NORWICH
City Council

Minutes

Audit Committee

16:30 to 19:30 **11 July 2023**

Present:	Councillors Price (chair), Driver (vice chair following appointment), Kidman, Osborn, Packer, Sands (M) and Wright (from item 10, due to other council business) and David Harwood (Independent Person)
Also present:	Councillor Kendrick, cabinet member for resources
Apologies:	Councillor Fulton-McAlister

1. Appointment of Vice Chair

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

2. Public questions and petitions

There were no public questions or petitions.

3. Declarations of interest

None.

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 21 March 2023.

5. Annual Report on Counter Fraud Arrangements

The Head of Legal and Procurement presented the report. This would be the first annual report on the council's counter fraud arrangements. Members were advised that there was an exempt report which could be considered in private session later in the meeting. She pointed out that of the actions in this period, the most significant was that the investigation of housing fraud was being undertaken by Anglian Revenues Partnership (ARP) on the council's behalf. ARP had already recovered £300,000 of taxpayers' money in relation to revenues and benefits fraud.

In reply to a member's question, the Head of Legal and Procurement explained that the National Fraud Initiative (NFI) was an annual exercise that matched electronic data across public sector bodies, such as the NHS. The NFI exercise had identified cases where residents have applied for a single person council tax discount and data showed that another or other people were living in their accommodation and therefore, they were not eligible for the discount. Under the council's Data Protection Policy, residents provided permission for data to be used in this way.

A member referred to the risk of contractors carrying out fraud. The Head of Legal and Procurement said that identity and legitimacy checks were made of potential suppliers and contractors which minimised the risk of fraud. Service level agreements with contractors were robustly monitored.

A member referred to the national issues relating to fraudulent claims of business grants during the pandemic. The chair said that the committee had considered a report on "Managing the Risk of Fraud and Error in the Payments of Coronavirus Business Grants" (Audit Committee, 29 November 2022) and was satisfied with the work that the` Revenues and Benefits Service had conducted on behalf of the council.

The committee noted that there were currently two cases of potential fraud undergoing investigation. The vice chair asked how residents could report cases of fraud against the council. The Head of Legal and Procurement said that cases could be reported on the council's website, to the Action Fraud helpline or to the police. The chair commented that alongside this report were the checks and balances that the council had in place to prevent fraud.

Discussion ensued on the potential for fraudulent use of the Blue Badge scheme. The Independent Person asked whether applicants' data was cross checked as part of the NFI exercise. The committee noted that whilst parking enforcement was a function of the city council, the administration of the Blue Badge scheme was a function of Norfolk County Council. The Independent Person asked whether the council's parking enforcement services had access to DVLA information and whether the county council shared information on Blue Badge holders with the Civil Enforcement Officers to assist with enforcement. The Head of Legal and Procurement said that she would make enquiries and share the information with members outside the meeting.

Members of the committee who were also county councillors said that they would enquire about whether the Blue Badge scheme was included in the county council's NFI exercise.

(The committee agreed to review the exempt appendix in private session.)

RESOLVED to:

(1) note the report;

(2) thank the Head of Legal and Procurement for bringing the report to the committee and note that members with further questions can email her;

(3) note the following action:

(a) ask the Head of Legal and Procurement to provide information on the position of Civil Enforcement Officers having access to DVLA information and data from Norfolk County Council on Blue Badge holders.[1]

[1] Norfolk County Council shares information with the city council. Information held by the DVLA does not include the Blue Badge Scheme.

6. Internal Audit Progress Update July 2023

The Head of Internal Audit presented the report for the last quarter of 2022/2023 (contained in the supplementary agenda). The audits listed in paragraph 3.2 (on page 8 of the supplementary agenda) had all been finalised and were awaiting verification. Members would be provided with copies of the full audit reports of audits that had received a limited assurance in due course. She apologised that there was an error in the Executive Summary – NC2326 Disaster Recovery; the key strategic findings had been overwritten with the key strategic findings for NC2314 Trees and Playground Equipment, and the highlights to the executive summary for NC2325 Cybersecurity had also been overwritten. These errors would be rectified, and the corrected version of the report would be published and made available to members. Members were assured that both Disaster Recovery and Cyber Security had received a reasonable assurance. It was also noted that audit recommendations relating to Food Health and Safety have been completed and, in relation to the NNDR, evidence of the new policy for processing discretionary charity top up grants had been received.

During discussion the Head of Internal Audit, together with the Head of Legal and Procurement and the Interim Head of Finance, answered members' questions.

In reply to a member's question, the Head of Internal Audit explained that there was one audit on Safeguarding that had a limited assurance and that the Key Controls audit was also indicated as limited but was still in draft. She referred to pages 9 and 12 of the report which listed the internal audits carried out in the period. She explained the four gradings of assurance; substantial, reasonable, limited and no assurance, as set out in paragraph 4.1 of the report. Most audits received a reasonable assurance. A limited assurance meant that further work was required.

In reply to a question, the Head of Internal Audit assured members that the key strategic findings following the audit of NC2306 Key Controls and Assurance would be brought back to committee if not completed within the agreed timeframe. Members were advised that "verifying that supplier changes are made with appropriate verification," should show as completed in future reports or reasons would be provided to the committee for it not being completed. The Head of Internal Audit confirmed that debt collection was being looked at across all services. The chair suggested that it would be advantageous to members if the report separated the Housing Revenue Account (HRA) and the General Fund so that members could have a better picture of what was going on. The Head of Internal Audit said that there was a lot of work to be done with management to verify the findings and address aged debt.

The committee then discussed the executive summary for NC2324 Safeguarding. A member expressed concern that only 33 per cent of staff had completed the mandatory e-learning on safeguarding adults and children and 30 per cent had not completed a renewal every three years, and asked what steps would be needed to ensure that staff took up this training. The Head of Internal Audit said that the Senior Leadership Team (SLT) had a mechanism in place to ensure that colleagues carry out mandatory e-learning when provided with information on completion, and that there was an expectation that the percentage of employees undertaking the training would increase as it needed to be a lot higher. The system tracked uptake of training so that staff who had not yet completed it could be provided to SLT so that they could ensure that it was done. There would be a refresh of the Adult Safeguarding

training. If the uptake of this mandatory training did not improve it could be built into performance reviews.

In reply to a question from the Independent Person, the Head of Internal Audit clarified that internal audit had not received evidence of DBS checks being carried out at the time of writing the report but that this information had been provided subsequently, and that the data would be retested before the action could be signed off by its target date of 31 July 2023. The ambiguity was that the legislation had changed, and it was important to ensure that the right members of staff had been DBS checked in accordance with the guidance. The chair expressed concern that there was a record of individual staff requiring a DBS check, when checks were updated as well as conducted in the first place. Members considered that this should be given priority and could not wait for assurance until the next meeting, and if not addressed, would need to be flagged up in the Annual Governance Statement (AGS). The Head of Internal Audit said that the deadline was 31 July, and that she could circulate the final verified report before the next committee meeting. Members were assured that SLT received regular updates on the work of the internal audit and any recommendations outstanding by the deadline would be reported to them, and escalated as appropriate. The Chief Finance Officer (S151) would ensure that audit actions were completed.

The chair raised concern about the gap in compliance in Safeguarding due to changes in national policy, and asked what historical searches had been done to ensure that the council has been compliant in carrying out DBS checks in the past. The council needed to be aware of its liabilities if checks had not been conducted properly in the past. The Head of Internal Audit confirmed that since the report had been written records had been produced and the assurance was available. The next steps would be to verify these records to ensure that the correct level of check was carried out, as there were implications of checks being carried out unnecessarily.

During discussion members commented on NC3215 Markets and said that the market traders were frustrated at the poor maintenance of the market, particularly the cleanliness of the market roofs and awnings to prevent debris from the roof space contaminating food or surfaces, and it was noted that the recommendations would help address this. The Head of Internal Audit said that this report was strategic in nature, but would expect that there were management reports on the programme of planned maintenance. She also said that she would report member's comments back to Environmental Services. A member said that the cleanliness of the roof spaces had been requested by market traders as part of the market strategy which had not yet been delivered.

In reply to a question from a member on the issue raised in the Key Controls audit around supplier checks, the Head of Internal Audit said that this applied to Accounts Payable and was related to the checks that take place when there was a supplier or contractor changed their details. Each change needed verification before a payment could be made. Members were also advised that there was a process for reconciliations to ensure that they were signed off by an authorised person. During discussion, the Independent Person, referred to the verification of the supply chain, and suggested that there was an automated process for validation of companies or companies which could provide checking services. The Interim Head of Finance said that in practice the council undertook a manual process and part of the issue was that the suppliers had more than one address at different locations. There was

no audit function on the system to track that it had been changed. He would consider the suggestions made by the Independent Person.

The chair, referred to the health implications of poor air quality, and asked why the scoping of the internal audit review of Contaminated Land and Air Quality was to look at whether it complied with the National Air Quality Strategy (NAQS) and Local Air Quality Management (LAQM), rather than a more general look identifying poor air quality and weaknesses in the city. The scoping did not give a clear indication of the health concerns both in the city and nationally. The Head of Internal Audit said that, whilst she welcomed a further discussion with the chair, she was satisfied that the audit had been scoped to provide a good audit of compliance with national standards. A member suggested that there should be compliance with the WHO Global Air Quality Guidelines (AQGs), and the process should include the positioning of monitors, variable air quality and also looking at areas of vulnerable people (ie around schools). The Head of Internal Audit thanked members and said that these suggestions could be factored into the scoping of the internal audit review on Environmental and Sustainable Development later in the year.

The chair asked how members of the committee helped the scoping process. The Head of Internal Audit recognised that there was expertise in the room and that was pleased to take their suggestions into consideration.

RESOLVED,

(1) note the report;

(2) note the following actions:

(a) circulate and publish revised versions Executive Summaries – NC2326 Disaster Recovery and the NC2325 Cybersecurity;

(b) share the final version of the Safeguarding internal audit review report with members, and note that final internal audit reviews completed in the period that have a limited assurance will be shared with members after verification.

7. Internal Audit Annual Report and Opinion 2022/23

The Head of Internal Audit presented the report. The level of assurance provided by the Head of Internal Audit was reasonable. The report sets out the work undertaken by internal audit during the year 2022/23, including advisory work. This was the first year that Eastern Internal Audit Services (EIAS) had provided services to the council. The key performance indications were set out in paragraph 5.2. There was an expectation that improvements would be made and that the service would meet its targets relating to timeliness in year 2.

The chair commented that actions arising from the internal audit reviews on Safeguarding and Key Controls and Assurance, where a limited assurance had been provided would be referenced in the Annual Governance Statement until actions were completed. He said that despite concerns that internal audit work had not started until after Quarter 1, the Head of Internal Audit had completed sufficient work to provide an assurance.

In reply to a member's question the Head of Internal Audit confirmed that Norwich City Services (NCS) Ltd on would be subject to several internal audits in quarter 3 of 2023/24. The chair welcomed that there was ongoing audit work on the council's wholly owned companies. Members were also advised that the council's Corporate Health & Safety Board was due to receive a Health & Safety report from NCS by 31 July 2023.

Discussion ensued on the difficulty of signing off completed actions arising from internal audit reviews. The chair confirmed that he had received some notes. The Interim Head of Finance said that he had taken on the role of following up with the responsible managers to ensure that actions were completed or to investigate whether there were valid reasons for any delay.

In reply to a question relating to council housing maintenance and turnaround of voids, the Head of Internal Audit explained that levels of assurance were not given for advisory work. The internal audit plan covered the plan for the year and a 3-year strategic plan. Two members considered that the council's capital programme to retrofit council housing and actions to meet the carbon zero by 2040 should be included in the internal audit plan. Members were advised that the committee could review the plan during the year and items on the plan could be switched around in accordance with the priorities of the council. Other members pointed out that the Scrutiny Committee was better placed to oversee the implementation of policy, such as retrofitting. The Head of Legal and Procurement agreed that if the concern was about strategic outcomes, then it should be considered by the Scrutiny Committee. The chair said that both he and Councillor Osborn were concerned that the retrofitting programme covered several service areas and wanted assurance that the governance arrangements and processes were in place to deliver the programme. The Head of Internal Audit confirmed that the scoping of an internal audit would take this into consideration.

The Independent Person pointed out that the report did not contain a statement of the status of the Head of Internal Audit being independent. The Head of Internal Audit confirmed that this statement was included in the Charter (Strategic and Annual Audit Plans 2023/24, Appendix 1, Audit Committee 21 March 2023). In reply to a further question, the Head of Internal Audit said that she could provide the Independent Person with the series of questions used to survey managers on the effectiveness of the internal audit service.

RESOLVED to:

(1) approve the assurance opinion awarded of reasonable and confirm that the key information provided is carried across to the council's Annual Governance Statement 2022/23;

(2) note the following actions:

(a) add a review of the Internal Audit Plan to the committee's work programme for a midyear review;

(b) ask the Head of Internal Audit to share the series of questions used to survey managers on the effectiveness of the internal audit service with the Independent Person and any member of the committee on request.

(Councillor Wright joined the meeting at this point.)

8. Cyber Security Update

Following discussion and with advice from the Head of Legal and Procurement and the Infrastructure Security and Support Manager, Councillor Wright moved, and Councillor Price seconded that the main report should be published in the public domain, and that the committee's discussion should be held in private session. On being put to the vote it was:

RESOLVED to:

(1) ask the Head of Legal and Procurement to arrange the publication of the main report;

(2) confirm that the appendix is exempt from publication under paragraph 3 of Schedule 12A of the Local Government Act 1972.

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. Cyber Security Update (paragraph 3)

The Infrastructure Security and Support Manager presented the report and answered detailed questions on the exempt appendix from Councillor Wright to provide him with assurance that the council was taking the necessary steps to ensure that the council was protected from cyber-attack.

The Infrastructure Security and Support Manager also answered other questions relating to the use of individual screen savers, to make it easier to repair laptops, and that Bluetooth devices were not allowed for security reasons. Members considered that IT and Cyber Security could be a topic for consideration by the Scrutiny Committee.

During discussion, members concurred with Independent Person's suggestion that there could be lessons learned from other authorities, where the controls had failed. It was noted that there had been a cyber attack at Redcar and Cleveland Borough Council.

RESOLVED to

(1) receive the report;

(2) note that the Head of Legal and Procurement will report on failed authorities to the next meeting of the committee.

11. Annual Report on Counter Fraud Arrangements (Exempt Appendix) (Paragraph 3)

During discussion, the Interim Chief Finance Officer (S151 Officer) answered members' questions and assured members that the implementation of the new HR and finance system would be beneficial and enhance the audit process.

RESOLVED to note the exempt appendix.

(The committee held a short adjournment at this point. The committee reconvened in public session.)

12. Draft Annual Governance Statement 2022/23

The chair proposed that the committee considered the Draft Annual Governance Statement 2022/23 at the next formal meeting of the committee (17 October 2023). The Draft Statement of Accounts 2022/23 would also be considered at that meeting following an informal session on 19 September.

The Head of Legal and Procurement agreed with this approach. The Draft Annual Governance Statement (AGS) 2022/23 had been published on the council's website, together with the Draft Statement of Accounts 2022/23. She thanked members of the committee who had submitted comments on the AGS and asked members to contact her with any questions. The committee would consider the revised report would then be considered at its meeting on 17 October 2023.

In reply to a member's question regarding the resignation of the chair of the Norwich City Services Limited (NCS) and the company's challenges in delivering performance improvements, the Head of Legal and Procurement referred to the exempt report to Cabinet (12 July 2023). The shareholder panels for each company reviewed the performance data from each of the companies and could make suggestions but not make its decisions. NCS was contracted by the council to deliver a service. The wholly owned companies each produced a business plan for the following year which was subject to pre-scrutiny by the Scrutiny Committee and approval at Cabinet. The Council was commissioning an external review of company governance and its recommendations would be reported to Cabinet in due course.

Replying to a further question regarding the mishandling of asbestos by NCS staff, the Head of Legal and Procurement said that both NCS and the council had to respond to the Health and Safety Executive, and it was understood that the HSE was satisfied the Council had undertaken appropriate steps.

The Independent Person referred to Appendix A, Part A of the AGS and said that out of 22 actions, only 11 had been completed and asked what urgent steps were being taken to ensure completion. The Head of Legal and Procurement said that in hindsight and benchmarking against the Chartered Institute of Public Finance and Accountancy (CIPFA) Code some of the issues identified were not so significant to warrant inclusion in the action plan albeit reflected improvements in the governance framework. There had also been some optimism bias for delivery of actions within timescales. The External Auditor was invited to comment and said that from his experience with other bodies, what was considered as a significant weakness and what was not could get blurred. The action plan should be looked against what was delivered last year and the same for this year. The narrative should provide an

explanation if something was considered less significant. The Head of Legal and Procurement and the Independent Person endorsed this approach. The Independent Person said that the committee should be involved in deciding what was significant and suggested that this was included in the work programme for future years before the AGS was drafted. He suggested that the committee should consider the actions that were no longer significant and could be removed.

RESOLVED to:

(1) defer further consideration of the draft Annual Governance Statement 2022/2023 to the next meeting;

(2) note that Appendix A, Part A of the Draft AGS will be revised and an explanation of any changes will be provided in a revised report that will be presented to the committee at its next meeting;

(3) ask members to submit questions to the Head of Legal and Procurement, noting that some questions have already been received.

13. Draft Statement of Accounts 2022/23

The chair said that the Draft Statement of Accounts (SOA) 2022/23 was a significant document that the committee considered each year. The committee would have a refresh before the audited SOA came back to committee for approval. There would be an opportunity for the committee to consider the draft SOA at its informal meeting on 19 September.

The Interim Head of Finance (Deputy S151 Officer) introduced the report. The council was one of a third of local authorities that had met the 31 May deadline for publication of draft accounts. The informal session in September would provide members with an understanding of the accounts in detail before consideration at the committee meeting on 17 October.

In reply to a question from a member, the Interim Head of Finance explained that the council had repaid a £51m of debt during 2022/23.

RESOLVED to:

(1) defer further consideration of the draft Statement of Accounts 2022/2023 to the next meeting;

(2) hold an informal meeting on 19 September at 16:30, to review the draft Statement of Accounts 2022/23.

14. Annual Report of the Audit Committee 2022/23

The chair introduced the report and said that both he and the vice chair were satisfied that the report reflected the work of the committee. He thanked the officers for their support.

The committee was advised that there was a typographical error in the reference to the Chief Finance Officer (S151 officer) which would be corrected.

RESOLVED to approve the Annual Report of the Audit Committee 2022/23, subject to correcting the job title of the Chief Finance Officer, and recommend it to Council.

15. Work Programme

The chair introduced the report and explained to new members that it was a standing item on the agenda for ordinary meetings of the committee.

During discussion a new member of the committee said that following discussion earlier in the meeting, retrofitting and maintenance through the HRA could be considered for inclusion on the annual internal audit plan as discussed earlier in the meeting. He also considered that the effectiveness of the Scrutiny Committee should be considered. The Head of Internal Audit said that the governance arrangements for the authority were considered and included on the three-year rolling internal audit plan. Discussion ensued on how an audit could assess whether the Scrutiny Committee was fulfilling its terms of reference. It was noted that the full Council held the Scrutiny Committee to account. Members concurred with the Independent Person's suggestion that the Scrutiny Committee undertook a self-assessment exercise to ensure it carried out its terms of reference.

A member said that the council needed a transparent consultation policy. The Independent Person pointed out the importance of a defined policy for the audit process. The Head of Legal and Procurement said that there was best value statutory guidance that set out the conditions for formal consultations. The chair said that this did not cover all consultations and that the committee should request that Cabinet for a consultation policy. Councillor Price moved and Councillor Osborn seconded that the committee suggested that Cabinet developed and approved a Communications and Consultation Strategy, and on being put to the vote, with 3 members voting in favour, 3 against, and 1 member abstaining, the motion was carried on the chair's casting vote.

RESOLVED to:

(1) agree the work programme;

(2) ask the chair to write to:

(a) Councillor Ackroyd, chair of Scrutiny Committee proposing that the Scrutiny Committee undertakes a self-assessment exercise to ensure that it fulfils its terms of reference;

(b) Councillor Stonard, Leader of the Council and chair of Cabinet, proposing that Cabinet develops and approves a Communications and Consultation Strategy for the council.

(3) note that the committee has asked for an action tracker to record actions arising from minutes of meetings.

CHAIR