



NORWICH City Council

Committee name: Council

Committee date: 24/09/2024

Report title: Annual Report of Audit Committee 2023-2024

Chair of Audit Committee Councillor Price

Report from: Executive Director of Resources

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report presents the draft Annual Report of the Audit Committee 2023-24, appended to this report, to Council.

Recommendation:

That the Council adopts the Annual Report of the Audit Committee 2023-24.

Policy framework

The council has five corporate priorities, which are:

- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.
- An open and modern council.

This report meets the open and modern council corporate priority.

Report Details

1. On 11 March 2014, the Audit committee resolved to approve new procedures for the audit committee in line with CIPFA guidance. In line with good practice the committee agreed to produce an annual report for council. The Annual Report of the Audit Committee 2023-24 is the tenth annual report of the committee.
2. The Audit Committee approved the attached report at its meeting on 17 July 2024.
3. The report has been prepared in accordance with the CIPFA¹ Audit Committees – Practical Guidance for Local Authorities and Police (2022 edition).
4. The committee has assessed its compliance with the CIPFA Position Statement as in need of minor improvement and will take actions to improve this during the year. The committee recognises that its terms of reference need to be reviewed to explicitly address the core areas identified in the CIPFA Position Statement.
5. The report includes the report to the committee on its self-assessment exercise and proposed actions for improvement.
6. The report sets out the work of the Audit Committee over the last financial year as set out in the committee's terms of reference.

Conclusion

7. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

Consultation

8. This report has been written in consultation with the chair and vice chair of the committee and based on discussions minted at meetings of the committee.

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.

9. There are no proposals in this report that would reduce or increase resources.

Legal

10. The annual report of the committee is considered to be good practice and is reflected in the council's constitution.

¹ CIPFA stands for the Chartered Institute of Public Finance and Accountancy

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	Not applicable	Not applicable

Other Options Considered

11. This report is for information and consolidates information set out in minutes to the Audit Committee meetings held during the 2023-24 Civic Year.

Reasons for the decision/recommendation

12. To provide an annual report to council.

Background papers: None

Appendices:

Appended Report: Draft Annual Report of the Audit Committee 2023-24
Appendix A - Compliance with the CIPFA Position Statement
Appendix B – Audit Committee Self-Assessment Exercise
Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year

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Annual Report of the Audit Committee 2023-2024

Introduction

This is the annual report of the Audit Committee and advises the Council of the work of the committee for the period of the 2023-24 Civic Year

Councillor Ben Price

Chair, Audit Committee

Councillor Keith Driver

Vice-chair, Audit Committee

Introduction

1. This report covers the work of the Audit Committee for the financial and civic year 2023-24. This report purports to adhere to the guidance set out in the *CIPFA Audit Committees – Practical Guidance for Local Authorities and Police* (2022 edition), to produce annual reports that demonstrate how the committee aligns with recommended practice and follows the CIPFA Position Statement 2022.
2. The committee undertook its third self-assessment exercise on 5 February 2024 facilitated by Teresa Sharman, Head of Internal Audit, and was reported to committee on 19 March 2024.
3. The committee has agreed that its annual report should include:
 - (a) Compliance with the CIPFA Position Statement 2022;
 - (b) Results of the annual evaluation, development work undertaken and planned improvements;
 - (c) How it has fulfilled its terms of reference and the key issues escalated in the year.

Section A - Compliance with the CIPFA Position Statement 2022

4. The CIPFA Position Statement 2022 represents CIPFA's view on audit committee best practice and principles that local government bodies in the UK should adopt to provide effective audit committee arrangements and meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting, and internal audit.
5. The committee has assessed its compliance with the CIPFA Position Statement as in need of minor improvement and will take actions to improve this during the year. The committee recognises that its terms of reference need to be reviewed to explicitly address the core areas identified in the CIPFA Position Statement.
6. Appendix A2 sets out our assessment against current compliance with the CIPFA Position Statement 2022.

Section B - Results of the Annual Evaluation, Development Work Undertaken and Planned Improvements

7. The Head of Internal Audit's report on the self-assessment exercise to committee is attached at Appendix B1. The report provides an explanation of the process that the committee undertook in making its assessment and sets out the results in its Appendix 1.
8. The committee will revisit the evaluation of the impact and effectiveness of the committee and progress against actions with a score less than 5 during the 2024-2025 Civic Year during the year. The actions list is included in the work programme report which is a standing item on the agendas for all meetings of the committee.
9. The key actions agreed by the committee are:

- (a) The guidance suggests that audit committees are advisory. The committee has therefore asked for a review of the committee's decision-making powers, so that the committee recommend the Statement of Accounts and Annual Governance Statement to full council for approval, instead of making that decision being delegated to the committee.
 - (b) In line with best practice, the committee considers that the terms of reference should be updated to explicitly address the core areas of the CIPFA Position Statement, and include the purpose of the committee.
 - (c) Ensure that the committee's work plan covers the core areas of the CIPFA Position Statement over the year.
 - (d) To ensure the independence of the committee, evaluate the committee's skills and training needs every two years and provide training to address this.
10. An outstanding action from the committee's 2022/23 Self-Assessment is the appointment of a second independent person, with a view to enhancing the committee's skill base and compliance with current best practice. The committee recognises the value of members receiving training and achieving a level or competence and therefore have asked for a review of the use of substitute members.

Section C- How the committee has fulfilled its terms of reference and key issues escalated in the year

- 11. As stated above the committee has asked that its terms of reference are reviewed to explicitly address the core areas in the CIPFA Position Statement. The committee is keen to follow best practice.
- 12. Appendix C1 sets out how the committee has fulfilled its current terms of reference and highlights the key issues escalated in the year.
- 13. The information contained Appendix C1 is drawn from the minutes and reports considered at committee meetings held during the year. Agendas, reports, and minutes for the meetings are available on the [council's website](#).

Conclusion

- 14. The committee has been effective in undertaking the functions set out in the terms of reference in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.
- 15. The committee recognises that it can improve its impact and effectiveness and will assess this during the year and work towards its identified actions.

Compliance with the CIPFA Position Statement

Purpose of the Audit Committee

The CIPFA Position Statement sets out the purpose of an audit committee which is:

“Audit Committees are a key component of an authority’s governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. In a local authority the Full Council is the body charged with governance. The Audit Committee may be delegated some governance responsibilities but will be accountable to Full Council. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.”

Independent and effective model

The CIPFA Position statement states that:

“The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.”

The following is an assessment of our Audit Committee’s performance against the core functions in the Position Statement:

CIPFA Position Statement	Norwich City Council’s Position
<p>The committee should:</p> <ul style="list-style-type: none">• Be directly accountable to the authority’s governing body.	<ul style="list-style-type: none">• The Audit Committee is authorised by Council to approve the annual statement of accounts, including subsequent amendments on behalf of the council.• It is an independent committee with roles and functions as set out in the council’s constitution.

Audit Committee – Annual Report 2023-2024
Appendix A

CIPFA Position Statement	Norwich City Council's Position
<ul style="list-style-type: none"> • In local authorities be independent of both the executive and the scrutiny functions. • Have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups. • Have rights to request reports and seek assurances from relevant officers. • Be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided. <p>The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.</p> <p>Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.</p>	<ul style="list-style-type: none"> • The council's constitution, Part 4 Codes and Protocols Access to Information Rules sets out members rights of access to information. • The committee has the right to request additional reports to provide assurance and request the attendance from officers at meetings. • The committee comprises 8 members. In January 2024, following the review of political balance, the committee was increased to 10 members, but members considered that this was too large. • The committee has one Independent Person and is currently in the process of appointing a second independent member, in accordance with best practice.

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Core functions

In order to deliver its purpose CIPFA sets out a number of criteria which audit committees should deliver. The following is an assessment of our Audit Committee’s performance against the core functions in the Position Statement:

CIPFA Position Statement	Norwich City Council’s Position
<p>Maintenance of governance, risk and control arrangements</p> <p>Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.</p> <p>Consider the effectiveness of the authority’s risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk related issues, for both the body and its collaborative arrangements.</p> <p>Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority’s exposure to the risk of fraud and corruption.</p>	<p>The committee reviews the effectiveness of internal control across the council through its receipt of the Annual Governance Statement and associated action plan, the Code of Corporate Governance, Risk Management reports and the reports of internal audit and external audit.</p> <p>The council’s constitution adopted in March 2021, formalised the committee’s request to receive a report on the council’s risk management policy, strategy and register twice a year. This provides the committee with assurance about the risk appetite of the council and an opportunity to ask questions on the application of scores to risks and raise concerns that the committee may have.</p> <p>Cabinet receives the risk register as part of its quarterly Corporate Assurance Reports. The Audit Committee’s responsibilities differs from that of Cabinet members, who are the owners of the risk register. Members of the Audit Committee have an oversight capacity to provide assurance on the governance of risks. To do this the committee needs to be up to date with the council’s risk profile and review the effectiveness of risk management options taken and to support good risk management practice. Members of the committee are aware that the risk register is regularly monitored by each</p>

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CIPFA Position Statement	Norwich City Council's Position
	<p>directorate and the Executive Leadership Team and the process for escalating risks.</p> <p>The Head of Internal Audit's Annual Opinion on the control environment is considered by the committee.</p>
<p>Financial and governance reporting</p> <p>Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.</p> <p>Support the maintenance of effective arrangements for financial reporting and review the statutory statements of accounts and any reports that accompany them.</p>	<p>The AGS is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) framework. The review of the Code of Corporate Governance is an important part of this process.</p> <p>The committee agrees the AGS, which is signed by the Leader of the Council and the Chief Executive, at the time that the audited accounts are approved by the committee.</p> <p>The committee reviews the unaudited Statement of Accounts and Annual Governance Statement .</p> <p>The committee is concerned that external audit has not been able to maintain effective arrangements to conduct audits of the statutory statements of accounts for 2021/22 and 2022/23. The council's finance team has continued to submit statements in accordance with the statutory timescales, and work with our External Auditors to resolve this issue.</p>

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CIPFA Position Statement	Norwich City Council's Position
<p>Establishing appropriate and effective arrangements for audit and assurance</p> <p>Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.</p> <p>In relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> • Oversee its independence, objectivity, performance and conformance to professional standards. • Support effective arrangements for internal audit. • Promote the effective use of internal audit within the assurance framework. <p>Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.</p> <p>Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.</p> <p>Support effective relationships between providers of assurance, audit and inspections and the organisation, encouraging openness to challenge, review and accountability.</p>	<p>The committee agrees the Internal Audit Plan and monitors progress against plan at each committee meeting and reviews the recommendations arising from internal audit reviews.</p> <p>The committee receives an annual audit opinion from the Head of Internal Audit.</p> <p>The committee considers reports also from External Audit. There has been no External audit opinion received in the period covered by this report.</p> <p>The Audit Committee was consulted on the arrangements for the procurement and appointment of the External Auditors and appraised of the national position relating to external audits of local authorities. The External Auditors are invited and attend meetings of the committee.</p> <p>This can be evidenced from the minutes of the Audit Committee which demonstrate the breadth of discussion and engagements by committee members and officers.</p>

Audit Committee membership

The CIPFA Position Statement states that:

“To provide the level of expertise and understanding required for the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.”

The following is an assessment of our Audit Committee’s performance against the characteristics of audit committee membership as set out in the Position Statement:

CIPFA Position Statement	Norwich City Council’s Position
<p>Characteristics of audit committee membership:</p> <ul style="list-style-type: none"> • A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach and are knowledgeable. • A membership that promotes good governance principles, identifying ways that better governance arrangements can achieve the organisation’s objectives. • A strong, independently minded chair, displaying a depth of knowledge, skills and interest. There are many personal skills needed to be an effective chair, but key to these are: 	<p>The committee comprises 8 members of the council and an Independent Person. The committee regularly conducts a skills audit to ensure that the membership has the necessary skills available and provide opportunities for development. Annual training is provided by an external facilitator. The committee undertakes regular training and briefing sessions.</p> <p>This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and challenge where appropriate and engagement by committee members and officers.</p> <p>Councillor Price has chaired the Audit Committee since May 2016, attends the Chairs of Audit Committees Eastern Region and takes every opportunity to attend internal and external training. He is a member of the Green Party.</p>

Audit Committee – Annual Report 2023-2024
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CIPFA Position Statement	Norwich City Council's Position
<p>To discharge its responsibilities effectively, the committee should:</p> <ul style="list-style-type: none"> • Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public. • Be able to meet privately and separately with the external auditor and with the head of internal audit. • Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required. • Have the right to call on any other officers or agencies of the authority as required. 	<p>There were four formal meetings of the committee during the 2022/2023: 23 July 2023 21 November 2023 23 January 2024 19 March 2024, which was adjourned and reconvened on 14 May 2024</p> <p>The committee is due to meet informally with the External Auditor and Head of Internal Audit on 17 September 2024, before the formal committee meeting where the committee will consider the Annual Governance Statement and the Statement of Accounts.</p> <p>In 2023-2024, the committee is currently supported by the key officers as follows: Neville Murton, Interim Chief Finance Officer & S151 officer Alistair Rush, Interim Director of Finance Robert Mayes, Head of Finance, Audit and Risk Teresa Sharman, Head of Internal Audit Sameera Khan, Interim Head of Legal and Procurement & Monitoring Officer.</p> <p>The Chief Executive and members of ELT and Heads of Service also attend meetings as required.</p>

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CIPFA Position Statement	Norwich City Council's Position
<ul style="list-style-type: none"> • Support transparency, reporting regularly on its work to those charged with governance. • Report annually on how the committee has complied with the position statement , discharged its responsibilities and include an assessment of its performance. The report should be available to the public. 	<p>The committee produces an annual report which is received at full Council.</p>

Impact

The CIPFA Position Statement considers that the impact of an audit committee:

“As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.”

The following is an assessment of our Audit Committee’s performance in relation to this section of the Position Statement:

CIPFA Position Statement	Norwich City Council's Position
<p>The committee should evaluate its impact and identify areas for improvement.</p>	<p>This is the third year that the committee has conducted a self-assessment exercise.</p> <p>The “Audit Committee Self-Assessment Exercise” (Audit Committee, 19 March 2024), appended to this report at Appendix B , sets out the details of the evaluation and identification of areas for improvement and the action plan to achieve it.</p>



Committee name: Audit

Committee date: 19/03/2024

Report title: Audit Committee Self-Assessment Exercise

Portfolio: Councillor Kendrick, Cabinet member for resources

Report from: Head of Internal Audit

Wards: All Wards

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Purpose

This report outlines the results of the self-assessment review completed on 5th February 2024.

Recommendations:

It is recommended that:

That Members agree the final scores for the first tool assessment, the 'Self-assessment of good practice' attached at **Appendix 1**.

That Members consider whether the second tool assessment, 'Evaluating the effectiveness of the audit committee' attached at **Appendix 2** should also be completed and how they would like this to be done.

That Members review the action plan in **Appendix 3** and consider whether all the improvement actions for scores below 5 have been captured.

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 above corporate priorities.

Report details

1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit committees – practical guidance for local authorities and police 2022” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice. The guidance states the purpose of an audit committee “is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.”
2. In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee’s and a new Audit Committee self-assessment template is now available.
3. Good audit committees are characterised by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
4. It is good practice for Audit Committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.
5. In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
6. The guidance provides two tools against which the Committee can assess itself. The first, ‘Self-assessment of good practice’ support an assessment against recommended practice to inform and support the Committee under the areas of ‘purpose and governance’, functions of the Audit Committee’, ‘membership and support’, and ‘effectiveness of the committee’. Scores of 0-5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.
7. A TEAMs meeting took place on 5th February 2024. Those Members in attendance were asked to discuss the questions within the ‘Self-assessment of good practice’ document and agree scores for the assessment. These scores can be found in Appendix 1. Members are asked to agree the final scores.
8. An action plan has been developed as a result of the self-assessment and is detailed in Appendix 3. Members are asked to consider whether all the improvement actions for scores below 5 have been captured.
9. Members are asked to consider whether the second tool assessment, in Appendix 2, ‘Evaluating the effectiveness of the audit committee’ should also be completed and how they would like this to be done.

Consultation

10. Not applicable for this report.

Implications

Financial and resources

11. There are no specific financial implications from this report.
12. There are no proposals in this report that would reduce or increase resources.

Legal

13. There are no specific legal implications 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
There is a risk that the Audit Committee may not fulfil its role and purpose because an evaluation of itself is not undertaken, and improvements not considered.	The Audit Committee does not fulfil its duties. Poor governance.	Self-assessment exercise added to work programme, and relevant meeting agendas. Members understand importance of the exercise and the need to complete this.

Other options considered

14. Not applicable for this report.

Reasons for the decision/recommendation

15. Completion of a self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Governance and Audit Committee, and good corporate governance is achieved.

Background papers:

Appendices:

Appendix 1 – Self-Assessment of Good Practice (containing scores)

Appendix 2 - Evaluating the effectiveness of the audit committee

Appendix 3 – Action Plan

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'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5

Audit committee purpose and governance						
1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?					5
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
3	Has the committee maintained its advisory role by not taking on any decision-making powers?				3	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	0				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5
7	Does the governing body hold the audit committee to account for its performance at least annually?					5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"> Compliance with the CIPFA Position Statement 2022 				3	
	<ul style="list-style-type: none"> Results of the annual evaluation, development work undertaken and planned improvements 				3	
	<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year? 				3	
Functions of the committee						

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5

9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements			2		
	Risk management arrangements			2		
	Internal control arrangements, including: <ul style="list-style-type: none"> • Financial management • Value for money • Ethics and standards • Counter fraud and corruption 			2		
	Annual governance statement				3	
	Financial reporting				3	
	Assurance framework		1			
	Internal audit				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
	External audit				3	
10	Over the last year, has adequate consideration been given to all core areas?				3	
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					5
12	Has the committee met privately with the external auditors and head of internal audit in the last year?		1			
Membership and support						
13	Has the committee been established in accordance with the 2022 guidance as follows?					
	<ul style="list-style-type: none"> Separation from executive 					5
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5

	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 					5
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3	
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					5
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				3	
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3	

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
18	Is adequate secretariat and administrative support provided to the committee?					5
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5
Effectiveness of the committee						
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?		1			
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22	Are meetings effective with a good level of discussion and engagement from all the members?					5

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5

23	Has the committee maintained a non-political approach to discussions throughout?					5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					5
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5
26	Do audit committee recommendations have traction with those in leadership roles?					5
27	Has the committee evaluated whether and how it is adding value to the organisation?				3	
28	Does the committee have an action plan to improve any areas of weakness?					5

'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
			Major improvement	Significant improvement	Moderate improvement	
Weighting of answers		0	1	2	3	5
29	Has this assessment been undertaken collaboratively with the audit committee members?				3	
	Total score					
Maximum possible score						142/200

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
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Assessment Key:

5 - Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.

4 - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

3 - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 - There is some evidence that the committee has supported improvements, but the impact of this support is limited.

1 - no evidence can be found that the audit committee has supported improvements in this area.

<p>Promoting the principles of good governance and their application to decision making</p>	<ul style="list-style-type: none"> • Supporting the development of a local code of governance. • Providing a robust review of the AGS and the assurances underpinning it. • Supporting reviews/audits of governance arrangements. • Participating in self-assessments of governance arrangements. • Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> • Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. • Local arrangements for governance have been clearly set out in an up-to-date local code. • The authority’s scrutiny arrangements are forward looking and constructive. • Appropriate governance arrangements established 	
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‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
		<p>for all collaborations and arm’s-length arrangements.</p> <ul style="list-style-type: none"> The head of internal audit’s annual opinion on governance is satisfactory (or similar wording). 	
<p>Contributing to the development of an effective control environment.</p>	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers 	<ul style="list-style-type: none"> The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/ strategic risks 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review 	
<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team’s assurance framework. • Specifying the committee’s assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, eg internal audit, risk 	<ul style="list-style-type: none"> • The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p>Supporting effective external audit, with a focus on high quality and timely audit work.</p>	<p>management, external audit</p> <ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations 	<ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan and any amendments are well explained. • An audit of high quality is delivered 	
<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of</u> 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p>Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements</p>	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements 	<p><u>Internal Audit</u> (2019).</p> <ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority’s arrangements to review and assess performance are satisfactory 	
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by 	<ul style="list-style-type: none"> • External audit’s assessments of arrangements to support best value are satisfactory 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
	external audit in their value-for-money work.		
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements). 	
<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to</p>	<ul style="list-style-type: none"> • Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. • Improving how the authority 	<ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor 	

‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
improve transparency and accountability	<p>discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</p> <ul style="list-style-type: none"> • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. • Publishing an annual report from the committee 	<p>completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</p> <ul style="list-style-type: none"> • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements 	

Action Plan

Action	Owner	Date for completion	Progress
1. Review the decision-making powers of Audit Committee with Cabinet with a view to the Audit Committee recommending the AGS and Financial Statements to Full Council for approval. (Q3)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	
2. Update the Audit Committee's terms of reference to include the purpose of the Audit Committee. (Q4)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 24	
3. For the next annual report of the Audit Committee ensure the following are included: - <ul style="list-style-type: none"> • Compliance with the CIPFA Position Statement 2022 • Results of the annual evaluation, development work undertaken and planned improvements 	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

Action Plan

Action	Owner	Date for completion	Progress
<ul style="list-style-type: none"> How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8) 			
4. Update the Audit Committee's terms of reference to explicitly address all the core areas identified in CIPFA's Position Statement. (Q9)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Jackie Rodgers	July 2024	
5. Ensure that Audit Committee's agenda covers all of the core areas in its terms of reference over the year. (Q10)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Section 151 Officer Chair and members of the Committee	2024/25	
6. Audit Committee to meet privately with the external auditors and head of internal audit each year. (Q12)	Audit Chair and audit Committee members	During 2024/25	Proposed that this will take place
7. Audit Committee to consider whether the use of substitutes should continue. (Q13)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

Action Plan

Action	Owner	Date for completion	Progress
8. Audit Committee members to undertake an evaluation of their knowledge, skills and training needs every two years. (Q15)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	To do in 2024/25	
9. As a result of the evaluation in 7 above, arrange training to address training needs of Audit Committee Members. (Q16)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer		
10. As a result of 7 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the Audit Committee to address this. (Q14 & Q17)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer in consultation with the Chair and Group Leaders	2024/25 – if necessary	
11. Obtain feedback on Audit Committee's performance from those interacting with the committee or relying on its work. (Q20)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	By end of Oct 24.	

Action Plan

Action	Owner	Date for completion	Progress
12. Evaluate whether and how the Audit Committee is adding value to the Council by completing the 2 nd CIPFA assessment tool, 'evaluating effectiveness of the audit committee' (Q27)	Teresa Sharman, Head of Internal Audit to facilitate a session	By end of Oct 24	
13. Review results of Self-Assessment of Good Practice exercise at a committee meeting. (Q29)	Is on the agenda	March 24	
14. Ensure all Members participate in the 2 nd CIPFA assessment tool, 'evaluating effectiveness of the audit committee' exercise. (Q29)	Audit Chair	When the exercise is scheduled	

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

How the committee has fulfilled its terms of reference and key issues escalated in the year

Report to full council on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.¹

1. This report covers the work of the Audit Committee for the financial and civic year 2023-24 and will be presented at Council in September 2024. The production of an annual report by the committee is considered good practice.

Review the effectiveness of internal control across the council and the adequacy of actions taken to address any weaknesses or control failures.

2. The committee reviews the effectiveness of internal control across the council through its receipt of the Annual Governance Statement and associated action plan, the Code of Corporate Governance, Risk Management reports and the reports of internal audit and external audit.
3. The Internal Audit Annual Report and Opinion (Audit Committee, 11 July 2023) sets out the work undertaken by Internal Audit during the year 2022/23. The level of assurance

Review, consider and agree the Annual Governance Statement, including the adequacy of the corporate governance framework and improvement action plan contained within it.

4. The Accounts and Audit Regulations 2015 requires the council to produce an Annual Governance Statement (AGS). It summarises the extent to which the council complies with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. It provides a public facing statement on how well the council has delivered on governance over the course of the previous year and accompanies the Statement of Accounts (Soa).
5. The committee considered the Draft Annual Statement 2022/23 at its meetings in July 2023 and November 2023 which enabled a full discussion and comment before the committee endorsed it.
6. On 11 July 2023, the Head of Internal Audit presented the Internal Audit Annual Report and Opinion 2022/23. This was the first year that Eastern Internal Audit Services (EIAS) had provided internal audit services to the council. The Head of Internal Audit awarded a reasonable level of assurance to the council.

Consider the adequacy and effectiveness of the council's arrangements for the identification and management of the organisation's business risks, including the risk management policy, strategy, and risk register.

¹ Taken from the Audit Committee's Terms of Reference, Norwich City Council Constitution

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

7. The committee considered the Corporate Risk Register at its meetings on 21 November 2023 and 19 March 2024.

Receive and consider regular reports at least twice a year on the risk environment, corporate risk register and associated management actions.

8. Members were concerned that actions to mitigate risks had been omitted from the report to the November meeting, which was partially addressed in the subsequent report.
9. The committee had considerable discussion on the risk register at its meeting on 19 March 2024, resulting in a set of recommendations for the executive leadership team to consider. The committee considered that inherent risk scores should be included on the Corporate Risk Register and that consideration should be made to the use of specialist software for risk management. Members have also been advised that the council is in the process of reviewing the corporate risk management approach and risk appetite.

Review and ensure the adequacy of the anti-fraud and corruption policy and strategy and the effectiveness of their application.

10. The committee received an Annual Report on Counter Fraud Arrangements (July 2023) and considers the Internal Audit progress report at every meeting. Members have received confirmation that Counter Fraud and Whistleblowing policies will be reviewed during 2024-2025.

Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

11. Members requested a detailed report on an incidence of Fraud Activity (March 2024) and were satisfied that it had been identified during normal processes. The committee however suggested that the council considered using specialist software for electronic signatures to provide further assurance.

Receive periodic updates on improvement actions taken.

12. Work of internal audit is reported to every meeting throughout the year. The reports contain updates on any overdue recommendations with a management response and new implementation dates, going forward.
13. At its meeting on 23 January 2024, the committee noted that there was a need to ensure that actions arising from internal audit reviews over 12 months out of date needed to be closed-off. It was agreed that any manager or head of service with outstanding actions over 12 months by the end of the first quarter in 2024/2025 would be required to attend the July committee to provide an explanation. The committee is grateful to the Head of Finance, Audit and Risk for his work in escalating this to the Executive Leadership Team, and the Head of Internal Audit for their work in clearing this backlog.

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

Internal and external audit

Approve the internal audit charter.

14. The committee approved the Internal Audit Charter and the Internal Audit Strategy at its meeting on 14 May 2024 (reconvened from 19 March 2024). The Charter is a mandatory document which sets out how Eastern Internal Audit Services (EIAS) will deliver internal audit services to the council, and outlines the internal audit purpose, authority, and responsibilities of the internal auditors. The committee approves the Internal Audit Charter annually.
15. At the reconvened meeting on 14 May 2024, the committee asked that provision to be made in the Charter to include the council's two wholly owned companies, Norwich City Services Limited and Lion Homes (Norwich) Limited.

Approve and monitor delivery of the internal audit strategy.

16. The Accounts and Audit Regulations 2015 require that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
17. The strategy is a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities. The strategy includes the annual internal audit work plan, and long-term plan, to provide a rolling programme.
18. The committee approved the Internal Audit Strategy, Strategic Internal Audit Plans 2024/25 to 2026/27, and Annual Internal Audit Plan at its reconvened meeting on 14 May 2025 (19 March 2024).

Consider, endorse, and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.

19. The committee monitors the delivery of the Internal Audit Plan through quarterly progress reports. The progress of the plan is also overseen by the Head of Internal Audit and the S151, and considered by the executive leadership team and heads of service.
20. A protocol is now in place to address the issue of officers not responding to Internal Audit in a timely manner which had caused delays to the internal audit process. Expectations are clearly stated to Heads of Service when the 2024/2025 Internal Audit Plan is circulated.

Ensure adequate resourcing of the internal audit function, approving any significant additional consulting services requested from internal audit not already included in the internal audit annual work programme.

21. The Head of Internal Audit presents any changes to the agreed internal audit work plan to the committee as part of the quarterly progress reports. The three-

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

year programme allows for the plan to be re-prioritised to provide the assurance needs of the council so that internal audit focuses on the most strategic risks in year and make best use of its resources. The committee is asked to consider if there are any other areas of strategic risk which could form part of the discussion with Executive Leadership Team.

22. Delivery against the Internal Audit Plan is measured by the allocation of days. Members have suggested an alternative way of measuring progress against the plan was by percentages achieved in each quarter which is being considered. The plan is risk based and can be changed if required.

Receive and consider the annual internal audit report and opinion on behalf of the council.

23. The committee received the Internal Audit Annual Report and Opinion 2022/2023 at its meeting on 11 July 2023. 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.

Oversee the annual review of the effectiveness of the system of internal audit, to include the performance of the internal audit function, compliance with standards and delivery of improvement actions.

24. The committee reviews and comments on the Internal Audit Annual Report and Opinion, the Annual Governance Statement and Code of Corporate Governance, and the quarterly progress reports.
25. Members are aware advised of changes to the Internal Audit Plan and can make recommendations on areas where the committee requires further assurance. The committee has supported officers in ensuring that improvement actions are delivered and to call to management or heads of service where improvements have not been implemented within agreed timescales.

Contribute to the external quality assessment of internal audit that takes place every five years.

26. Eastern Internal Audit Services (EIAS) was fully assessed by the Chartered Institute of Internal Auditors in October 2022. The conclusion of the review was:

“EIAS conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing”.

27. The next External Quality Assessment is scheduled for October 2027.

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

Commission work from internal and external audit and consider the resulting reports.

28. The Head of Internal Audit facilitated the committee's self-assessment exercise at an informal meeting in January 2023. The exercise indicates that the committee is acting in line with best practice in most areas and can demonstrate that it is adding value to the council through its role. This exercise is conducted annually, and improvement actions tracked in the committee's workplan.
29. The committee requests reports where it considers further assurance is necessary. Members of the committee were provided with the full internal audit review report for Safeguarding and have requested reports relating to the governance arrangements for Norwich City Services Limited.
30. At its meeting on 21 November 2023, the committee considered a report it had requested "Learning Lessons from Failings in Other Authorities" as it was considered prudent that members were aware of the reasons that had led other councils into financial predicaments.
31. The committee receives twice yearly reports Cyber Security Assurance.

Comment on the scope and depth of external audit work and ensure it gives value for money.

32. Norwich City Council has prepared Statements of Accounts for both 2021/22 and 2022/23 in accordance with the statutory timescales. There is a national situation where there is a backlog of external audits of local authorities' accounts. Unfortunately, due to a lack of resources, our External Auditors have been unable to conduct an audit of these accounts.
33. On 23 January 2024, the External Auditor attended the committee to explain the sector wide situation regarding local government external audits and the proposed actions to move forward to get back on track (Statement of Accounting Policies and State of External Audit, Audit Committee, 23 January 2024). The proposal is that external auditors provide a value for money statement on the accounts that they were unable to audit.
34. The committee held further discussion about the situation at the meeting of the committee at the meeting reconvened from 19 March to 14 May on the "DLUHC Consultation Response – Addressing the Local Audit Backlog in England". This report contains proposals to provide a disclaimer for the years where the accounts have not been audited, to enable external auditors to get back on track for this and future years. Members are concerned about the reputational risk to the council and that despite the accounts being prepared and submitted within statutory deadlines, public perception of the disclaimer would lead to unfair assumptions based on the financial failures of other councils. Members are also concerned that a lack of external validation of the accounts creates a risk.
35. There is effective communication between the external audit team and the council's finance team to ensure a smooth audit. The committee values the assurance provided by an independent external audit.

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

36. The committee is satisfied that the relationship between external and internal audit is effective and that audits are conducted in accordance with the relevant requirements.
37. The committee will meet independently with the Head of Internal Audit and the External Auditor on 17 September 2024 in line with CIPFA best practice.

Seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit and inspection work.

38. Actions arising from internal and external audit reviews are followed up as part of the AGS and internal audit plans.
39. The committee monitors actions through the internal audit quarterly reports.

Statement of Accounts

Discuss the annual audit plan for the audit of the financial statements with external audit.

40. There was no external audit plan received in the period covered by the report.

Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

41. The council has not received an External Auditors' Annual Letter or audit results report during the period covered by this report.
42. The chair responded to a letter from the External Auditor regarding the committee's understanding of the governance arrangements of the council.

Review and approve the annual statement of accounts, including subsequent amendments on behalf of the council.

43. The committee considered the unaudited Annual Statement of Accounts 2022/23 at its meetings on 11 July 2024 and 21 November 2023. There is no requirement for the committee to approve the unaudited accounts, but this gives an opportunity for members to understand the process. Members also attended an informal briefing in September. It was noted that the accounts demonstrate prudent, financial-management and accountancy and a good level of reserves.
44. The financial statements for 2021/22 and 2022/23 have not been audited. Members acknowledge that external validation is important to our residents and council taxpayers.

Annual Report of the Audit Committee 2023-24

Appendix C – How the committee has fulfilled its terms of reference and key issues escalated in the year.

Referral Powers and Accountability Arrangements

Make recommendations for due consideration on all matters described above.

Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

45. The committee's discussions and recommendations relating to the effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit, are recorded in the minutes of the meetings. Where appropriate the committee's recommendations on any of these matters are referred to Cabinet or the Chief Finance Officer, as set out in the terms of reference. Meetings are attended by the key officers and other members of the executive leadership team and senior managers, internal and external audit, who contribute to the discussions and are accountable for ensuring that the committee's recommendations are given consideration.
46. The chair and vice chair meet with the key officers to discuss agenda items and the committee's work plan. The Work Programme is a standing item on agendas and considered at each meeting of the committee.
47. The Cabinet Member for An Open and Modern Council (formerly resources) also attends all meetings of the audit committee.