result of the amendments to the plan, a reduction of 38 days is advised overall. The reduction will ensure the remainder of the plan can be comfortably resourced, allows a more in-depth focus in areas identified as a risk and provides senior management with assurances over the more significant risks facing the council at this time.
- 2.6 The revised internal audit plan 2022/23 will allow for an opinion to be made on the Councils governance, risk management and control framework at year end.

3. **PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK**

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 108 days of programmed work have now been completed, equating to 36% of the revised Internal Audit Plan for 2022/23.
- 3.3 As advised at the last Audit Committee meeting, delays to completing quarter one and quarter two audits have been experienced. Finalising outstanding work from 2021/22 has had an impact on the team's ability to deliver the first two quarters. One piece of work from quarter one's allocation is yet to be issued in draft. However, it is pleasing to be able to report that good progress has been made on the scoping of quarter three and quarter four work and the expectation is that the revised plan will be delivered ahead of the opinion being drafted.

4. **THE OUTCOMES ARISING FROM OUR WORK**

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

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

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of

risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

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

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

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

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

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

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report, Internal Audit has issued three reports in final:

Audit	Assurance	P1	P2	P3
NC2319 Food, Health and Safety	Reasonable	0	3	2
NC2318 Buildings at Risk	Reasonable	0	3	2
NC2301 Annual Governance Statement	Substantial	0	0	4

The Executive Summary of these reports are attached at **Appendix 3**, full copy of this report can be requested by Members.

- 4.5 As can be seen in the table above, as a result of these audits 14 recommendations have been raised and agreed by management.
- 4.6 In addition, three Operational Effectiveness Matter have been proposed to management for consideration.

5. UPDATE REGARDING OUTSTANDING INTERNAL AUDIT WORK FROM 2021/22

- 5.1 The two remaining reports from the 2021/22 Internal Audit plan have now been finalised. The Executive Summaries can be found at **Appendix 2** and full copies provided to Committee members upon request. The outcomes are summarised as follows;

Audit	Assurance	P1	P2	P3
NC2213 Environmental Services	Limited	0	8	6
NC2219 Capital Programme Management and Accounting	Limited	2	2	0

6. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS

- 6.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 6.2 To comply with the above this report includes the status of agreed actions.
- 6.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 6.4 **Appendix 4** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of 17 (10 medium and seven low) recommendations are currently outstanding. 33 recommendations are not yet due for completion.

Appendix 5, 6 and 7 provide the committee with details of high and medium priority recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
FOIs and Complaints	NC2302	10	10	9	Draft report being prepared						
Anti-Fraud and Corruption	NC2303	10	10	10	Draft report issued 9 November 2022						
Food Health and Safety	NC2319	10	10	10	Final report issued on 28 October 2022.	Reasonable	0	3	2	1	Nov-22
Leasehold Management	NC2323	10	10	10	Draft report issued on 4 October 2022.						
TOTAL		40	40	39							
Quarter 2											
Annual Governance Statement	NC2301	10	10	10	Final report issued 15 November 2022	Substantial	0	0	4	1	Nov-22
Leisure	NC2311	12	12	12	Draft report issued on 28 October 2022.						
Buildings at Risk	NC2318	10	10	10	Final report issued 4 November 2022	Reasonable	0	3	2	1	Nov-22
Planned Housing Maintenance	NC2321	15	15	15	Position statement issued 18 November 2022						
TOTAL		47	47	47							
Quarter 3											
Staff Wellbeing	NC2312	10	12	1	Scoping underway.						
Elections	NC2305	10	10	0	Position Statement planned						
Accounts Receivable	NC2307	10	0	0	Audit replaced with ERP Board assurance						
Payroll	NC2309	15	15	1	APM (Audit Planning Memorandum) issued on 3 October 2022. Fieldwork starting on 9 December 2022.						
Trees and Play Equipment (previously Parks and Open Spaces)	NC2314	10	12	3	APM (Audit Planning Memorandum) issued on 19 October 2022. Fieldwork start 14 November 2022.						
TOTAL		55	49	5							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 4											
Procurement and Contract Management	NC2304	15	0		Audit deferred to 2023-24.						
Key Controls and Assurance	NC2306	15	20	0							
Income	NC2308	10	0	0	Audit replaced with ERP Board assurance						
Housing Benefits	NC2310	15	15	0							
Garden Waste Service	NC2313	8	10	0							
Markets	NC2315	10	10	0							
Economic Development incl. Towns Fund	NC2316	12	12	1	Scoping underway.						
Norwich Regeneration Limited	NC2317	10	12	0	Scoping underway.						
Contaminated Land and Air Quality	NC2320	10	12	0							
Housing Compliance Data Validation Checks	NC2322	30	0		Audit deferred to 2023-24.						
Housing Services incl. Community Safety and Anti-Social Behaviour	NC2324	12	0		Audit deferred to 2023-24.						
Safeguarding	NC2328	0	12	0	Addition						
TOTAL		147	103	1							
IT Audits											
ERP Project Implementation Support	Advisory	0	5	0	Addition for 2022/23 auditors to provide support to the ERP project in an advisory capacity to support project management.						
Cyber Security	NC2325	10	12	5	Fieldwork underway						
Disaster Recovery	NC2326	10	10	1	Scoping underway.						
Housing System Implementation Phase 2	NC2327	10	10	0							
Civica CRM system/master data management project	Advisory	0	5	0	Addition - specialist auditors to provide support to the project team in an advisory capacity to support project management.						
TOTAL		30	42	6							
Follow Up											
Follow Up	N/A	16	16	10							
TOTAL		16	16	10							
TOTAL		335	297	108			0	6	8	3	
Percentage of plan completed			-38	36%							

APPENDIX 2 – EXECUTIVE SUMMARY FOR FINALISED REPORTS 2021/22

NC2213 – Environmental Services

1. Introduction

- 1.1 This review was agreed as part of 2021-22 internal audit (IA) plan.
- 1.2 Norwich City Services Ltd (NCSL) was established in April 2021 as a wholly owned company of Norwich City Council (NorwCC) to provide operational environmental services such as grounds and tree maintenance, street cleaning and pest control. This replaced the joint venture arrangement with Norse.
- 1.3 The value of the contract is £6.6m for 2021-22, subject to an annual review.
- 1.4 Given the new arrangement, value of the contract and the addition of building repairs and maintenance services, it was agreed by Audit Committee in January 2022 that an audit review should take place as part of the 2021-22 assurance plan.
- 1.5 This area has not been subject to previous internal audit scrutiny.

2. Scope

- 2.1 This was an assurance piece of work and audit provides an opinion on the effectiveness of arrangements for managing the high level risks set out below in 2.4.
- 2.2 The objective of the audit was to review the systems and controls in place within the NCSL contract to confirm that these are operating adequately, effectively and efficiently.
- 2.3.1 The audit covered:
 - Contract management arrangements;
 - Financial management;
 - Performance reporting and monitoring.
- 2.4 The objective as stated at 2.2 is to provide independent assurance to management on the control environment in place to mitigate the high-level areas of risk described below:
 - The risk of poor contract management leading to the unsuccessful delivery of contract obligations and breach of contract thereon as well as failure to comply with regulations;
 - The risk of poor financial management leading to the risk of fraud and corruption through overcharging or invoicing for work not carried out;

- The risk of insufficient performance reporting and monitoring thereon leading to poor reputation through inferior services provided to residents and falsification of performance information.

3 Executive summary

- 3.1 We have been able to provide an opinion of **Limited Assurance**¹ over the controls operating within the area under review.
- 3.2 We have found that the following points of good practice, over contract management, have been identified within this review:
- Contract Management Board (CMB) meetings started in June 21 and have continued every month in accordance with the contract. These meetings include finance and performance reviews as well receiving health and safety incident reports and updates on the project register.
 - Operational meetings between Norwich City Council (NorwCC) and NCSL are taking place fortnightly.
 - External quality audits (ISO) have been taking place.
- 3.3 At the start of the audit, invoices received for payment from NCSL totalled £6,929,114. All core payments of £6,606,250 had been invoiced within this total and therefore invoiced non-core payments of £322,864 had been received.

Findings Summary

- 3.4 Improvements were identified in the following areas. As indicated below, progress has been made to address a number of the recommendations raised with some having already been completed at the time of report finalisation.

A total of eight medium recommendations have been raised.

1. Variations to the NCSL contract to be made in accordance with the Change Control Procedure going forward. Any retrospective CCNs to be completed that cover both changes to service specifications and KPIs. This recommendation is now complete.
2. Requests for payment to be supported by documentation such as agreed pricing rates and specification justification in order that the accuracy and validity of the invoice can be determined prior to the receipt of the invoice. In addition, the Bill of Quantities review to take place within agreed timeframe as laid out in the contract.
3. A list of subcontractors to be presented to the CMB at least six monthly or on the proposition of a new subcontractor. This recommendation is now complete.
4. Feedback from the NCSL Board and Shareholder Panel should be received at the CMB so that strategic direction and decisions can be supported and monitored from a contract management perspective.
5. The Corporate Health & Safety Board to receive a Health and Safety report from NCSL and include a set of metrics for agreement.
6. An annual timetable is prepared and shared with NCSL, so that contract requirements that require reviews and documentation by either party are visible and monitored.
7. To provide the Environmental Services team responsible for the day to day operation of the contract with refresher contract management training. This recommendation is now complete.

8. NorwCC to satisfy themselves, through independent verification that the presented KPIs and associated targets are accurate. This recommendation is now complete.

A further six low priority recommendations have been raised.

1. Further investigation into the 19k variance for the asset re-charge from the Council to NCSL
2. If the NCSL invoices continue to be issued under NorwCC format, then the template to be amended to reflect the contract payment terms.
3. Ensure that the business plan is agreed within the timeframes as set out in the contract. This recommendation is now complete.
4. Actions raised within CMB meetings to be fully documented in subsequent meetings. This recommendation is now complete.
5. NCSL to provide the Environmental Services Manager with the ISO Quality Standard reports once issued to aid transparency of non-conformance issues and associated actions.
6. The CMB agenda to include a section on 'development within the markets, technological development and general topics relevant to the field'. in line with the terms of the contract. This recommendation is now complete.

3.5 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	0	
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	8	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	6	4.9, 4.10, 4.11, 4.12, 4.13, 4.14

NC2219 – Capital Programme Management and Accounting

1. Introduction

- 1.1 The council owns and maintains an extensive range of assets including commercial property, housing, a market, heritage assets, walkways/paths and lighting columns. Major investment in these and new assets is funded from the capital programme, which in turn is resourced from the disposal of surplus assets, revenue contributions, grants and borrowing.
- 1.2 The council's proposed capital programme for 2021/22 was £69.456m.
- 1.3 Key areas of risk considered for this audit are:
 - The risk of a high degree of uncertainty in key assumptions for capital project appraisal.
 - The council could be unable to demonstrate capital investment are affordable, prudent or sustainable.
 - The risk of being unable to demonstrate Council policy has been followed.
 - The risk of reputational and financial impact due to project difficulties or failure.

2. Scope

- 2.1 The objective of the audit was to review the systems and controls in place to confirm that these are operating adequately, effectively and efficiently, to provide assurance that:
 - Appropriate policies and strategies are in place are regularly reviewed and have been followed for the development of the capital programme which guides decisions and outcomes with clear intentions/aims.
 - There is a clear process in place for the management of the capital programme for both general fund and HRA.
 - There is a corporate system in place which regularly assesses the achievement of project milestones and outcomes of completed works.
 - Programme monitoring reports clearly identify committed expenditure on approved projects.
 - Actual expenditure compared to the original budget is monitored and reported.
 - Progress against the overall programme is appropriately reported.
- 2.2 This audit provided an initial high-level review of the framework for setting and monitoring of the capital programme, together with sample testing of five projects.
- 2.3 This audit review was undertaken during December 2021 – April 2022.
- 2.4 The audit review did not cover:

- Towns Fund Deal - a separate internal audit review will evaluate controls for monitoring and managing projects associated with those projects in 2022/23.
- Reviewing records of NNBL/NPSN, nor any data transfer from their Codeman property management system to the council's new housing system NEC.

3. Executive summary

- 3.1 We are providing an opinion of **limited assurance**² over the controls operating within the area reviewed. This opinion is based on two high and two medium priority recommendations being raised.

The following limitations apply;

From 1 April 2022, a new in-house arrangement covering the management of both general fund and HRA capital works was implemented. The sample of capital programme work chosen for this audit was initiated shortly after services had transferred to the new arrangements and it had been identified that controls required review. Action plans have since been put in place and widely reported with the intention of mitigating the inherent risks identified. The following has been considered during the audit.

- Reliability of data from the Codeman system to inform the component replacement programmes for HRA stock. The need for robust and timely stock condition was identified during transfer preparations. Stock condition surveys are now in progress.
- The Council has faced considerable delays to the completion of HRA capital projects further impacted by the requirement to prioritise health, safety and compliance matters in 2021/2022. The windows upgrade programme selected as part of the sample of projects was impacted.
- Management of void works including those relating to HRA new housing under the Opportunities Fund project (2/5 projects sampled). A contractor has been instructed to work on the backlog and the in-house Property Team are having regular meetings to drive progress.

To provide assurance over the new arrangements, the 2022/23 internal audit plan has been designed to assess the new in-house arrangements. Housing Asset Management is scheduled along with an audit of property and asset management for 2023/24. This will allow time for new processes improvements to embed giving greater weight to the assurances that can be provided.

- 3.2 The following strategies and policies are relevant to the capital programme:

- For 2021-22 the capital strategy, as required under the Prudential Code, is included in the budget report approved by Council in February 2021. For 2022-23 the capital and commercial strategy was approved in February 2022.
- The council housing strategy 2020-26 was approved by Cabinet in November 2019.
- The strategic asset management framework (SAMF) was approved by Cabinet in March 2022. This includes:
 - Asset management policy
 - Asset management strategy (covering general fund only)
 - Asset management action plan (covering general fund only) – this is the basis for monitoring progress over the next 12-18 months, which is to be monitored via the asset and investment board, with an updating report due in 18 months' time (September 2023).

Further work is ongoing to develop the asset management strategy, and the budget for 2022-23 includes costs for building surveying consultancy to improve data on assets including condition and energy performance information.

A similar document is planned to be adopted to set out the strategy and action plan for the council's significant housing portfolio. This will be developed when the stock condition survey has been completed. Structural surveys of the tower blocks, procured during 2021-22 have recently been received at the end of April 2022 and will inform the strategy.

- The council's constitution, approved by Council March 2021, updated January 2022 and published on the website, includes responsibilities for virement of budgets, contract procedure rules, and scheme of delegation.

3.3 The Codeman asset management system was used for the upgrades, repairs and maintenance records for housing stock. Following the in-sourcing of this work from 1 April 2022, these records are now included on the council's new housing system NEC. The Codeman system does not interface with the council's e5 finance system, so manual updates for comments on budgetary and work progress were necessary.

3.4 The audit has given assurance over:

- There is a process and timetable for agreeing the annual capital programme.

For the budgets for 2021-22, this was communicated with budget managers in August 2020. Managers are required to provide 'Opening Briefs' (OBs) for any proposed funding requests for the following year, for consideration by finance, CLT and members. Public consultation takes place later for the overall proposed budget, and the Tenant Involvement Panel are consulted regarding rent increases and how this links to the capital programme of housing repairs / improvements.

Some changes were introduced for preparing the processes for 2022-23, including an earlier start date in July 2021 and additional governance with all proposed projects being reviewed by the new Resources, Performance & Delivery Board, prior to discussions at CLT.

- The 2021-22 OBs included a summary, to allow consideration to be made regarding each proposed project prior to its inclusion in the capital programme.

Details in the OB included: which of the council's corporate priorities are met by the proposed project, the overall cost and any expected revenue income when works completed, a brief summary of the request and the options considered. Finance then applied a scoring matrix to each project, for prioritisation considerations.

We have raised two recommendations with the aim of enhancing this process. They relate to adding an assessment of risk to the OB template and ensuring relevant service lead provide confirmation and approval of each proposed project by the Director as outlined within the process. Since the issuing of this draft report, a new project initiation and governance process has been designed which requires Head of Service, and depending on size, appropriate Executive Director sign off. The templates include risk identification.

For housing stock upgrades the Codeman system was used in place of OBs to identify a separate summary detailing the total proposed spend under the various upgrade headings, such as kitchens, doors based on remaining useful life data. These are linked to similar corporate priorities, as detailed in the Council Housing Strategy.

- The capital programme covering the next five years was approved by Council as part of the budget approval in February 2022.

- Expenditure including commitments for the capital project budgets are regularly monitored, via the Collaborative Planning module of the e5 finance system. For most of the projects this includes notes as to reason for delays and overspends. A recommendation has been raised to ensure that all capital project budgets are regularly updated.
- There is regular reporting of budgetary expenditure and commitments to the Resources, Performance & Delivery Board, CLT and Cabinet as part of the quarterly combined assurance report.
- Amendments to budgets are generally well documented, appropriately reported and approved.

Re-profiling of budgets for 2021-22 was included in the combined assurance report for quarter two and approved by Cabinet in November 2021; and amendments to the HRA budgets, these related to funding the backlog of disabled adaptations to housing stock properties, were agreed by Cabinet 9 March 2022.

3.5 A total of two high priority recommendations have been raised:

- Capital Project Management – Limited records of meetings held to discuss project progress have been provided for projects sampled for 2021/22. It is therefore recommended that minutes of meetings held to discuss progress against all Capital Programme projects are consistently recorded, with a link to any supporting reports. Reports to include highlights, risks and issues as appropriate.
- Although there is monthly monitoring of capital budgets, the projects sampled during audit testing showed delays with works that were not noted in the schedule of capital projects in the quarterly performance reports presented to Cabinet. We are unable to provide assurance that these were reported at regular meetings. We noted that there was a comment relating to progress and budget as appropriate in the performance report to Cabinet, however it is recommended that all capital projects are closely monitored for delays in works going forwards, to ensure the expenditure to date is reasonable, records are retained as to reasons with agreed actions to be taken, and that for each capital project on the schedule. In addition to the recommendation, a new Asset Management Board is being set up to monitor performance across property services that encompasses capital and reactive works by both value and volume. The first of these meetings is planned for November 2022.

Two medium priority recommendations have also been raised:

- The procedures for budget managers detail that the appropriate Executive Director must confirm the proposed capital projects prior to submission to finance. The OB template has a section for name of Executive Director and date, however testing indicated that this is rarely completed. It is acknowledged that directors will later be involved with the approvals across all directorates via CLT. Given the high volumes of OBs, it is recommended that consideration is given as to the most efficient way of evidencing Executive Director's prior approval for any proposed projects, including confirmation of review of costings where appropriate.
- The OB template does not include a section for the identification of risk to project delivery and objectives. It is recommended that a section is added to allow officers to demonstrate that if there are any risks to outcomes, they can be mitigated to assist with the decision-making process.

Ongoing developments

3.6 The Interim Head of Asset Management advised that following the in-sourcing of Property Services on 1 April 2022 there are regular meetings with property services management, team meetings to discuss processes and budget monitoring and operations meetings with NCSL. Contract management

training has been provided and will continue, for contract and project managers, this covering general contract management, managing delivery of projects, and ensuring the procurement of contracts are fit for purpose.








- 3.7 There is intention to replace the Housing Commissioning Board with two separate new group meetings to oversee new housing delivery progress and HRA asset management.
- 3.8 The council's proposed capital programme for 2021/22 was £69.456m. The Council's provisional Q4 outturn position reported an underspend of £10.23m on the general fund capital programme and for HRA an underspend of £23.200m.

3.9 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	2	4.1, 4.2
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	2	4.3, 4.4
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.		

APPENDIX 3 – EXECUTIVE SUMMARY FOR FINALISED REPORTS 2022/23

Executive Summary – NC2319 Food, Health and Safety






OVERALL ASSESSMENT	KEY STRATEGIC FINDINGS			
		The Council is adhering to the Food Standards Agency's (FSA) Covid-19 Recovery Plan and is on track to achieve all milestones contained within. A backlog of low-risk business inspections has built up, due to Covid-19 restrictions. An action to reflect this within the service area risk register is now complete.		
		Testing of inspections and complaint investigation identified instances where evidence had not been attached to the records on the system.		
		The Council's procedure notes in some areas are out of date and in need of review.		
		Records of re-rating inspections include details of improvements made but do not show the updated scores that are used to calculate the food hygiene rating. This recommendation is now complete.		
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE	GOOD PRACTICE IDENTIFIED			
Assurance was provided over the following risk- The Council failing to deliver its statutory responsibilities for food safety, leading to a risk of illness to the public and reputational damage to the Council.		Inspection reports are uploaded to the Council's website, alongside the business' food hygiene rating, so that they can be viewed by members of the public.		
		Officers use tablets for recording inspection outcomes, which include stock phrases for common issues. This improves efficiency by reducing the amount of time spent writing reports.		
SCOPE	ACTION POINTS			
This area has not been audited at the Council previously. The audit evaluated the Council’s arrangements for food safety inspections and handling of complaints and provided assurance that clearing of the backlog following the pandemic is on track.				
	Urgent	Important	Needs Attention	Operational
	0	3	2	1

**Directed Risk:**

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 4 & 5	1
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Not in place	2	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	3	2

Other Findings

-  Governance Framework - All interventions are conducted in accordance with applicable legislation and guidance, including the Food Law Code of Practice, Food Hygiene Rating Scheme and FSA Brand Standard.
-  Governance Framework - The Council is following the FSA's Covid-19 Recovery Plan. It has achieved the milestones to date and is on track to achieve the remaining ones by the end of the Recovery Plan period.
-  Governance Framework - The Council publishes full inspection reports on its website along with the food hygiene rating for each business.
-  Risk Mitigation- No additional findings to report. Please refer to Recommendation 2 in the Management Action Plan for details of the findings and recommendation raised in this area.
-  Compliance - New food business registrations are triaged promptly, and risk assessed so that they can be appropriately prioritised for inspection.



Compliance - Businesses with poor food hygiene ratings are followed up with further visits and actions to ensure that necessary improvements are made.



Compliance - Complaints about food businesses are investigated, with actions taken as appropriate, and outcomes are notified to complainants.







Delivery Risk:







Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability	The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Partially in place	-	-

Other Findings

-  Performance Monitoring - There are three performance measures on the Regulatory Directorate Performance Dashboard, which are reported on monthly. These measure the number of inspections completed, percentage of businesses with non-compliant ratings moving to compliant, and progress against the FSA Recovery Plan.
-  Resilience - The Food and Safety team was significantly disrupted by the outbreak of Covid-19, which caused a large backlog of work. The Council has been following the FSA Recovery Plan and risk assessing new businesses in order to prioritise interventions.
-  Resilience - Although the Council has been able to continue delivering higher priority inspections, resources within the Food and Safety Team at the time of review were not sufficient to also deliver the normal inspections programme for low-risk premises and there is a significant backlog of these. See Recommendations 1 and 2.
-  Resilience - Officers use tablets for recording inspection outcomes, which include stock phrases for common issues. This improves efficiency by reducing the amount of time spent writing reports.

Executive Summary NC2318 – Buildings at Risk

OVERALL ASSESSMENT		KEY STRATEGIC FINDINGS									
		<div><div></div><div>While external policies are used as a guidance, the Council would benefit from producing internal procedures that complement the external guide helping to ensure an efficient and consistent process is followed.</div></div> <div><div></div><div>Prior to December 2021, Meeting minutes show review of the buildings at risk register. Meetings were held six-monthly with Historic England and other stakeholders. No meeting has taken place since December 2021.</div></div> <div><div></div><div>Further actions for each building are agreed during the six-monthly meetings. However, there is no process in place to monitor progress on actions assigned to Officers, or to track when a contact has been agreed with building owners.</div></div> <div><div></div><div>A Heritage Investment Strategy is in place, but it has not been reviewed since March 2014. A review of the Strategy from 2014 identified seven properties which were owned by the council at that time. Since then, six buildings have been removed from the register and brought back to use.</div></div>									
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE		GOOD PRACTICE IDENTIFIED									
<p>This audit sought to provide assurance over the following key risk:</p> <p>“Regular review of buildings at risk being not being undertaken, resulting in them falling into disrepair.”</p>		<div><div></div><div>Whilst there is no capital budget in place to improve or secure Council owned buildings, a joint venture is in place with the Norwich Preservation Trust (NPT). As a charitable trust, NPT are able to access grants from charitable bodies and access loan finance from the Council, which has enabled them to restore over 18 buildings since they were formed in 1966.</div></div>									
SCOPE		ACTION POINTS									
<p>This area has not been audited at the Council before. The audit provides assurance that the Buildings at Risk register is well managed, and the Council is supporting conservation though inspection and engagement with building owners and Historic England.</p>		<table><tr><th>Urgent</th><th>Important</th><th>Needs attention</th><th>Operational</th></tr><tr><td>0</td><td>3</td><td>2</td><td>1</td></tr></table>		Urgent	Important	Needs attention	Operational	0	3	2	1
Urgent	Important	Needs attention	Operational								
0	3	2	1								

Findings






Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Not in place	1, 2, 3, & 5	-
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	4	-

Other Findings

-  Risk Mitigation - Risk is reported and monitored at both a Corporate and Directorate level. Risk registers at both levels were reviewed for the past 12 months, and no risks were recorded that directly related to the scope of our audit. While none were reported, a framework is in place for the tracking of the risk, and associated mitigating actions.
-  Compliance - A sample of five properties on the current Buildings at Risk register has been tested to determine whether Risk and Priority grading were appropriately applied to buildings on the register. No evidence could be obtained of the rationale behind the risk and priority level. A related finding has been raised under the Governance Framework section, which will also address this finding. See Management Action Plan, recommendation 1.
-  Compliance – A sample of five properties on the current Buildings at Risk register has been tested to determine whether agreed actions from the HRA meetings have been completed in a timely manner. Two of those buildings had follow-up actions outlined in the December 2021 HAR meeting. No documentation was maintained to determine the outcomes of those actions. A related finding has been raised under the Governance Framework section, which will also address this finding. See Management Action Plan, recommendation 3.







Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Out of Scope	-	-
S	Sustainability	The impact on the organisation's sustainability agenda has been considered.	Partially in place	-	1
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

-  Performance Monitoring - There are no performance monitoring arrangements or KPI in place and there are no statutory requirements to have such. Due to the various level of complexity and priority of buildings, implementation of such would be difficult and not aid in measuring the success/effectiveness of the service.
-  Resilience - A Direct Action Fund of £30,000 is in place to cover the cost of actions the council undertakes through the listed building enforcement process. Any cost would be recovered from the building owner either directly or by placing a charge on the land. To this date nothing of the budget has been spent this financial year.
-  Resilience - While no capital budget is in place to improve or secure Council owned buildings, a joint venture is in place with the Norwich Preservation Trust (NPT), who, as a charitable trust, are able to access grants from charitable bodies and access loan finance from the council which has enabled them to restore over 18 buildings since they were formed in 1966.
-  Resilience - The service is currently undergoing a restructure which a new team leader post being proposed to take on the direct management responsibilities of the team. A recruitment exercise is currently in progress, therefore no additional recommendation is being raised.

Executive Summary NC2301 Annual Governance Statement

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

This audit sought to provide assurance over the following key risk:
 “Non-compliance with the Accounts and Audit Regulations 2015 as amended in 2022 and the CIPFA and Solace Delivering Good Governance in Local Government guidance.”

SCOPE

A deep dive review was undertaken to provide assurance that compliance with the Council's governance code can be evidenced and that the AGS is compiled following the CIPFA and Solace Delivering Good Governance in Local Government. This review was carried out consortium wide in 2021/22 and allowed us to draw on good practice where relevant.

KEY STRATEGIC FINDINGS



The draft AGS for 2021-22 provides a corporate overview of governance that has taken place and a detailed action plan going forwards.



The draft AGS 2021-22 was published on the Council's website in July 2022. The final AGS will be approved after the deadline of 30 November 2022, due to delays in external audit completion.



We have suggested that a formal and documented timetable is prepared for AGS completion to outline expectations and deadlines. Where annual assurance statements are not received by key officers within the stipulated timeframe, we suggest that this is escalated to CLT.



We have suggested that the Council publishes the revised Code of Corporate Governance (July 2022) on the Council's website.



The full extent of work done by internal/external audit and Anglian Revenue Partnerships in managing the exposure to fraud to be included within the AGS.

GOOD PRACTICE IDENTIFIED



A revised Code of Corporate Governance, aligned to CIPFAs Delivering Good Governance in Local Government 2016, was approved by Audit Committee in July 2022.

ACTION POINTS

Urgent	Important	Needs attention	Operational
0	0	4	1

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 2, 3, & 4	1
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Out of scope	-	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings



Governance Framework- The draft AGS for 2021-22 provides a review of governance that has taken place, with more explanation on the covering report to Audit Committee on how the report was compiled including the assurance questionnaires completed by the heads of service. It is written in an open and readable style with many sub headings and bullet points. However the document is very detailed. It is intended that this will be shortened for the next AGS for 2022-23.

The role of the governance structures involved (such as the authority, the audit and other committees) is included, and it provides a high level corporate overview. The overall assurance from internal audit for the year is included, and the action plan includes completion of actions raised by internal audit for the audits of health and safety (2021-22) and policy and procedures (2020-21). The other will be reflected in the final version.



Governance Framework- The draft AGS 2021-22 was published on the Council's website before the end of 31 July 2022, and presented to Audit Committee on 4 October 2022. Comments raised by members will be taken into account for final version of the AGS.

Approval of the final AGS will be at the same time as the statement of accounts, although the Council is aware this will be after the national deadline of 30 November 2022, as they have been advised that the external auditors will commence their work in December 2022.



Governance Framework- A revised Code of Corporate Governance, aligned to CIPFAs "Delivering good governance in local government, guidance notes for English authorities, 2016 edition", was approved by Audit Committee in July 2022. The seven core principles of good governance are clearly detailed in table format, with details of how the Council complies with these, and a column for areas for development. It is intended that the Code will be refreshed annually.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Out of scope	-	-
S	Sustainability	The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings



Sustainability- There are various references within the draft AGS that demonstrate consideration of the Council's sustainability agenda, including:

- Actions related to climate change for completion by 31 December 2022 - developing a new biodiversity strategy and ongoing review of the existing environmental strategy, and development of a net zero 2030 carbon management plan.
- The forward to the AGS notes the establishment of the Norwich Climate Change Commission.
- An emerging issue noted in the AGS is nutrient neutrality, which is delaying residential planning applications.



Resilience- There are various references within the draft AGS that demonstrate consideration of the Council's ability to respond to business interruption events and to enhance the economic, effective and efficient delivery of services, including:

- Revision of the business continuity framework.
- Future Shape Norwich - internal transformation programme, encompasses staffing, service delivery, good practices, efficiency, peer review recommendations, policy updates.
- Aligning resources to support the Norwich 2040 vision.
- The Covid Recovery Plan - a Covid 19 update is included in the current and emerging issues area of the AGS.

APPENDIX 4 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

		Completed between 8 September 2022 to 18 November			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
		High	Medium	Low	High	Medium	Low	High	Medium	Low		High	Medium	Low
Audit Area	Assurance Level													
2019/20 Audits														
Information Security and GDPR	Controls: Satisfactory Compliance: Limited		1								0			
Payroll	Control: Satisfactory Compliance: Substantial			1		1					1			
2020/21 Audits														
Equality Duties	Limited			1			1				1			
Northgate pre-implementation	Reasonable		1								0			
Key Policies & Procedures	Limited					4	2				6			
Licensing	Reasonable		1								0			
2021/22 Audits														
Risk Maturity Assessment	Reasonable								2		2			
Off-payroll working (IR35) compliance	Reasonable						2				2			1
Housing Rents and Arrears	Substantial			2							0			
Accounts Payable	Reasonable	1		3					2		2			1
Council Tax	Reasonable			1		1	2				3			2
NNDR	Reasonable		1								0		1	2
Environmental Services	Limited		4	3							0		4	3
Capital Accounting & Management	Limited										0		2	2
Treasury Management	Reasonable										0		1	
Business Support Grants	Reasonable		2								0			
2022/23 Audits														
Food Health and Safety	Reasonable										0		3	2
Annual Governance Statement	Substantial													4
Buildings at Risk	Reasonable										0		3	2
		1	10	11	0	6	7	0	4	0	17	0	14	19

APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Payroll	Complete the signing of the co-operation agreement with Sefton.	Medium	Dawn Bradshaw, Head of HR and OD	31/12/2021	02/12/2022	Outstanding	The agreement is in its final stages and being prepared for sign off.

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Key Policies and Procedures	Decide on a corporate level how often policies should be reviewed and ensure that all policies comply with this decision.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	<p>IT are working on pulling all policies and strategies into a shared area (Sharepoint). This shared information will include policy owners and review dates for each policy. Automated update reminders will be sent to all policy owners as and when each policy is due for review. The process will include how to add new policies and will highlight the sign off process for the policies.</p> <p>IT are now proposing migrating from Sharepoint 2013 to Sharepoint Online. This requires rebuilding, which is going to take a considerable amount of time. The corporate document library cannot be built until after the departmental sites and citynet structure are in place and content-owners have been trained; this means it will be April/May next year before it's completed.</p> <p>A schedule of policies and due dates has already been produced: the outstanding element of this recommendation is the IT solution to automate the process of alerting policy leads when their policies need updating.</p>

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
							Given the timeline for the IT solution to support this recommendation, we are undertaking a manual process each quarter to identify policies that are becoming due, and to alert policy owners to update them. This process will be continued until the IT solution is in place.
Key Policies and Procedures	Once a decision on review frequency has been made, develop a review schedule of all key documents. This could be attached to the code of governance with a reference to this on all relating documents.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	As above.
Key Policies and Procedures	Develop a framework that gives guidance for developing a coherent and relevant policy and ensure the new framework is communicated to staff. The content could include multiple elements.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	<p>We will develop a brief note advising Heads of Service that all new corporate policies must be stored in the shared area and reviewed regularly. This will explain that HoS should use existing corporate policy documents as their model and secure agreement from their Director as to the appropriate approval route on a case by case basis.</p> <p>Through the quarterly manual alert process described above, we will provide guidance to policy owners as above on the model for development of corporate policies and sign off procedures.</p>
Key Policies and Procedures	Ensure that all documents are reviewed in accordance with the framework during their next review.	Medium	Helen Chamberlin, Head of Strategy, Engagement and Culture	31/01/2022	31/05/2023	Outstanding	<p>The Strategy team will check the policies due for renewal in the shared area on a quarterly basis and highlight any issues to the Head of Strategy, Engagement and Culture, who will resolve with the relevant HoS or escalate to CLT if required.</p> <p>In the interim, until the IT solution is in place, the manual process described above will deliver this recommendation.</p>

APPENDIX 7 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Risk Maturity Assessment	4.1 A risk management training programme to be developed for relevant Council staff, highlighting roles and responsibilities and give practical tips for the identification and articulation of risk.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	30/09/2022	March 2023	Outstanding	This is being arranged for delivery early next year.
Risk Maturity Assessment	4.5 Please see recommendation at 4.2 regarding the update of Corporate and Directorate registers. The Risk Management Policy and Strategy to be reviewed to clarify the following points: 4.5.1 Review the wording of the updated Risk Management Policy & Strategy and ensure that it includes details about when risks should be de-escalated. 4.5.2 The council should specify responsibilities for risk control action owners.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	30/09/2022	June 2023	Outstanding	This will be incorporated into the policy update planned for June 2023.
Accounts Payable	4.2 The council's 'No PO, no Pay' policy to be formally documented and re-launched with staff and suppliers.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	31/10/2022	30/04/2023	Outstanding	The no PO no pay is not yet a formalised policy but is something that will be picked up as part of the implementation of the new ERP system on 1st April. All user PO email sent 12/10/22 to underline current E5 arrangements and remind them of the importance of raising a PO. Revised implementation date in line with the implementation of the new system.
Accounts Payable	4.3 As part of formalising the 'No Purchase Order No Pay' policy, an Exceptions' List be created, listing the instances in which a PO is not required prior to purchasing.	Medium	Neville Murton, Interim Head of Finance, Audit and Risk	31/10/2022	30/04/2023	Outstanding	As above.
Council Tax	Ensure that all delegated officers have a signed financial delegation record form which is retained appropriately to verify and validate approval of transactions.	Medium	Tanya Bandekar, Head of Revenue and Benefits	31/08/2022	N/A	Outstanding	DOA forms are signed. One updated signature is required before this recommendation can be fully signed off.



Committee name: Audit

Committee date: 29/11/2022

Report title: Managing the risk of fraud and error in the payment of
Coronavirus Business Grants

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of Revenues and Benefits

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report is to provide an update on the work undertaken in respect of fraudulent applications for Coronavirus Business Grants.

Recommendation:

It is recommended that the committee notes the report and the ongoing work to reclaim grant funding.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets corporate priority to ensure Norwich City Council is in good shape to serve the city.

Report details

Introduction

1. As part of the Internal Audit recommendations update, Members asked for further information on Fraud investigations and business grants. Whilst this was originally suggested for an earlier meeting, the head of revenues and benefits is now in post and able to give an update.
2. This report outlines where most of the fraud relating to business grants has been uncovered, the actions taken, and the ongoing work taking place
3. Both Central and Local Government are acting regarding Business Grants Fraud.

Background

4. Fraud in the various Coronavirus Business Support grants/loans/schemes has been highlighted by publicity earlier in the year particularly in relation to Bounce Back Loans.
5. Nationally, over £400bn of support was given by the government during the pandemic. Over £70bn was paid from the Coronavirus Job Retention scheme (CJRS- also referred to as furlough) that sought to protect over 12 million jobs. £100bn of loans and grants were paid to over 1.5m businesses and £16bn was awarded in Business Rates Relief.

National position on fraud in the various Coronavirus schemes

6. The Bounce Back loan scheme has attracted most publicity in relation to fraudulent applications; lenders stopped £2.2bn of potentially fraudulent claims. Additionally, £743m of fraudulent claims were stopped from other schemes such as the Self Employment Income Support Scheme (SEISS), the Eat Out to Help Out scheme (EOHO) and the CJRS, where 0.3% was estimated to be lost to crime (March 2022).
7. Bounce Back loans were of higher value than the Business Support grants. Companies were entitled to claim Bounce Back Loans of up to 25% of their 2019 turnover, to a maximum of £50,000, for the economic support of their business.
8. The link below gives an example of a recent case where a couple exaggerated their 2019 turnover to claim a Bounce Back Loan:

[Essex mobile catering firm duo banned for a total of 16 years - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/essex-mobile-catering-firm-duo-banned-for-a-total-of-16-years)

9. Another recent case is reported here:

[East Midlands directors banned for Bounce Back Loan abuse - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/east-midlands-directors-banned-for-bounce-back-loan-abuse)

10. By the end of 2022/23 it is expected that over £1.5bn will be recovered in fraudulent payments.

11. The National Investigation Service (NATIS) and the National Crime Agency have arrested over 66 people in relation to Bounce Back Loans. In many of these cases loans were taken out and then mis-used for personal use rather than for the business.
12. Enforcement Agents pursue cases of serious fraud. There have been more than 106 director disqualifications, 48 bankruptcy restrictions, and 13 companies wound up. In a recently reported case a company director has received a suspended prison sentence. Investigating fraud can take time, therefore the number of cases will continue to rise as cases are progressed to conclusion.

Grants delivered by Local Authorities

13. Local authorities worked alongside the Department for Business Energy and Industrial Strategy (BEIS) to deliver numerous different Coronavirus business grants. As Appendix A highlights, in total funding has been awarded under 18 different schemes.
14. BEIS asked local authorities to pay the grants quickly, and subsequent guidance was given regarding pre and post payment assurance checking required, alongside reporting requirements. There were many calls with BEIS at the time, mostly around clarification of entitlement to a grant. The Council dedicated resources towards the payment of grants and implemented those control procedures recommended by BEIS to balance the requirement to minimise the risk of fraud whilst also ensuring that support could be quickly paid to businesses.
15. The council completed a full risk assessment as requested by BEIS. Because of the initial instruction by BEIS to pay out grants quickly, no pre-payment checks were completed for a number of the initial grants paid, but after that the council set up a number of processes for checking the validity of companies and has found less fraud in the later schemes as a result.
16. Internal Audit reported on the council's processes, the final report was completed in January 2022.
17. In relation to Business Grants paid out by the council, weekly assurance returns had to be given to BEIS for each type of grant.
18. Where the council identified grants paid in error/ fraudulently claimed or non-compliant it has been attempting to reclaim the grant. In relation to what the council has recovered to date, Appendix A is an overview of fraud and overpaid business grant cases.
19. Pre and Post payment assurance work subsequently identified where payments may have been made to ineligible businesses in the early round of grants and is where the majority of fraud and error is seen.

20. Examples of grants paid in error/ fraudulently claimed or non-compliant are:

- (a) Where the council awarded Small Business Rates Relief but then realised that it did not apply to that business, so they were ineligible for the grant;
- (b) Clarity on eligibility - although the council followed the guidance around eligibility for the grants, there were a number of grey areas and if it was subsequently discovered that the business should not have had a grant, it will attempt to recover the grant;
- (c) Fraudulent claims- where the grant was claimed but there was no eligibility and the grant had been paid in good faith. Fraud agencies were also alerted to a number of national frauds and updated councils to this effect to take action.

21. In total the council has identified 13 cases of Fraud and 92 cases where grants were paid in error, totalling £743,822.26, less than 1% of the total paid. To date the council has recovered £652,146.01. The total amount of grant funding paid out to businesses totalled £75.8m (see appendix B). Funding was based on Valuation Office Agency data for properties which was not always an accurate reflection owing to the description codes not necessarily reflecting the nature of the business and is a reason the total grant funding allocation was over or underspent by local authorities.

22. There has been no national data on this yet, and as both local authorities and BEIS are continuing to attempt to recover grants there may be something published once the recovery processes are exhausted.

23. The council was proactive in ensuring that grants were not paid in error by visiting properties to check whether trading or not, gathering sufficient evidence that the business was in occupation such as utility bills and bank statements, checking lease agreements and information back to the business rates system.

24. After the council has made 3 attempts to recover the funding it can refer the case back to BEIS who will then continue with the enforcement process, and if the process has been followed correctly BEIS will not hold the council liable for any outstanding debt.

25. Most cases the council has uncovered to date fall within the earlier grant schemes. The post payment checks on these have been completed recently and we have further invoices to raise to try and recover grants before returning any cases to BEIS.

26. The council anticipates it will be sending any uncollected identified fraud or overpaid cases to BEIS during November 2022.

27. The Institute of Revenues, Rating and Valuation (IRRV) have input into a current study by the National Audit Office (NAO) regarding the government's handling of the Covid-19 business support grants. The primary focus of the NAO's work is on central government, particularly BEIS, and the steps it took to ensure that these grant schemes achieved the outcomes for which it was hoping.

28. The IRRV took part in the study to assist the NAO to understand the perspective of local authorities and relevant stakeholders.

29. It is not known yet when the findings will be released.

Implications

30. If the council fails to recover fraudulent or incorrect payments in accordance with the correct process, BEIS may hold the council liable for the cost of these grants.

Financial and resources

31. Funding allocations were given under section 31 of the Local Government Act (2003) in the form of a grant to Local Authorities. These amounts differed for each scheme. Some schemes were limited (discretionary schemes), others were 'topped up' if the initial allocation was insufficient. Any unspent funding has had to be returned.

32. The council was given new burdens funding to help cover the cost of administering the grants, the pre and post payment checks and the reporting to BEIS. It has been particularly difficult to recruit to vacancies to cover staff that moved across to deliver the grants, so the service has had to adjust its priorities to deliver these grants, often at short notice.

Legal

33. The council followed the guidance from BEIS to deliver the grants.

34. Central Government agreed to fully reimburse Local Authorities, in line with guidance and the grant offer letters sent to Local Authorities, for the cost of the grant (using a grant under section 31 of the Local Government Act 2003).

35. Businesses receiving the grants were subject to Subsidy (State Aid) rules.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address
Equality and Diversity	None
Health, Social and Economic Impact	The council was under pressure to deliver these grants quickly to help businesses survive the pandemic. A number of officers worked solely on delivering the grants.
Crime and Disorder	Recovery of fraudulent and incorrect payments is continuing, with those not engaging or clearing their invoices returned to BEIS for enforcement
Children and Adults Safeguarding	None
Environmental Impact	None

Risk management

36. There were many risks associated with the delivery of these grants, mainly due to changes in guidance.

Risk	Consequence	Controls required
Operational risk	Staff unable to pay grants in a timely manner	Ensure adequate staff resource allocated to delivering grants
Financial	Paying out more grant than funding	Controls in place to monitor spend
Compliance	Failure to pay grants correctly could mean the council is liable for the grant payment	Staff allocated are of a senior level to manage the process
Legal	Recourse is to judicial review. If found in applicant's favor could cost the council	Follow all guidance as issued
Reputational	Lost confidence in the council	Pay the correct amount to the correct recipient in a timely manner
Economic	Businesses fail due to failure to receive funding on a timely basis	Ensure that payments are made on a prompt basis

Other options considered

37. None

Recommendation

38. Audit Committee note the contents of this report.

Background papers:

None

Appendices:

Appendix A- Details on recovery of grants to date

Appendix B - Total grant funding allocations and payments made

Contact officer:

Name: Tanya Bandekar, Head of Revenues and Benefits

Telephone number: 01603 987648

Email address: tanyabandekar@norwich.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio, or Braille, or in a different language, please contact the committee officer above.

Audit Committee – 29 November 2022 Item 6 Appendices

Appendix A- Details of recovery of grants as of 18 October 2022

Grant schemes Administered	Scheme dates	Fraud Cases Identified	Amount identified	Recovered Amount	Overpaid cases not fraud	Amount identified	Recovered Amount to date	Total amounts outstanding	Current Position on outstanding amounts
Small Business Grant	1 April to 30 September 2020	2	£20,000.00	£10,000.00	11	£110,000.00	£90,000.00	£30,000.00	Ongoing action to recover
Retail, Hospitality and Leisure Grant	1 April to 30 September 2020	5	£95,000.00	£85,000.00	20	£380,000.00	£335,000.00	£55,000.00	Ongoing action to recover
Local Additional Discretionary Grant	1 June to 30 September 2020	0			0			£0.00	
Local Restriction Support Grant (Open Scheme)	2 to 25 December 2020	0			5	£5,403.00	£5,403.00	£0.00	
Local Restriction Support Grant (Closed Scheme)	1 November 2020 to 31 March 2021	3	£2,668.00	£2,668.00	31	£18,411.69	£18,411.69	£0.00	
Local Restrictions Support Grant (Sector)	1 November 2020 to 31 March 2021	0			0			£0.00	
Local Restrictions Support Grant (Tier 4)	1 November 2020 to 31 March 2021	1	£1,810.43	£1,810.43	5	£12,504.00	£12,504.00	£0.00	
Local Restrictions Support Grant (2nd Cycle)	1 November 2020 to 31 March 2021	1	£2,001.00	£2,001.00	6	£13,368.00	£13,368.00	£0.00	
Local Restrictions Support Grant (Closed Lockdown Payment)	1 November 2020 to 31 March 2021	1	£4,000.00	£4,000.00	5	£25,000.00	£23,000.00	£2,000.00	Payment plan in place for £2000.00
Christmas Support Payment	2 December 2020 to 28 February 2021	0			0			£0.00	
Additional Restrictions Grant (LRS - Version 1)	5 November 2020 to 31 March 2022	0			0			£0.00	
Additional Restrictions Grant (LRS - Version 2)	5 November 2020 to 31 March 2022	0			1	£1,775.00	£1,775.00	£0.00	
Additional Restrictions Grant (Adaption Grant)	5 November 2020 to 31 March 2022	0			3	£5,646.14	£3,969.89	£1,676.25	Needs to be passed to BEIS
Additional Restriction Grant (Growth Grant)	5 November 2020 to 31 March 2022	0			1	£6,235.00	£6,235.00	£0.00	
Additional Restritions Grant (Plan B)	5 November 2020 to 31 March 2022	0			0			£0.00	
Additional Restrictions Grant - Omicron	5 November 2020 to 31 March 2022	0			0			£0.00	
Restart Grant	1 April to 31 July 2021	0			4	£40,000.00	£37,000.00	£3,000.00	Ongoing action to recover
Omicron Hospitality and Leisure Grant	21 December 2021 to 31 March 2022	0			0			£0.00	
		13	£125,479.43	£105,479.43	92	£618,342.83	£546,666.58	£91,676.25	

Appendix B - Total grant funding allocations and payments made

<u>Scheme Name</u>	<u>Scheme run dates</u>	<u>Fund received</u>	<u>Current paid applications</u>	<u>Current amount spent</u>	<u>Percentage of fund spent</u>
Small Business Grant and Retail, Hospitality & Leisure Grant	1 April to 30 September 2020	£39,062,000.00	2982	£38,265,000.00	97.96%
Discretionary Grant Fund	1 June to 30 September 2020	£2,032,000.00	170	£1,591,500.00	78.32%
Local Restriction Support Grant (Open Scheme)	2 to 25 December 2020	£771,878.00	515	£552,279.00	71.55%
Local Restriction Support Grant (Closed Scheme)	1 November 2020 to 31 March 2021	£26,360,084.00	7137	£18,007,983.73	68.32%
Christmas Support Payment	2 December 2020 to 28 February 2021	£83,200.00	61	£61,000.00	73.32%
Restart Grant	1 April to 31 July 2021	£11,766,240.00	1386	£10,440,427.00	88.73%
Additional Restrictions Grant	5 November 2020 to 31 March 2022	£5,232,498.00	2791	£5,218,399.39	99.73%
Omicron Hospitality and Leisure Grant (OHLG)	21 December 2021 to 31 March 2022	£2,124,099.00	470	£1,690,750.00	79.60%
		£87,431,999.00	15512	£75,827,339.12	86.73%



Committee Name: Audit
Committee Date: 29/11/2022
Report Title: Work Programme

Portfolio: Councillor Kendrick, cabinet member for resources
Report from: Executive director of corporate and commercial services
Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report sets out the committee's work programme to fulfil its terms of reference as set out in the council's constitution and agreed by council.

Recommendation:

It is recommended that the committee considers and agrees the work programme, and if further information is required.

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the corporate priority to ensure Norwich City Council is in good shape to serve the city.

Report Details

Introduction

1. In accordance with its terms of reference, which is part of the constitution, the committee should consider the proposed work programme, set out below. The terms of reference meet the relevant regulatory requirements of the council for accounts and audit matters, including risk management, internal control and good governance.
2. The programme includes requests for further information agreed by the committee and reflects the actions identified as part of the committee's self-assessment.
3. The committee may wish to propose further reports on additional topics relevant to the committee's terms of reference.

Considerations

4. The committee considers risk management at least twice a year.
5. The committee's self-assessment action plan was approved in January 2022. It is proposed that the committee will conduct a self-assessment annually. The action plan has been attached to this report at Appendix A, updated to reflect completed actions, and for members to consider as part of the work planning for this committee. It is proposed that the committee conducts its second self-assessment as an informal meeting in December (date to be approved) to feed into a report at the January 2023 meeting of the committee.
6. The committee requested an informal session on "Understanding Cyber risk" which was held on 26 September 2022. The session was facilitated by Clive Morgan, infrastructure security support manager, using the LGA Councillor Questionnaire template, assisted by Julia Medler, head of customers, IT and digital. Following this session, it has been agreed to include a new cyber dashboard in the CLT quarterly assurance reports. The chair of audit committee has requested that a confidential report is provided to the committee at least twice a year. This will provide a useful way to update and provide assurance to members of the committee on the work that the head of customers, IT and digital and the infrastructure security support manager are doing.

Work Programme 2022/23

7. The proposed work programme for the remainder of 2022/23, is as follows:

17 January 2023

Executive director of corporate and commercial services:

- Internal audit Q3 Update
- Audit Committee Self-Assessment
- Work Programme

Executive director of community services

- Cybersecurity – assurance – exempt report

21 March 2023

Executive director of corporate and commercial services:

- Annual Governance Statement 2021-2022
- Statement of Accounts and Audit Results Report 2021-2022
- Internal Audit Plan 2023-24
- Risk Register Update
- Work Programme

Training and informal sessions

8. The annual training session for members of the committee was conducted on Monday, 3 October 17:00 and was well received by the members who attended the session.
9. The membership of the committee has not been assessed against the core knowledge and skills framework. As the first stage of the annual review of the committee's self-assessment, it is proposed to hold an informal session for members, before the start of the formal business of the committee, to identify any training/knowledge requirements that can be addressed.
10. As part of the self-assessment exercise last year the committee evaluated how it added value. The committee will require an informal session to consider the provide strengths and weaknesses in each area. It is proposed to hold an informal session as soon as possible.
11. The committee has expressed a desire to hold an informal workshop to influence development of the Annual Governance Statement for 2022/23 and the annual review of the Code of Corporate Governance. It is suggested to hold this session in early March 2023, with dates to be circulated in due course.

Consultation

12. The committee will review the work programme at each meeting.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget.

13. The service expenditure falls within the parameters of the annual budget agreed by the council.

Legal

14. There are no direct legal implications arising from this report; reviewing its work programme supports the audit committee in delivering its role effectively, operating in line with good practice identified by CIPFA, supported by DLUHC.

Statutory Considerations#

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	None

Risk Management

Risk	Consequence	Controls Required
Include operational, financial, compliance, security, legal, political or reputational risks to the council	There are no risk implications.	None Risk management reports feature in the programme.

Other Options Considered

15. There is no alternative. The committee may wish to propose further reports on additional topics relevant to the committee's terms of reference.

Reasons for the decision/recommendation

16. As a result of the delivery of the work programme the committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or confirmation that there are plans in place to strengthen controls.

Background papers:

None

Appendices:

Appendix A – Self Assessment Action plan, amended November 2022

Contact Officer:

Name: Jackie Rodger, senior committee officer

Email address: jackierodger@norwich.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendix A – Self Assessment Action Plan

Question	Assessment	Action	Proposed Target Date	Comments
4	Partly	Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.	July 2022	Completed
8	Partly	Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.	Ongoing annually	
9	Cp	Treasury management is included within the list of wider areas of involvement for Audit Committees. The Committee requests that CLT and the Constitution Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.	July 2022	The Treasury Management Committee held its inaugural meeting on 14 November 2022
12	Completed	To enhance knowledge skills and independence of the committee, an independent member will be appointed using the appropriate process.	July 2022	Appointment made July 2022
15	No	The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.	April 2022	Informal session to be held before the start of the audit committee on 29 November 2022
18	Partly	Feedback would be received by the committee as part of the presentation of the annual report. However, the committee suggests that a survey of staff and other members interacting with the committee is undertaken to provide feedback.	June 2022	The Annual Report of the Audit Committee will be considered at Council on 22 November 2022
19	Partly	As part of the self-assessment exercise the committee has evaluated how it is adding value. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area.	October 2022	Date to be arranged.
20	Partly	It is recommended that the actions arising from this assessment are monitored to completion by the committee.	Ongoing	