

Audit committee

Date: Wednesday, 17 July 2024

Time: 14:30

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

Committee members:

Councillors:

Price (chair)
Bolton
Driver
Carrington
Hoechner
Sands (M)
Wright
(1 vacancy)

Independent person

David Harwood

**For further information please
contact:**

democraticservices@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

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Agenda

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1 Election of Vice Chair

To elect a vice chair for the 2024-2025 Civic Year.

2 Apologies

To receive apologies for absence

3 Public questions/petitions

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

4 Declarations of interest

(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)

5 Minutes

5 - 14

To approve the accuracy of the minutes of the meetings held on 19 March, 2024 and 14 May, 2024.

6 External Audit Value for Money Interim Report 2021-22 and 2022-23

15 - 46

Purpose - This report presents the External Audit Value for Money (VFM) Interim Report 2021/22 and 2022/23.

7 Annual External Audit Plan 2023-24

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Purpose - This report presents the annual external audit plan 2023/24.

8 Progress Report on Internal Audit Activity

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Purpose - This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2023/24.

9 Annual Report of the Audit Committee

133 - 182

Purpose - This report presents the draft Annual Report of the Audit Committee 2023-24, appended to this report, to the committee for comment.

10 Work Programme

183 - 196

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

11 Exclusion of the public

Consideration of exclusion of the public.

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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***12 Exempt minutes**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Date of publication: **Tuesday, 09 July 2024**



Audit Committee

16:30 to 19:05

19 March 2024

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

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillors Everett, Francis and Wright

1. Public questions and petitions

There were no public questions or petitions.

2. Declarations of interest

None.

3. Minutes

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

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

4. Exclusion of the Public

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

(There is an exempt minute of these items.)

5. Fraud Activity (paragraph 3)

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

RESOLVED to note the report.

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

The committee considered the risks contained in the exempt report.

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

7. 2023/24 Quarter 3 Corporate Risk Register

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

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

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

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

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

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

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

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

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

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

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

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

RESOLVED to:

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

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

Actions:

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

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

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

Audit Committee

16:30 to 18:25

14 May 2024

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

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillors Francis and Osborn

1. Declarations of interest

There were no declarations of interest.

2. Progress Report on Internal Audit Activity

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

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

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

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

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

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

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

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

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

RESOLVED to:

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

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

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

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

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

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

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

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

RESOLVED:

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

d) the Annual Internal Audit Plan 2024/25.

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

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

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

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

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

RESOLVED:

- (1) to note:
- a) the details of the proposed approach to addressing the local audit backlog in England;
 - b) the response submitted by Norwich City Council.
- (2) ask members to liaise with the Interim Head of Legal and Procurement regarding individual press statements on these arrangements.

5. Audit Committee Self-Assessment Exercise

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

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

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

RESOLVED to:

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

6. Work Programme

The Interim Head of Legal and Procurement presented the report.

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

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

RESOLVED to:

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

CHAIR



Committee name: Audit

Committee date: 17/07/2024

Report title: External Audit VFM Interim Report 2021/22 and 2022/23

Portfolio: Councillor Kendrick, cabinet member for an open and modern council

Report from: Interim Director of Finance (S.151)

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report presents the External Audit Value for Money (VFM) Interim Report 2021/22 and 2022/23.

Recommendation:

It is recommended that the committee:

- (1) reviews the attached report from the council's external auditor;
- (2) confirms its understanding and agreement to the report that there are no significant risks or weaknesses identified in relation to Financial Sustainability and Improving economy, efficiency and effectiveness.
- (3) Notes the significant risk under Governance in respect of the regulatory notice issued by the Regulator of Social Housing.

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 "An open and modern council" corporate priority.

This report meets all the corporate priorities.

Report details

Introduction

1. This report sets out the external auditors VFM Interim Report 2021/22 and 2022/23 for discussion and agreement with the audit committee.

Key points to note

2. The following significant matters are covered in the report:
 - (a) On page 7 of the report the table summarises that there are no significant risks or weaknesses identified in relation to Financial Sustainability and Improving economy, efficiency and effectiveness.
 - (b) The table on page 7 also shows that there was significant risk under Governance, in respect of the regulatory notice issued by the Regulator of Social Housing. Since the regulatory notice was issued the Council developed a Compliance Improvement Plan and this weakness has been addressed and the council requested removal of the regulatory notice in November 2023. The Regulator of Social Housing removed the regulatory notice in December 2023.

Consultation

3. The purpose of the external audit VFM Interim Reports is to consult with members of the audit committee and officers on the outcome of the work undertaken. No additional consultation has taken place.

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 2024-29 and budget.

4. 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.
5. There are no proposals in this report that would reduce or increase resources.

Legal

6. There are no other specific legal implications arising from this report.

Statutory Considerations

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

Children and Adults Safeguarding	None identified
Environmental Impact	None identified

Risk Management

Include operational, financial, compliance, security, legal, political or reputational risks to the council

Risk	Consequence	Controls Required
Compliance, reputational risks associated with failure to publish audited accounts by statutory deadline	Ability to give confidence to users of the council's financial statements is reduced	Publication of information advising when accounts will be published and reasons for delays.

Other Options Considered

7. There are no alternative options to this report.

Reasons for the decision/recommendation

8. The committee is recommended to review and note the attached report from the council's external auditor which sets out the VFM Interim Report for 2021/22 and 2022/23.

Background papers:

None

References:

None

Appendices:

EY VFM Interim Report 2021/22 and 2022/23

Contact Officer:

Name: Alistair Rush

Telephone number: 01603 987855

Email address: alistairrush@norwich.gov.uk



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Norwich City Council

Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

28 June 2024



Audit Committee
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

28 June 2024

Dear Audit Committee Members

2021/22 and 2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Norwich City Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and Management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 16 July 2024.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP
Encl.

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01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and Management of Norwich City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and Management of Norwich City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and Management of Norwich City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2021/22 and 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the key Finance Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant risk related to Governance as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p>In July 2021, the Council has self-referred to the Regulator of Social Housing (RSH) citing non-compliance with Homes Standard on areas such as water safety, electrical safety, and fire safety. This was triggered by the internal review performed by Council on health, safety and compliance management in June 2021, where indicators of the breach has been identified.</p> <p>The RSH performed a review of the Authority's health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:</p> <ul style="list-style-type: none">• has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority's tenants;• did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas. <p>The issue above is evidence of weaknesses in proper arrangements on Council's capability on discharging its statutory services, and how it monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.</p>	<p>Review the report from the Council's internal review, self-referral letter and the Regulatory Notice issued by the RSH and assess the pervasiveness of the findings. Our work will focus on the arrangements established and progress made during the year to address the findings.</p>

Executive Summary (continued)


Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 14. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risk identified in respect of the regulatory notice issued by Regulator of Social Housing to the Council following breach of Home Standard.	Significant weakness identified in respect of the regulatory notice issued by Regulator of Social Housing to the Council following breach of Home Standard.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2021/22 and 2022/23, the Council have continued to manage the impact of Covid on their finances, as well as additional challenges such as the conflict in Ukraine and the cost-of-living crisis linked to inflation. The direct financial impact of the pandemic has lessened from previous years, as the immediate business response to Covid has slowed.

The final outturn position for general fund for the 2021/22 financial year was an underspend of £2.364 million. The underspending in operations was caused by a variety of reasons, including staffing vacancies, higher than budgeted income from Central Government in respect of Covid 19 grant support, and higher recycling credits received due to higher recycling levels. For 2022/23 financial year, there was an underspend of £1.796 million. This is attributable to recruitment freeze due to a restructure within IT roles and teams, additional grant received (for homelessness, refugee support, and housing improvements) and lower levels of repair and maintenance carried out on the Council's properties.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2021/22 and 2022/23. The 2022/23 Medium Term Financial Strategy shows a budget gap over the four-year period (2023/24 to 2026/27). In order to deliver a balanced budget in the medium term, the Council needs to identify savings of £9.950 million. Service managers must identify savings within their budgets. A budget gap will exist without these savings.

At the 31 March 2023, the Council held the General Fund balance at £8.249 million, which is above the approved minimum level of £5.4 million. The Council also held General Fund Earmarked Reserves of £15.088 million. This provides a strong level of resources to mitigate financial challenges identified in the Medium Term Financial Strategy.

The Council should continue to identify, assess and respond to financial challenges to minimise the use of non-recurrent resources like reserves balances.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council have continued to manage governance considerations in response to the current challenges such as the conflict in Ukraine and the cost-of-living crisis, including in partnership working and delivery of services with other local authorities. The Council reviewed the 2021/22 and 2022/23 Budget and Medium Term Financial Strategy in February 2021 and February 2022. Medium Term Financial strategy is updated during the year. Both documents were taken to the Cabinet before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2021/22 and 2022/23 financial years, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Council.

A risk management strategy and corporate risk register has been put in place by the Council, which are closely linked to the Corporate Plan, ensuring that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed. Risks on the register are reviewed quarterly at the Cabinet meetings. A risk management report is also presented to the Audit Committee twice yearly, where appropriate challenge is given to ensure that the right risks and mitigations are included.

The Council published their draft 2021/22 and 2022/23 financial statements for audit within the deadline, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2021/22 and 2022/23.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks continued)

Significant weakness identified

In June 2021, a high-level internal review of the Council's health, safety and compliance management was performed. The Council brought in an independent expert and consultants to carry out inspections and develop a desk top compliance report to assess all the relevant compliance areas. The compliance report sets out the findings from the review which has indicated that the Council had likely breached the Home Standard. As a result of this, the Council has self-referred to the Regulator of Social Housing (RSH) in July 2021, describing the inspections performed, findings from the inspection, and the actions taken by the Council and plans for improvement going forward.

The RSH performed a review of the Authority's health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:

- has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority's tenants;
- did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas.

Therefore, in respect of 2021/22, there was evidence of a significant weakness in arrangements:

- Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and
- Identifies a failure to take action to address identified RSH findings and achieve planned progress on improvement plans to remove the regulatory notice.

2021/22 Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to Council's capability on discharging its statutory services, and how it monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met. The Council did not have proper arrangements in place in 2021/22 to make informed decisions and properly manage its risks.

Recommendation: The Council should continue to work with the regulator to deliver the compliance improvement plan, return to full compliance, and remove the regulatory notice.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

As a response to RSH findings, the Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.

In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.

Throughout 2022/23 the Council demonstrated significant progress in establishing arrangements which have led to the removal of the regulatory notice.

2022/23 Conclusion: Based on the work performed, the Council had proper arrangements in place to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Corporate Plan sets out the Council's ambitions and priorities. This includes priority activities which the Council aims to deliver, and where target delivery dates are monitored. Key Performance Indicators (KPIs) for measuring the Council's performance across a range of service areas are monitored and reported publicly on quarterly basis to the Cabinet. Depending on the performance areas, the Cabinet will have oversight of the actions that are identified and taken to address areas for improvements. In 2021/22, a new corporate board has been established, Resources, Performance and Delivery Board (RPDB), to proactively review the performance data and to identify areas where actions required, as well as making recommendations to the Corporate Leadership Team.

The Council have developed a transformation programme called 'Future Shape Norwich' which aims to which aims to support the Council in its financial sustainability and deliver a more efficient approach to customer focused service delivery.

The Council has a number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also works in partnership with others to drive efficiency and improving the effectiveness of delivery to the communities. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public or private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from the partners organisations, including the Chief Executive and Executive Director of Development and City Services of the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet.

The Council has two wholly owned subsidiaries, Norwich Regeneration Ltd (NRL) and Norwich City Services Ltd (NCSL). Business plans for both are approval by the Cabinet following a review by the Council's scrutiny committee. The subsidiaries are governed by individual boards who meet each quarter with a shareholder panel of Council members and officers to review performance and outcomes.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to uses information about its costs and performance to improve the way it manages and delivers its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Chief Finance Officer is responsible for the preparation and submission of the Medium Term Financial Strategy (MTFS) for Council and Cabinet approval, and for advising on the medium-term implications of spending decisions. The MTFS provides a projection of the cost of delivering current council services over the next 5 years, alongside the expected scale of demand, income forecasts, and any estimated budget gap. To manage the budget gap, the Council identifies options to deliver savings or to generate additional income across all areas of the Council spending. The MTFS considers key assumptions including council tax and business rates, payroll, inflation, government grants, revenue contribution to capital, housing benefit, capital financing budget and short-term growth.</p> <p>The financial modelling also includes the cost to the Council of services commissioned through the Council's wholly owned companies, Norwich City Services Ltd and Norwich Regeneration Ltd, as well as the income streams generated from the Council's provision of support services and loan financing to the companies.</p> <p>The Council has identified provisional themes that underpin the budget approach to address the medium-term financial challenges, which include the consideration of the fees and charges, contracts, wholly-owned companies, service transformation, driving value from assets, inward investment and growth, and commercialisation. The MTFS maintains an approach of presenting a strategy to deliver saving requirements over a 4-year period and utilising general reserves, while maintaining the prudent minimum level of reserves which is set at £5.4 million.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>As part of the annual budget setting process, each service area is required to consider savings (including additional efficiencies), budget growth and capital bids. All savings and growth items are reviewed firstly by the Corporate Quality Assurance Group led by the Chief Finance Officer, and secondly by the Corporate Leadership Team (CLT) to assess the overall deliverability and impact on the Corporate plan.</p> <p>This process was strengthened in 2021/22 as a new corporate board, the 'Resources, Performance and Delivery Board' (RPDB), took responsibility for review of initial plans before reporting to CLT for final decision on projects to be incorporated into the budget. The process of identifying savings is continuous throughout the year, with Budget Managers refining and updating the opening plans throughout the budget process.</p> <p>Budget updates go to Cabinet on a quarterly basis where the revenue and capital budget status are compared to the forecasts. In addition, the Finance Team share the budget challenge slides and organise briefing sessions with Members throughout the year where they demonstrate the performance against target by Directorates and the consideration of further options in relation to priorities for closing any identified budget gaps.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has a Corporate Plan which sets out its priorities over the coming three-year period and provides the performance framework to achieve these priorities. The delivery of the plan is monitored regularly with progress reported to Cabinet through the quarterly Corporate Performance Report. The impact of the annual budget and funding of future years of the Medium Term Financial Strategy (MTFS) are considered as part of the budget setting process to align the budget against the corporate priorities, ensuring that the MTFS is lined up with the Corporate Plan over the medium term and to ensure the necessary resources are in place for its delivery. While the Corporate Plan is reviewed and updated every 3 years, it is also refreshed as and when necessary to ensure it reflects the current political and economic climate.</p> <p>The new corporate plan covers the period 2022 to 2026 which sets out the Council's vision, shaped by the Norwich 2040 City Vision, as well as our ongoing response to the impacts of Covid-19.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The MTFS flows from the Corporate Plan and therefore investments are directed to specific projects to ensure the delivery of the Council's priorities. The MTFS includes both revenue (General Fund and Housing Revenue Account (HRA)) and capital spending over the medium term. It also contains the Council's Non-Financial Investment (Commercial) Strategy and the Treasury Management Strategy. These are all set simultaneously as part of the annual budgeting process to ensure consistency and sufficiency of funding. The Capital Strategy sets out the Council's budget and preliminary plan for capital investment over the next five years, covering both General Fund and HRA projects and programmes. The Capital Strategy also shows strategic links to Non-Financial (Commercial) Investment Strategy and the Treasury Management Strategy, which identifies the Council's underlying need to borrow. The Non-Financial (Commercial) Investment Strategy provides the investment principles adopted by the Council with respect to the commercial related activity, which includes investment in commercial property and equity investments. It also sets out the business model between the Council and the wholly owned subsidiary, Norwich Regeneration Ltd (NRL), and the approved lending arrangements, over which the Council are obliged to have regard to the Minister for Housing, Communities and Local Government's Investment Code and CIPFA's Prudential Code. The Council works in a partnership with a number of other local councils within the Greater Norwich Growth Board (GNGB), which provides strategic direction, monitoring and coordination of both the City Deal and Growth Programme for the Greater Norwich area. This includes the collection of Community Infrastructure Levy (CIL) and how the funding to be utilised to fund capital schemes and local schemes. The MTFS considers the funding impact in its financial plan to ensure that the CIL contributions are utilised in an efficient way to deliver the capital programme.</p>



Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council identifies and manages risks to financial resilience through quarterly performance reports which are presented to Cabinet for discussion. The reports provide the full year forecast financial position for revenue and capital, including explanation on any significant variances identified between budget and forecast outturn at directorates level. In addition, Chief Finance Officer also reports twice-yearly on treasury management activities to the Cabinet and Council.</p> <p>The Council regularly updates its Corporate Risk Register to ensure potential risks are identified and relevant mitigation actions are implemented to address the risk.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council have a Risk Management Strategy and Corporate Risk Register that are linked to the Corporate Plan, to ensure that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed.</p> <p>The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across its activities. Risks are normally identified through risk workshops at management team level or open discussions at team meetings. The identified risks are then assessed using the scoring matrix based on two-staged approach of current residual risk level and target risk level. Each risk has a named owner at individual post level and, where required, it will be escalated up the management chain until it reaches the level at which it can be effectively dealt with.</p> <p>A full review of risk based on Risk Management Report is undertaken on a quarterly basis at Corporate Leadership Team (CLT) to monitor the identified risks and the agreed mitigating actions in place. The Corporate Risk Register is reported to Cabinet on a quarterly basis as part of the Combined Performance Report.</p> <p>The Risk Management Report is also provided to the Audit Committee, twice yearly, to challenge the approach taken on managing the risks, and to gain assurance that the right risks and mitigations are identified. The Audit Committee is also responsible for reviewing the Council's Risk Management Strategy and the effectiveness of risk management. The Council has an Internal Audit service to help gain assurance over the effectiveness of the Council's internal controls systems, and the Head of Internal Audit provides an opinion to the Audit Committee on an annual basis.</p>
How the body approaches and carries out its annual budget setting process	<p>Budget managers are consulted in the preparation of the budgets for which they are held responsible. This includes identifying efficiencies, service transformation suggestions and income generation, which are then reviewed and agreed by the CLT, who assess both the deliverability of the projects and the financial implications.</p> <p>The Council use the prior year's budget as a base position and adjust for annual uplifts as relevant with one-off or non-recurring budgets being adjusted from the base figures. All the non-inflationary growth and savings as detailed in the opening plans will be included where appropriate.</p> <p>The Council consults the public on the proposed approach to meeting the savings target and on the potential for any Council Tax increases. The budget consultation takes form of an online survey in January.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Cabinet makes recommendations to the Council on the budget and policy framework. It is also responsible for overseeing the Council's overall financial performance. Budget managers are responsible for managing income and expenditure within their areas and for monitoring service performance. Budget managers conduct thorough budget monitoring each month and, as part of their oversight duties, significant budget discrepancies are also examined by the budget managers in collaboration with the corresponding member of the Corporate Leadership Team (CLT). The Chief Finance Officer (CFO) is responsible for preparing and submitting quarterly reports to the Cabinet on the Council's projected income and expenditure compared with the budget and the action required where relevant. Non-financial information such as corporate performance and risk management monitoring is also reported to the Cabinet on a quarterly basis. The report set outs progress against the delivery of the Corporate Plan priorities and key performance indicators as well as an update on Corporate Risk Register.

The S151 officer has overall statutory responsibility for the proper administration of the Council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control. The Council published their draft 2021/22 and 2022/23 financial statements in line with the Audit and Accounts regulations. The statement of accounts are reviewed to confirm that these are arithmetically correct and agree to the data in the general ledger. The Council completes the CIPFA Disclosure checklist to ensure that the statement of accounts are prepared in line with the content required by the CIPFA Code.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Full Council is the key decision-making body of the Council. The Council operates an Executive form of governance, which means that Full Council appoints an Executive Leader who then appoints two to nine other councillors to form the Cabinet. The Cabinet is responsible for most day-to-day decisions and carries out all of the Council's Executive functions. It is also responsible for publishing the Cabinet Notice (Forward Plan) 28 days in advance, for all decisions by the Cabinet and key decisions to be made by officers. The Cabinet Notice enables elected members, members of the public and the Scrutiny Committee to identify which items they wish to consider and examine before they are determined. Members of the Council and the public have the right to ask questions at each ordinary Cabinet meeting. Committee papers all follow a proforma template which consider the key implications such as financial, risk and legal of the issue, in the decision making process. All papers are signed off by the relevant Executive Directors prior to publication and there is a tracker to monitor these approvals. The Audit Committee meets four times a year (as a minimum) and is comprised of members who receive appropriate training on the function and responsibilities of the Audit Committee. The Committee has clear terms of reference which emphasises its role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council sets out the “Code of Conduct” and the “Gifts and Hospitality for Councillors” within its Constitution. It also appoints a Standards Committee to promote and maintain high standards of conduct by members and co-opted members of the Council. The Council maintains the Register of Disclosures and Interests and Register of Gifts and Hospitality which are held by Democratic Services. The Monitoring Officer is legally responsible for monitoring the compliance of the Council’s policies and acts as the Council’s chief legal and governance advisor to ensure it operates lawfully and within the agreed Constitution. The Monitoring Officer deals with any formal complaints that are raised, and is also able to engage an independent person, if needed, to conduct investigations into alleged breaches of the Member Code of Conduct.</p> <p>The Council has a formal Anti-fraud and Corruption policy and a Whistleblowing policy in place to ensure that staff operate in accordance with relevant legislative and regulatory requires, including the acceptance of gifts and hospitality. Both policies are kept under review and updated regularly, for an example the anti-fraud and corruption policy is reviewed annually.</p> <p>The Regulatory of Social Housing (RSH) performed a review of the Authority’s health, safety, and compliance management in relation to social housing and issued a Regulatory Notice in October 2021. The Notice determined that the Authority:</p> <ul style="list-style-type: none">• has breached part 1.2 of the Home Standard, and as a consequence of the breach, there was the potential for serious detriment to Authority’s tenants;• did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across range of areas. <p>Therefore, in respect of 2021/22, there was evidence of a significant weakness in arrangements:</p> <ul style="list-style-type: none">• Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body’s reputation; and• Identifies a failure to take action to address identified RSH findings and achieve planned progress on improvement plans to remove the regulatory notice.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) (continued)	<p>As a response to RSH findings, the Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.</p> <p>In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.</p> <p>Throughout 2022/23 the Council demonstrated significant progress in establishing arrangements which have led to the removal of the regulatory notice.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council has a Corporate Plan which sets the vision for the city and council over the coming three-year period. This includes priority activities which the Council aims to deliver, and where target delivery dates are monitored. This also includes set of Key Performance Indicators (KPIs) for measuring the Council's performance across a range of service areas which are monitored and reported publicly on a quarterly basis to Cabinet.</p> <p>The Cabinet receives the budget monitoring and Corporate Performance reports respectively on a quarterly basis. The reports are reviewed and discussed at the relevant meetings, including appropriate challenge by Members. Depending on the performance areas, Cabinet will have oversight of the actions that are identified and taken to address any identified areas for improvements. In addition, the Corporate Performance report also incorporates the Corporate Risk Register highlighting key corporate risks and/or emerging risks. The Corporate Risk Register is reviewed each quarter by Corporate Leadership Team (CLT) as part of its performance review and CLT provides the Audit Committee with a Risk Management report twice yearly so that the Committee can fulfil its oversight function.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has put in place a process to assess the performance of the services that it provides. This includes quarterly meetings between Heads of Services and the Performance team to track performance against the Key Performance Indicators (KPIs), and, where it is identified that performance is declining, early interventions and options are considered. Executive Directors and Heads of Service also meet up quarterly through Directorate Management Team (DMT) meetings to discuss the Performance Report in advance of the Corporate Leadership Team (CLT) Meeting, in which Executive Directors provide an update on their areas and discuss remedial actions and progress on agreed actions. In 2021/22, a new Corporate Board has been established, the Resources, Performance and Delivery Board (RPDB), to proactively review the performance data and to identify areas where actions required, as well as making recommendations to the CLT. A Corporate Performance report is presented to the Cabinet on a quarterly basis to provide the performance updates against KPIs and the commentary on output measures.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also works in partnership with others to drive efficiency and improve the effectiveness of service delivery to its community. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public/private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from all the partners organisations, including the Chief Executive and Executive Director of Development and City Services from the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet.</p> <p>The Council has two wholly owned subsidiaries, Norwich Regeneration Ltd (NRL) and Norwich City Services Ltd (NCSL). Business plans for both are approved by the Cabinet following a review by the Council's scrutiny committee. The subsidiaries are governed by individual boards who meet each quarter with a shareholder panel of Council members and officers to review performance and outcomes.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council sets out its contract and procurement procedures in the Constitution and officers responsible for purchasing must comply with these procedures. There is also a Procurement and Contract Management Strategy which details the Council's vision and priorities in respect of its purchasing and commissioning. The strategy is reviewed by the Scrutiny Committee who makes recommendation for Cabinet for consideration and approval. The Council also participates in the biannual review of procurement against the National Procurement Strategy, which took place in 2019/20 and 2021/22. In addition, the Council has a Procurement Team which includes members of staff holding the Chartered of Institute of Procurement and Supply (CIPS) qualification. The team is responsible for providing advice and guidance on procurement and ensuring that the contract and procurement procedures are followed.</p> <p>The Council maintains a detailed contract register for those contracts £25,000 and over and it is made publicly available. The Council currently have the following larger contracts: assets and estate management services, repairs and maintenance services, waste refuse and recycling collection. Service manager is assigned to manage each contract and ensure this is in line with the Contract Management Strategy.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (continued)	The Council also undertakes a monitoring assurance exercise on an annual basis where Service Managers of significant value or risk contracts are expected to complete and submit a monitoring form, highlighting any risks associated with the delivery of the contract and are reported to the Cabinet. In addition, the Corporate Risk Register also includes a risk around 'Contract Management - Governance', on which the updates are reported to the Cabinet on a quarterly basis. The Council's Internal Audit service undertakes periodic audits in this area to gain assurance to assess the levels of compliance with the strategy and procedures and to ensure the implementation of recommendations are being monitored.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance - Regulatory notice issued to the Council following breach of Home Standard.	We recommend that the Council should continue to work with the regulator to deliver the compliance improvement plan to ensure return to full compliance and removal of regulatory notice.	<p>The Council developed a Compliance Improvement Plan (CIP) which is a structured programme of projects and activities designed to address all the matters that have been identified and shared with the regulator. A Safety and Compliance Board was also established to oversee this process. A voluntary undertaking has been agreed with RSH to ensure Council's return to full compliance. In line with this, the Council has commissioned an independent review of the progress and delivery of the voluntary undertaking to ensure that actions would be completed by the agreed dates. As of August 2023, the voluntary undertaking has not been signed off as complete however progress report shows that vast majority of the improvement plan is complete, and the trajectory of the outstanding issues has been planned and is being executed.</p> <p>In November 2023, the Council has requested the removal of the regulatory notice, following a good progress on the comprehensive programme to rectify the non-compliance on areas identified. The RSH has considered the request, and they confirmed that they are satisfied that the Council addressed the areas of non-compliance which led to the issuance of the notice. RSH has taken the decision to discharge the voluntary undertaking and has removed the regulatory notice in December 2023.</p>

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ED None

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Committee name: Audit

Committee date: 17/07/2024

Report title: Annual External Audit Plan 2023/24

Portfolio: Councillor Kendrick, cabinet member for an open and modern council

Report from: Interim Director of Finance (S.151)

Wards: All wards

OPEN PUBLIC ITEM

Purpose

This report presents the annual external audit plan 2023/24.

Recommendation:

It is recommended that the committee:

- (1) reviews the attached report from the council's external auditor;
- (2) confirms its understanding and agreement to the materiality reporting levels set out on pages 30 and 31; and
- (3) considers and agrees the approach and scope of the external audit as proposed in the audit plan.

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 "An open and modern council" corporate priority.

This report meets all the corporate priorities.

Report details

Introduction

1. This report sets out the external auditors' proposed approach to their work for the audit of the accounts for the 2023/24 financial year, for discussion and agreement with the audit committee.

Key points to note

2. The following significant matters are covered in the report:
 - (a) The auditors' assessment of the key financial statement risks (section 2 of the audit plan) including those which relate to misstatements due to fraud or error and the implementation of the new Enterprise Resource Planning system (ERP).
 - (b) Section 2 also sets out other areas of audit focus. There continues to be a focus on the accounting treatment of Pension liability disclosures and as in previous years there will be a focus on asset valuations (land and buildings and investment properties) and group accounts.
 - (c) The auditors will continue to undertake an assessment of the extent to which the council has achieved value for money.
 - (d) A substantive testing approach will be followed as well as using computer-based data analytical tools to support audit testing (section 7).
 - (e) A change from the scoping approach adopted in other years' audits will be that Norwich City Services Limited, previously assigned review scope, will be assigned specific scope as defined on page 36.
 - (f) The work of internal audit will also be reviewed, and reliance will be placed on the work of NPS valuation specialists for property values, actuarial specialists for pension fund valuations (Hymans Robertson) and Link Asset Services for change in accounting policy in respect of the minimum revenue provision and financial instrument fair values.
 - (g) Section 7 sets out a high-level timetable for the audit. The timeline is subject to the uncertainty created by the calling of the General Election and any subsequent impact that has on the reset process (page 7).
 - (h) The proposed core audit fee (Scale Fee) for 2023/24 is £212,891 and represents a large increase compared to previous years. In addition to the scale fee the Council could be subject to scale fee variations as set out in Appendix B.

Consultation

3. The purpose of the external audit plan is to consult with members of the audit committee and officers on the approach and scope of the audit. No additional consultation has taken place.

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 2024-29 and budget.

4. 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.
5. There are no proposals in this report that would reduce or increase resources.

Legal

6. The statutory timescale for the publication of the 2023/24 accounts has been met however, the national issues associated with undertaking statutory audits has had an impact and the statutory deadline for the publication of audited accounts may not be met.
7. There are no other specific legal implications arising from this report.

Statutory Considerations

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

Risk Management

Include operational, financial, compliance, security, legal, political or reputational risks to the council

Risk	Consequence	Controls Required
Compliance, reputational risks associated with failure to publish audited accounts by statutory deadline	Ability to give confidence to users of the council's financial statements is reduced	Publication of information advising when accounts will be published and reasons for delays.

Other Options Considered

8. There are no alternative options to this report.

Reasons for the decision/recommendation

9. The committee is recommended to review and note the attached report from the council's external auditor which sets out the approach and scope to the 2023/24 audit of the council's statement of accounts.

Background papers:

None

References:

Draft Statement of Accounts 2023/24

Appendices:

EY External Audit Plan 2023/24

Contact Officer:

Name: Alistair Rush

Telephone number: 01603 987855

Email address: alistairrush@norwich.gov.uk



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

Norwich City Council

Provisional Audit planning report

Year ending 31 March 2024
2 July 2024



Audit Committee
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

2 July 2024

Dear Audit Committee Members

Provisional Audit planning report Year ended 31 March 2024

Attached is our provisional audit planning report for the forthcoming meeting of the Audit Committee. The purpose of this report is provide the Audit Committee of Norwich City Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

(continued)

We draw Audit Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 17 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP
Enc

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Norwich City Council. Our work has been undertaken so that we might state to the Audit Committee and management of Norwich City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Norwich City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2023/24 audit strategy



Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely we will disclaim the opinion on the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

We are aware that the calling of a General Election brings some uncertainty for the parliamentary process of resetting and recovering the Local Audit market that has been subject to recent consultations and discussions in many forums. At this point we do not have any clearer information on what that uncertainty means for that parliamentary process. We will continue with business as normal until ministerial / departmental or regulatory guidance dictates something else. Business as usual for you means performing the audit of your 2023/24 financial statements. We cannot comment any further at this point.

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2020/21	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have assessed the risk and one area where this is could occur is through the inappropriate capitalisation of revenue expenditure which includes capital expenditure and where material manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement.</p>
Change in accounting policy - Minimum Revenue Provision (MRP)	Fraud risk	New Risk	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>The Council has reviewed and updated its minimum revenue provision (MRP) accounting policy in 2023/24. The changes to the policy will reduce the amount of MRP charged annually to the general fund. We have assessed this change as an area where there maybe be misstatement of revenue due to improper revenue recognition.</p>

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2020/21	Details
Implementation of new ERP system (Unit4)	Significant risk	New Risk	In February 2024, the Council changed their finance system from the E5 system to Unit4 financial management and accounting software. As with any major IT upgrade programme, there is a risk that 100% of the relevant financial information has not been appropriately transferred to the new system, leading to material misstatement in the 2023/24 financial statements. There is also a risk that the new general ledger system does not map the transactions to the correct part of the financial statements. We therefore consider this to be a significant audit risk.

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2020/21	Details
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	<p>The valuation of land and buildings represent significant balances in the financial statements and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>The Council employs an external valuer to value its land and building assets. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Valuation of Investment Properties	Inherent risk	No change in risk or focus	<p>The valuation of investment properties represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.</p> <p>The Council employs an external valuer to value its investment properties. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Overview of our 2024 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2019/20	Details
Pension Valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's pension valuation is a material and sensitive item, and the Code requires that this valuation be disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>As at 31 March 2024, the yearend position for the Local Government Pension Scheme was a liability of £10.8 million.</p> <p>In April 2023, the Council prepaid £15.24 million pension deficit payments for financial years 2023/24, 2024/25 and 2025/26 to benefit from a 4.3% discount in doing so.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Group Accounts	Inherent risk	No change in risk or focus	<p>The Council has a number of subsidiaries and will need to consider the need to consolidate these subsidiaries into the Council's group accounts.</p> <p>For 2023/24 management will be employing a different subsidiary auditor to that employed in previous years. There is therefore the risk that the balances consolidated into the group accounts maybe materially misstated.</p>

The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Group Materiality

Planning materiality

£4.41m

Materiality has been set at £4.41m, which represents 2% of 2022/23 gross expenditure on provision of services.

Performance materiality

£2.20m

Performance materiality has been set at £2.20m, which represents 50% of materiality.

Audit differences

£0.22m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.22m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Norwich City Council Materiality

Planning materiality

£4.04m

Materiality has been set at £4.04m, which represents 2% of 2022/23 gross expenditure on provision of services.

Performance materiality

£2.02m


Performance materiality has been set at £2.02m, which represents 50% of materiality.

Audit differences

£0.20m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.20m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2021/22 and 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.



Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 05 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit Committee where necessary to do so.

Overview of our 2024 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable has been initially discussed with management and we included a provisional timeline for the audit in Section 07. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team

David Riglar is the Key Audit Partner for the engagement. David has over 20 years experience in public sector audits, including local government. Mark Russell is the Engagement Senior Manager for 2023/24 audit, while Irene Mukomba is taking on the role of Lead Senior on the audit.



Engagement Partner (David Riglar)

The Engagement Partner has overall responsibility for:

- The audit and its performance
- The auditor's report that is issued on behalf of EY
- The overall quality of the audit



Senior Manager (Mark Russell)

The Senior Manager has responsibility for management of the audit and ensuring that it is adequately resourced to meet both its time and budget constraints. They will also support the individual engagement team members to complete timely high quality audit fieldwork.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identify fraud risks during the planning stages;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions);
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determine an appropriate strategy to address those identified risks of fraud;
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Undertake procedures to identify significant unusual transactions; and
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' and 'Change in accounting policy - Minimum Revenue Provision' are required.

Our response to significant risks

Misstatements due to fraud or error – Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk and one area where this is could occur is through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred;
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use;
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year; and
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

Misstatements due to fraud or error – Change in accounting policy – Minimum Revenue Provision*

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the calculation of the minimum revenue provision (MRP) calculation, including the incorrect use of capital receipts, and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

In 2023/34 the Minimum Revenue Provision (MRP) charge to the general fund was £0.6 million (£1.2 million in 2022/23).

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council has reviewed and updated its minimum revenue provision (MRP) accounting policy in 2023/24. The changes to the policy will reduce the amount of MRP charged annually to the general fund. We have assessed this change as an area where there maybe be misstatement of revenue due to improper revenue recognition.

What will we do?

Our approach will focus on:

- ▶ Testing the application of MRP to ensure the calculation meets the statutory guidance;
- ▶ Re-performing the MRP calculation;
- ▶ Consider any capital receipts used within the MRP calculation and whether use of these is in line with the prudential code; and
- ▶ If necessary, engage with our EY Local Government technical team to review the Council's MRP policy and disclosure.

Our response to significant risks

Implementation of new Enterprise resource planning (ERP) system

Financial statement impact

The Unit4 finance system is the accounting system holding the financial records of the Council. This risk of misstatement relating to the change in the financial system has a potential impact throughout the financial statements.

What is the risk?

During February 2024, the Council Implemented a new finance system, Unit4.

As with any major IT upgrade programme, there is a risk that 100% of the relevant financial information has not been completely and accurately transferred to the new system, which may result in material misstatements in the 2023/24 financial statements.

There is also a risk that the new general ledger system does not map the transactions to the correct part of the financial statements.

In addition, there is also a risk that the IT control environment within the new financial system isn't working as designed.

What will we do?

- ▶ Investigating the control procedures implemented by the Council to ensure the data from the old system transferred accurately and completely into the new system;
- ▶ Agreeing the 2023/24 opening balances to the 2022/23 closing balances;
- ▶ Applying data analytic trending analysis and investigate any material differences;
- ▶ Undertake a review of the account mapping within the chart of accounts and year end trial balances and consider the results from transaction testing of the Council's income and expenditure and balance sheet items to provide assurance on the mapping applied to the new system is correct; and
- ▶ Employ our own IT specialists to test the design and use of IT application controls within the new financial system to ensure the IT control environment remains stable.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

What will we do?

Valuation of Land and Buildings

The Council employs an external valuer to value its land and building assets.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

- ▶ Consider the work performed by the Group valuer over the Council and the Group land and building assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Perform testing of key assumptions and methodologies on a sample of land and building assets and consider the reasonableness of the estimation techniques employed;
- ▶ Sample test key asset information used by the Group valuer in performing their valuation, agreeing this to what has been recorded in the fixed asset register and general ledger;
- ▶ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the Group valuer;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code;
- ▶ Reviewing assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Test that accounting entries have been correctly processed in the financial statements; and
- ▶ Review Financial Statement disclosures to ensure that adequate disclosures have been made in relation to estimation uncertainty.

Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

What will we do?

Valuation of Investment Properties

The valuation of investment properties represent significant balances in the financial statements and are subject to valuation changes and impairment reviews.

The Council employs an external valuer to value its investment properties.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

- ▶ Consider the work performed by the Groups valuer over the Council and the Groups investment properties, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Perform testing of key assumptions and methodologies on a further sample of investment properties and consider the reasonableness of the estimation techniques employed;
- ▶ Sample test key asset information used by the Groups valuer in performing their valuation, agreeing this to what has been recorded in the fixed asset register and general ledger;
- ▶ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the Group valuer;
- ▶ Test that accounting entries have been correctly processed in the financial statements; and
- ▶ Review Financial Statement disclosures to ensure that adequate disclosures have been made in relation to estimation uncertainty.

Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Pensions valuation - IAS19

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's pension fund is a material and sensitive item, and the Code requires the pension valuation to be disclosed on the Council's balance sheet. As at 31 March 2024, the yearend position for the Local Government Pension Scheme is a liability of £10.8 million. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

The Council prepaid £15.24 million in April 2023 pension deficit payments for financial years 2023/24, 2024/25 and 2025/26 to benefit from a 4.3% discount in doing so.

In addition, for 2023/24 we are aware many Council's pension valuation is an asset as at 31 March 2024. Whilst this is not the case for Norwich City Council, the CIPFA Code requires the impact of the accounting standard IFRIC 14 to be considered. There is a risk that IAS19 disclosures have been produced assuming no IFRIC 14 adjustments are required.

Accounting for these pension schemes involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

- Liaising with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council;
- Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC, commissioned by the National Audit Office for all local government sector auditors, and considering relevant reviews by the EY actuarial team;
- Undertake procedures to determine whether IFRIC 14 has been considered in the pension liability valuation, is required and whether it has been appropriately applied;
- Using our internal EY pensions team to calculate an estimate of the Council's pension liability/asset by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Group Accounts

The Council has a number of subsidiaries and will need to consider the need to consolidate these subsidiaries into the Council's group accounts.

For 2023/24 management will be employing a different subsidiary auditor to that employed in previous years. There is therefore increased risk that the balances consolidated into the group accounts maybe materially misstated.

We will also undertake procedures to determine whether any material differences in accounting policy's exist between the group accounts and the subsidiaries single entity financial statements. For example, leases are accounted for in the group accounts under the Cipfa Code of Practice on Local Authority Accounting, which applies IAS 17, whilst the group subsidiaries will account for these under IFRS 16.

Upon consolidation, where material differences in accounting policies exist, these will need to be adjusted by management to ensure that balances are consolidated in accordance with the Cipfa Code.

What will we do?

- ▶ Review the Council's group boundary assessment, to confirm that all relevant subsidiaries have been consolidated into the group accounts;
- ▶ Test that the accounting framework and accounting policies of consolidated subsidiaries are aligned to the Norwich City Council group;
- ▶ Scope the audit requirements for the subsidiaries based on their significance to the group accounts;
- ▶ Liaise with the external auditor of the subsidiaries and issue group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ Review the outcome of the component auditor's work;
- ▶ Perform detailed testing of intercompany transactions between Norwich City Council and the subsidiaries and between subsidiaries; and
- ▶ Ensure that appropriate consolidation procedures are applied when consolidating relevant entities into the group accounts.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

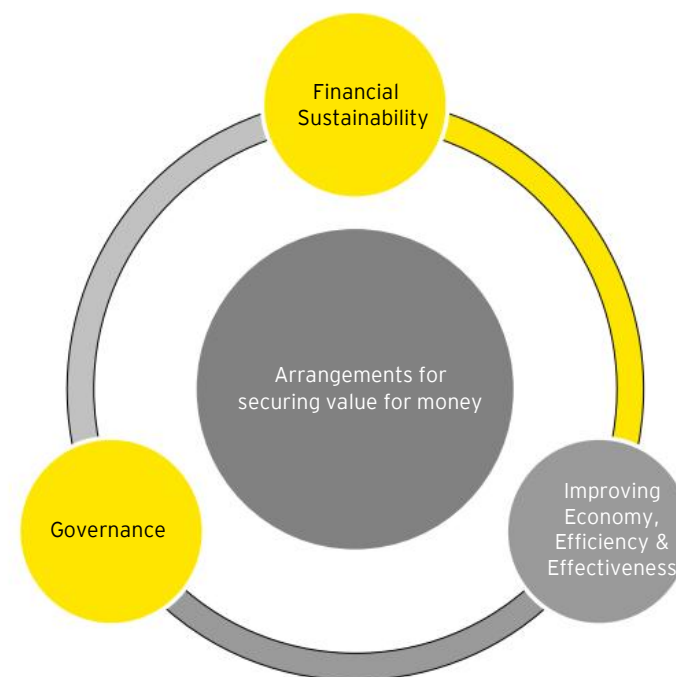
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have commenced but not yet completed our detailed VFM planning. However, we will focus on:

- the arrangements that the Council has in place in relation to financial sustainability.

We will update the next Audit Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.

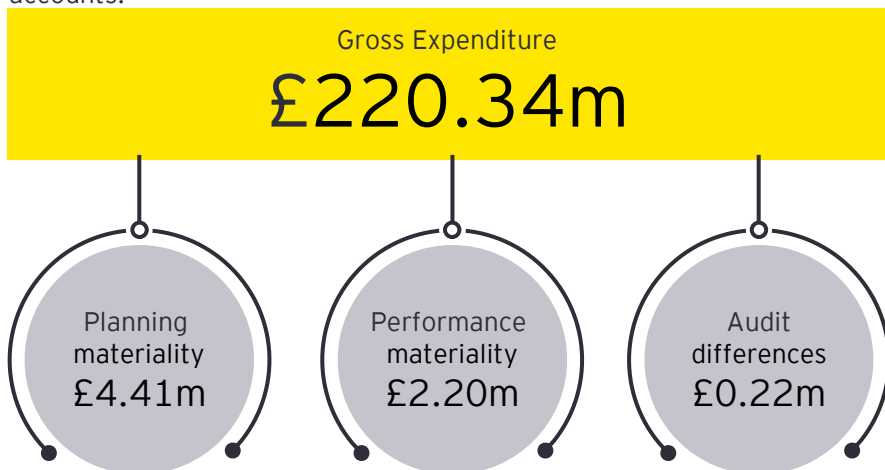


04 Audit materiality

Materiality - Group

Group materiality

For planning purposes, Group materiality for 2023/24 has been set at £4.41 million. This represents 2% of the Group's 2022/23 gross expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix F. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.20 million which represents 50% of group materiality.

We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments and changes to the Council's processes to produce the financial statements.

Per our initial assessment, we believe there are factors that lead to a higher likelihood of misstatement in the financial statements. We have therefore used the lower end or 50% of our Planning Materiality as our Performance Materiality.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, collection fund and firefighters' pension fund financial statements that have an effect on income or that relate to other comprehensive income.

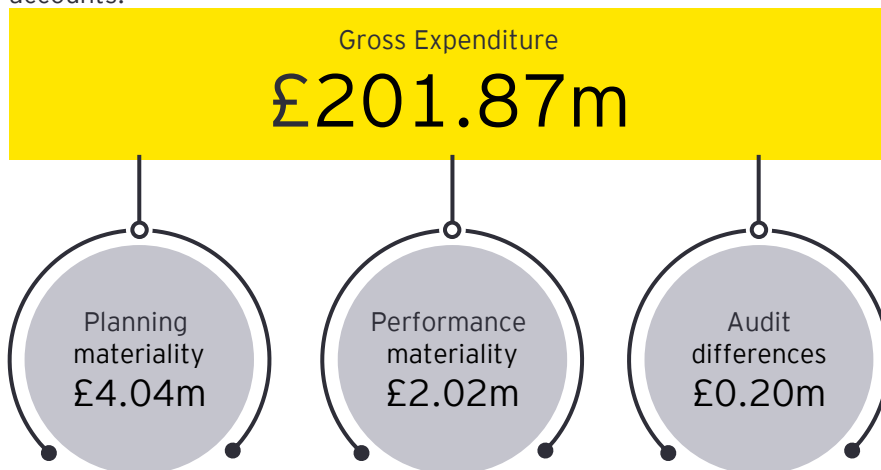
Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on the risk and relative size to the Group.

Materiality – Norwich City Council

Council materiality

For planning purposes, the Council materiality for 2023/24 has been set at £4.04 million. This represents 2% of the Council's 2022/23 gross expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix F. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.02 million which represents 50% of group materiality.

Per our initial assessment, we believe there are factors that lead to a higher likelihood of misstatement in the financial statements. We have therefore used the lower end or 50% of our Planning Materiality as our Performance Materiality.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, collection fund and firefighters' pension fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy

Objective and Scope of our Audit scoping (cont'd)

Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.
- ▶ Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.



Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit

Coverage of components

The below table sets out the scoping details of all locations. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit. Based on the group's prior year results, our scoping is expected to achieve coverage of the group's gross expenditure and total assets as per the table set out below.

Detailed scoping

In scope locations	Scope	Statutory audit performed by EY	Coverage		Current year rationale for scoping	
			Gross Expenditure	Total Assets	Size	Risk
Norwich City Council	Full	✓	91.6%	99.0%	Yes	Yes
Lion Homes (Norwich) Ltd	Specific	✗	0.3%	0.7%	No	Yes
Norwich City Services Ltd	Specific	✗	8.1%	0.3%	No	Yes
Total			100%	100%		

Details of our procedures

Our approach will focus on:

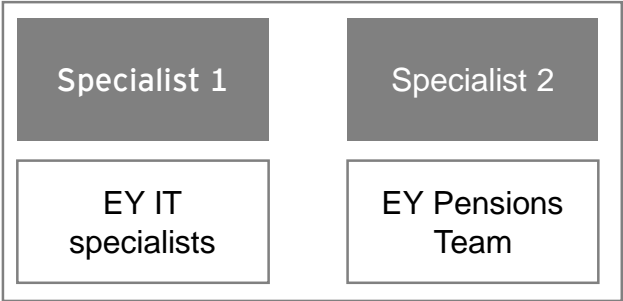
- ▶ Review of group wide entity level controls over these components, including group management oversight and results of Internal Audit visits;
- ▶ Write to and obtain assurance from the components auditors over material balances in the components accounts;
- ▶ Perform analytical review procedures on each component;
- ▶ Test consolidation journals and intercompany eliminations; and
- ▶ Enquiry of management about unusual transactions in these components.



06 Audit team

Audit team

Audit team structure:



Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Implementation of new ERP system	EY IT specialists will support the audit team to determine whether the new system has been appropriately implemented including review of governance arrangements in place for the implementation and testing of the system architecture to determine whether appropriate controls are in place within the system.
Pensions disclosure	EY Actuary, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Council's Actuary).

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



07

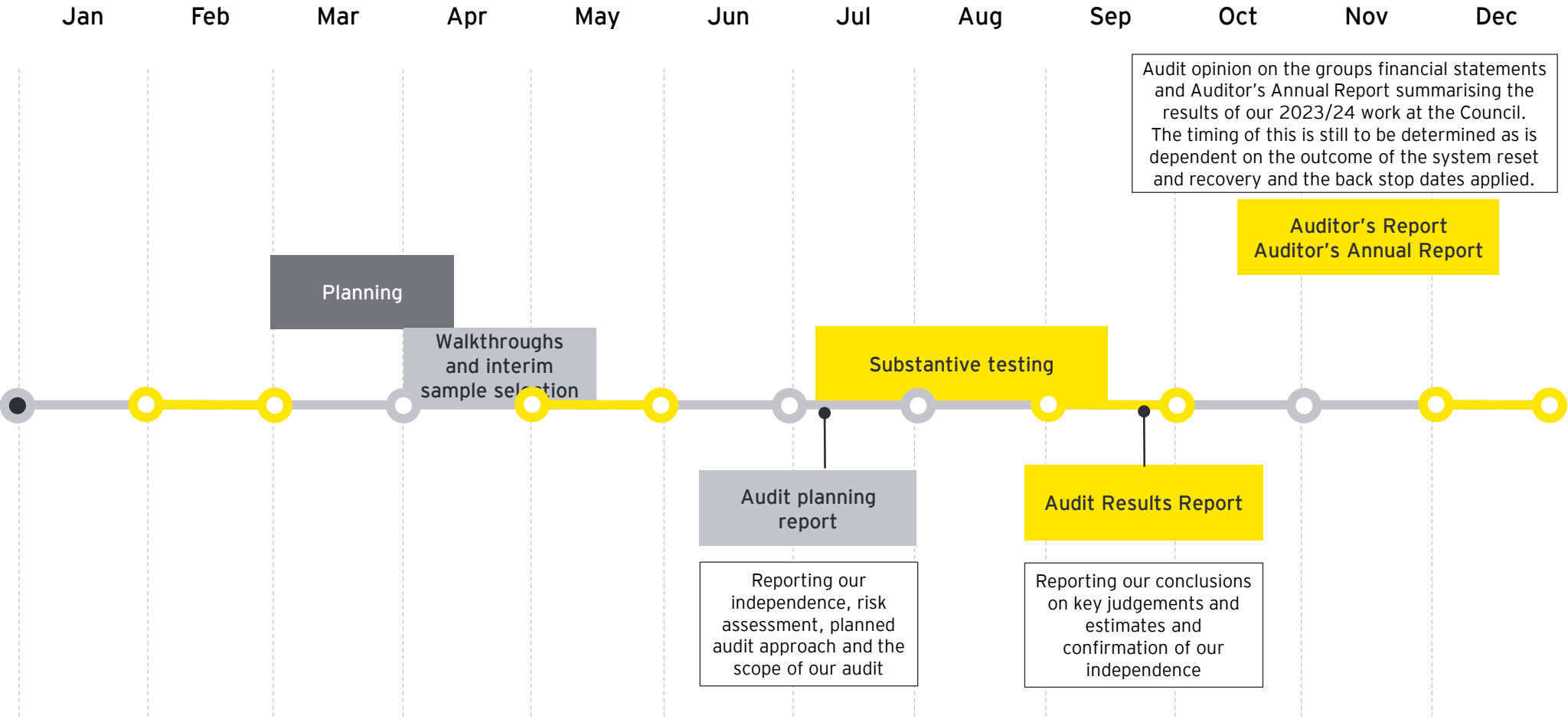
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24. The timeline is subject to the uncertainty created by the calling of the General Election and any subsequent impact that has on the reset process, as described on page 7 of this report.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards; and
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of David Riglar, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications - EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2023/24	2022/23	2021/22
	£m	£m	£m
Audit Fee - Code Work (PSAA Scale fee)	212,891	74,317	64,560
Scale fee variation	Note 2	TBC Note 1	TBC Note 1
Total audit	TBC	TBC	TBC
Other non-audit services not covered above (Housing benefits) (see Note 3)			
Housing Benefits (Note 3)	TBC	TBC	32,500

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2021/22 and 2022/23 audits.

(2) For 2023/24, the scale fee may be impacted by a range of factors which will result in additional work.

The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. Further details on ISA315 are included later in this report. We expect to charge additional fee for this.

The scale fee will also be impacted by a range of other factors which will result in additional work, these include but are not limited to:

- Impact of new significant risks:
 - ▶ changes to the Council's MRP policy (scale fee variation for this work is likely to be within the range of £3,000 to £6,000); and
 - ▶ implementation of new ERP system (scale fee variation for this work is likely to be within the range of £22,000 to £35,000).
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- Prior period adjustments.
- Modified financial statement opinion.

(3) The fees for the 2022/23 and 2023/24 certification work are yet to be determined as the work has not yet been completed.

Appendix C – Accounting and regulatory update

Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Authority/Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix C – Accounting and regulatory update

Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council/Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process

Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

Appendix E – Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report (July 2024)
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	<p>Audit results report (September 2024)</p> <p>Auditor's Annual Report (October 2024)</p>

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report (September 2024)
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report (September 2024)
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report (September 2024)

Appendix E – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report (September 2024)
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report (July 2024)</p> <p>Audit Results Report (September 2024)</p>

Appendix E – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report (September 2024)
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report (September 2024)
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report (September 2024)
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted 	Audit planning report (July 2024) Audit results report (September 2024)

Appendix E – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report (September 2024)
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report (September 2024)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report (September 2024)
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report (September 2024)
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report (July 2024) Audit results report (September 2024) Auditor's Annual Report (October 2024)
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit planning report (July 2024) Audit results report (September 2024) Auditor's Annual Report (October 2024)

Appendix F – Additional audit information

Regulatory update

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix F – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of the Whole of Government Accounts schedules or returns with the Council's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

We have included in Appendix E a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:	Auditor Responsibilities
<p>"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."</p> <p>ISA 250A, para 3</p>	<p>The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.</p> <p>Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.</p> <p>We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.</p>
<p>"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."</p> <p>ISA 250A, para 3</p>	<p>"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:</p> <p>An understanding of the nature of the act and the circumstances in which it has occurred; and</p> <p>Further information to evaluate the possible effect on the financial statements</p> <p>The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."</p> <p>ISA 250A, paras 19 and 22</p>
<p>"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."</p> <p>Audit Engagement Letter</p>	
<p>Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08</p>	

Examples of Non-Compliance with Laws and Regulations (NOCLAR)	Matter	Implication
	<ul style="list-style-type: none"> ▶ Suspected or known fraud or bribery ▶ Health and Safety incident ▶ Payment of an unlawful dividend ▶ Loss of personal data ▶ Allegation of discrimination in dismissal ▶ HMRC or other regulatory investigation ▶ Deliberate journal mis-posting or allegations of financial impropriety ▶ Transacting business with sanctioned individuals 	<ul style="list-style-type: none"> ▶ Potential fraud/breach of anti-bribery legislation ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974 ▶ Potential breach of Companies Act 2006 ▶ Potential GDPR breach ▶ Potential non-compliance with employment laws ▶ Suspicion of non-compliance with laws/regulations ▶ Potential fraud / breach of Companies Act 2006 ▶ Potential breach of sanctions regulations

Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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ED None

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Committee name: Audit

Committee date: 17/07/2024

Report title: Progress Report on Internal Audit Activity

Portfolio: Councillor Kendrick, Cabinet member for an open and modern council

Report from: Head of Internal Audit

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2023/24.

Recommendations:

It is recommended that:

Members review progress with delivery of the 2023/24 Internal Audit Plan.

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 “An open and modern council” corporate priority.

This report helps to meet all above corporate priorities.

Report details

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

Consultation

3. Not applicable for this report.

Implications

Financial and resources

4. There are no specific financial implications from this report; the internal audit plan will be delivered from within the resources available.
5. There are no proposals in this report that would reduce or increase resources.

Legal

6. 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
Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion.	Insufficient Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.	Progress against completing the annual internal audit plan is reported to the Audit Committee in accordance with the Public Sector Internal Audit Standards.

Other options considered

7. Not applicable for this report.

Reasons for the decision/recommendation

8. The Committee is receiving this report in conformance with the Public Sector Internal Audit Standards and to assure itself on the progress being made against planned audit activity.

Background papers:

Appendices:

Appended report: Progress & FU Report on the Internal Audit Plan for 2023/24

Contact officer:

Name: Teresa Sharman

Telephone number: 01603 430138

Email address: Teresa.sharman@southnorfolkandbroadland.gov.uk



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

Eastern Internal Audit Services



Norwich City Council

Internal Audit Update - Progress and Follow Up

Period Covered: 1 April 2024 to 25 June 2024

Responsible Officer: Teresa Sharman – Head of Internal Audit for Norwich City Council

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1. INTRODUCTION

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

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 The table below details all the audits which have been deferred or cancelled inn year since the Internal Audit Plan was approved in March 2023.

Audit description	Nature of the change
Risk Management - NC2402	Deferred to 24/25 to allow for a refresh of the Risk Register and a staff resource to be appointed to oversee risk management.
Staff Wellbeing - NC2312	Deferred to 24/25 due to the appointment of the Senior Internal Auditor at the Consortium who will be doing this audit and to manage the large number of audits which are outstanding.
Accountancy Services -NC2406	Deferred to 24/25 as the Key Controls audit coverage will duplicate some of these areas and there is sufficient finance control audit coverage in other finance areas as well.
Equalities - NC2422	Deferred to 24/25 to manage the large number of audits which are outstanding.
Application Audit – CRM NC2425	Deferred to 24/25 due to the system not yet fully implemented and live.
Non-Housing Capital Programme Management - NC 2412	Deferred to 24/25 due to coincide with the new Asset Management Framework and the audit of this in 24/25.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the period stated above is shown in **Appendix 1**.
- 3.2 In summary, 263 days of programmed work have now been completed, equating to 95% of the Internal Audit Plan for 2023/24.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

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

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

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

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

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

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

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

Audit	Assurance	P1	P2	P3
NC2418 Disabled Facilities Grants	Limited	3	2	2
NC2423 Customer Contact Team	Reasonable	0	2	2
NC2420 Parking and Civil Enforcement	Reasonable	0	4	5
NC2419 Waste Management	Substantial	0	0	2
NC2424 Starters, Movers, Leavers	Limited	0	7	2
NC2417 Housing Needs, Allocations, Homelessness and Housing Register	Substantial	0	1	2

The Executive Summary for the above reports is provided at **Appendix 2**, a full copy of this report can be requested by Members.

- 4.5 As can be seen in the table above, as a result of this audit, 34 recommendations has been raised and agreed by management. There were zero operational effectiveness matters raised.

5. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS

- 5.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 5.2 To comply with the above this report includes the status of agreed actions. Currently, there are 29 outstanding recommendations. Two are rated as 'urgent', 13 as 'important' and 14 as 'needs attention'. A further 14 are not yet due for implementation.
- 5.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 5.4 **Appendix 3** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of 28 (two 'urgent', 12 'important' and 14 'needs attention') recommendations are currently outstanding.

Appendices 4 to 6 provide the Committee with details of urgent and important priority recommendations that are overdue for the year in which they were raised. Management responses and a new deadline, where available, have been indicated for each.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op Matters	
Quarter 1											
Housing Benefits	NC2310	15	15	15	Final report issued on 22 September 2023.	Reasonable	1	0	3	1	Oct-23
Planned Maintenance - Investigation	NC2414	10	15	15	Final report issued 30 January 2024	N/a	0	0	0	0	Mar-24
Anti-Social Behaviour	NC2416	12	12	12	Final report issued on 3 August 2023.	Reasonable	0	8	0	0	Oct-23
TOTAL		37	42	42							
Quarter 2											
Information Security and Data Compliance	NC2403	12	12	12	Final report issued on 25 September 2023.	Reasonable	0	2	6	4	Oct-23
Procurement and Contract Management	NC2405	15	15	15	Final report issued 24 January 2024	Reasonable	0	3	1	2	Mar-24
Income - cash and bank	NC2408	10	10	10	Final report issued 10 January 2024	Substantial	0	3	4	1	Jan-24
Business Continuity and Emergency Planning	NC2410	10	10	10	Final report issued 7 November 2023.	Reasonable	0	2	3	0	Jan-24
Housing Repairs and Void Management - NCSL	NC2415	15	15	13	Draft issued 21 June 2024.	Limited	3	3	5	0	
Disabled Facilities Grants	NC2418	10	10	10	Final report issued 18 March 2024.	Limited	3	2	2	0	Jul-24
Parking and Civil Enforcement	NC2420	12	12	12	Final report issued 22 April 2024.	Reasonable	0	4	5	0	Jul-24
Environmental Sustainability	NC2421	10	10	10	Final report issued 5 February 2024	Position Statement	N/a	N/a	N/a	N/a	Mar-24
TOTAL		94	94	92							

Quarter 3											
Risk Management	NC2402	10	0	0	Deferred to 2024/25						
Council Tax and NNDR	NC2409	15	15	15	Final report issued 1 March 2024	Reasonable	0	1	0	4	Mar-24
Housing Compliance	NC2413	20	20	17	Draft report due to be issued						
Housing Needs, Allocations, Homelessness and Housing Register	NC2417	12	12	12	Final report issued 28 June 2024.	Substantial	0	1	2	0	Jul-24
TOTAL		57	47	44							
Quarter 4											
Staff Wellbeing	NC2312	12	0	0	Deferred to 2024/25						
Corporate Governance	NC2401	10	10	6	Fieldwork in progress.						
Key Controls and Assurance	NC2404	15	15	13	Draft report issued 2 July 2024.	Reasonable	1	3	2	0	
Accountancy Services	NC2406	16	0	0	Deferred to 2024/25						
Accounts Receivable	NC2407	10	10	8	Draft report issued 11 June 2024.	Reasonable	0	3	1	2	
Private Sector Housing Enforcement	NC2411	12	12	10	Draft report issued 16 May 2024.	Limited	2	4	2	1	
Non-Housing Capital Programme Management	NC2412	12	0	0	Deferred to 2024/25						
Equalities	NC2422	10	0	0	Deferred to 2024/25						
Customer Contact Team	NC2423	12	12	12	Final report issued 19 April 2024.	Reasonable	0	2	2	0	Jul-24
Waste Management - Biffa Contract	NC2419	10	10	10	Final report issued 20 June 2024.	Substantial	0	0	2	0	Jul-24
TOTAL		119	69	59							
IT Audits											
Starters, Movers, Leavers	NC2424	10	10	10	Final report issued 25 June 2024.	Limited	0	7	2	0	Jul-24
Application Audit - CRM	NC2425	10	0	0	Deferred to 2024/25						
TOTAL		20	10	10							
Follow Up											
Follow Up	N/A	16	16	16							
TOTAL		16	16	16							
TOTAL		343	278	263			10	48	42	15	
Percentage of plan completed				95%							

APPENDIX 2 – FINAL AUDIT REPORT EXECUTIVE SUMMARIES

Executive Summary – Disabled Facilities Grants (DFG)

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Failure to effectively and efficiently achieve required outcomes for externally funded services.

SCOPE

A detailed review of the management of the DFG grant was undertaken covering the timeliness of assessment, approval, delivery and reporting of cases. Management of the grant budget was also assessed.

KEY STRATEGIC FINDINGS



Variations to initial purchase orders are pre-approved up to £5k, due to perceived limitations with the Procurement system.



There is a lack of segregation of duties in place as one officer identifies and costs the work to be completed, sign-offs the completed work and approves the associated invoices for payment which could allow invalid payments to be made and remain undetected.



Delays have occurred in the provision of installations and Government best practice targets are not being achieved.



Sample testing identified instances where supplier invoices were paid in advance of Council checks being performed to confirm the completion and quality of the work. Insufficient documentation is held to support the work being paid in some cases.

GOOD PRACTICE IDENTIFIED



The Better Care Fund currently has a brought forward balance of approximately £1m, with steps being taken to utilise this balance



Disability Facilities Grant applications are checked to ensure that eligibility criteria are met.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
3	2	2	0

Executive Summary – Customer Contact Team

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The objective of the audit is to review the systems and controls in place within the Contact Centre, to help confirm that these are operating adequately, effectively and efficiently

SCOPE

A corporate level risk has been raised in relation to the cost-of-living crisis impacting the demand for council services of which the customer contact team is impacted. This audit will provide assurance that the team is able to respond to an increase in demand, that customer calls are dealt with in accordance with the Council's documented expectations and that there is a culture of continuous improvement embedded in processes.

KEY STRATEGIC FINDINGS



The Council's Customer Experience, Digital Strategy Plan and Overview for 2021-2024 inform how the teams across the Council are going to collaborate to deliver effective experiences for the Council's customers.



Call reporting highlighted that while there is high level functionality to track call types, there is no detailed reporting of the specific reasons for each call and the system does not have an audit trail for each call handler.



There is no clear indication of the regularity for reviewing Customer Contact Team staff (CCT) training needs. Some staff members have not completed refresher training for an extended period with some staff not having received training since 2018.



Some Services lack consistency in the information provided in the CCT liaison meeting reports.

GOOD PRACTICE IDENTIFIED



The CCT has implemented a robust system for reporting customer satisfaction, facilitating detailed analysis and enabling proactive follow-up actions by the team.



The CCT are currently maintaining detailed staff rotas, enabling efficient monitoring of staff availability, roles and responsibilities throughout each day and week allowing effective allocation of staff throughout the year.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	2	0

Executive Summary NC2420 Parking and Civil Enforcement

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Inadequate project management controls leading to poor delivery and potential financial and reputational loss.

KEY STRATEGIC FINDINGS



Cash collections due have been missed, not identified and reported. Procedural guidance for the Parking and Financial Support functions requires updating to ensure that missed collections are identified and reported. Timeframes for this need to be reconsidered.



Control weaknesses were identified for pay and display machine and Penalty Charge Notice (PCN) income; reconciliations are not taking place to the Ledger and the recording of income and other information for monitoring purposes has been incorrect at times.



The Business Continuity Plan and service level risks require review and updating following the transfer of the back-office support function to King's Lynn.

GOOD PRACTICE IDENTIFIED



Effective communication channels were implemented for the project to transfer the back-office support function to Borough Council of King's Lynn and West Norfolk covering Norwich City Council and Norfolk County Council as well.

SCOPE

The objective of the audit is to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently. The audit will provide assurance over the management of the project to transfer the car parking enforcement back-office systems to Borough of King's Lynn and West Norfolk. This will also include Project Planning; Performance Reporting/Monitoring; Risk

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	4	5	0

Executive Summary – NC2419 Waste Management

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

CORP12: Ineffective management of contracts leads to poor service delivery

SCOPE

The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Waste Management, and the management Biffa contract.

KEY STRATEGIC FINDINGS



Biffa has provided the Council's waste collection service since 2012 with the original contract ending in 2017. The decision to extend the contract to 2031 was approved by Cabinet in July 2022. This decision formalised the requirement to refurbish the existing fleet for years 1 – 3 with a new zero carbon fleet from 2027 purchased by the Council via Prudential borrowing and operated by Biffa.



Testing of Biffa invoices confirmed that value of monthly invoices was in line with agreed contract price with indexation applied as appropriate. Furthermore, invoices tested were checked for accuracy prior to payment.



Budgets are monitored monthly, and information is reported to Departmental Management Team and Cabinet quarterly.



Testing of complaints confirmed these were responded to within the Council's corporate target of ten working days.

GOOD PRACTICE IDENTIFIED



Contract meetings are held fortnightly, between the Contracts Manager and Biffa's Operations Manager and Depot Manager, to discuss operational issues.



Health and Safety (H&S) on collection rounds is monitored by Biffa and minutes of the monthly Safety Improvement Team (SIT) meetings confirmed that H&S data is being collected and reported

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	0	2	0

Executive Summary - NC2424 Starters Movers Leavers

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Cyber Security risk due to insider threat caused by inadequate starters, movers and leavers processes.

SCOPE

A corporate level risk has been raised relating to cyber security and highlights insider threat as a risk. The starters, movers & leavers process has not been reviewed recently. This audit looked at whether the IT department is given information in a timely manner to enable them to add, remove or update staff access to Council systems.

KEY STRATEGIC FINDINGS

On occasions, the process to alert IT of a new starter to have their access set up and equipment allocated to them is not followed. When tickets are correctly raised for example, for transferring staff, there are not always raised timely.

The Equipment Return Form is not used consistently. This is essential to ensure IT assets are accurately tracked and are secure and returned when staff leave. To ensure staff follow the process:



Staff should be made aware of the Starters Movers and Leavers documents and the support available for the Human Resources (HR) Portal "Ask HR"; and

All Managerial staff involved in "people processes" should undergo comprehensive training.

Access for new starters is based on an existing staff member and not built based on the new starter's job role. This can mean system access is provided which is not needed.



The ICT Asset Register should be audited on an annual basis to ensure it is robust and accurate.

GOOD PRACTICE IDENTIFIED



"Reason" comments for leaving, resignation, end of contract or retirement were always given including narrative on whether staff could be re-employed in future.



A new (Enterprise Resource Planning) ERP system is due for implementation shortly. Such systems help unify diverse legacy business processes across an enterprise.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	7	2	0

Executive Summary – NC2417 Housing Needs, Allocations, Homelessness & Housing Register

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Corporate level risk CORP20 - The cost of living crisis: increases financial, social and health inequalities for Norwich residents; reduces the effectiveness of council services as demand increases; and reduces council income, so further limiting our ability to deliver for the city'

SCOPE

The cost of living crisis is anticipated to expose the council to an increase in demand for this service. A corporate level risk has been raised covering this. This audit will provide assurance that the council is managing its homelessness obligations effectively, that performance information is robust and will review the councils approach to managing the housing register.

KEY STRATEGIC FINDINGS



For applicants on the housing register, applicants had been assessed to confirm that they were eligible and qualified to join the housing register, the reason for the band award was recorded, and evidence to support the reason had been retained.



Homelessness application assessments were completed in a timely manner, the prevention or relief duty was achieved where applicable and confirmation of Duty and End of Duty letters were on file for all cases reviewed.



For applicants in temporary accommodation, the Temporary Interim Accommodation Service Charges Agreement was in place but these were not always signed by the applicant.



The Domestic Abuse Policy does not have the last review date and does not state when the document is next due for a review. Applications for domestic abuse accommodation should be sorted on the same day; one case was found where the applicant was accommodated after 13 days from the date the Council was notified.

GOOD PRACTICE IDENTIFIED



Review of the May 2024 Housing Headline report revealed that 55 people were assisted off the street, the Council had 70 domestic abuse contacts and 80 household presenting in housing needs.

ACTION POINTS

Urgent	Important	Need Attention	Operational
0	1	2	0

APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Year	Audit Name	1	2	3	Total Outstanding as at 21/6/24
2022/23	Housing Benefits	1		1	2
	Leasehold Management		1	1	2
	Leisure			1	1
	Markets		2	1	3
	Safeguarding	1	1	1	3
	Total	2	4	5	11
2023/24	Anti Social Behaviour		5		5
	Income - cash and bank			1	1
	Information Security and Data Protection Compliance		2	6	8
	Parking and Civil Enforcement		1	2	3
	Total		8	9	17
Total		2	12	14	28

The following audits in the table above had a 'limited' assurance opinion: -

- Safeguarding 2022/23

APPENDIX 4 - OUTSTANDING 'URGENT' INTERNAL AUDIT RECOMMENDATIONS – ALL YEARS

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Safeguarding 22/23	<ol style="list-style-type: none"> 1. It is suggested that a review of roles requiring a DBS check is carried out as a priority, with referral to the DBS for advice, if required, to determine legal eligibility, with non-responsive services escalated to SLT. Results of the review to inform a formally agreed Corporate Policy for initial and renewal checks. 2. Assurance to be provided to SLT that all checks required are completed or brought up to date, with evidence of completion retained. 	Urgent	Dawn Bradshaw, Head of HR, and OD	31/07/2023	N/A	Outstanding	<p>Internal Audit have confirmed No.1 of the recommendation.</p> <p>20 Jun 24 - List of posts, policy and evidence of monitoring by SLT to be sent to TIIA to close recommendation.</p>
Housing Benefits 22/23	Ensure a one-off reconciliation between the housing benefits system and the general ledger is completed, procedure notes are developed, and the reconciliation is carried out monthly going forward.	Urgent	Finance Manager (revenue) with delivery by service accountants responsible for their specific area.	31/12/2023	01/04/2024	Outstanding	17 Jun 24 - Walkthrough for EY completed. Work is progressing to design a reconciliation pulling together existing reconciliations, data sources and resourcing.

APPENDIX 5 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2022/23

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Markets 22/23	Maintain a record of gas and electrical safety checks for stalls	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	<p>15 Feb 24 - Fire risk assessments complete and about to be reviewed. Gas and electrical assessments have been requested from stallholders and programme of approval in place as part of refreshed approach to management of leases. Control of contractors procedure in place for external contractors carrying out work on behalf of stall holders. Internal risk assessments being developed by markets team for all health and safety hazards on the market.</p> <p>17 Jun 24: Gas and Water safety checks completed. Electrical safety checks are in progress.</p>
Markets 22/23	Create a Norwich City Council Market risk register to capture all the risks that are facing the service, which includes associated mitigations.	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	17 Jun 24: Risk register is completed. Copy to be provided to TIAA. Awaiting evidence.
Leasehold Management 22/23	Review the method of calculating the horticultural maintenance charges to ensure full costs applicable are included in the leasehold service charges in the future.	Important	Gemma Mitchell – Housing Outcomes Manager	01/09/2023	31/08/2024	Outstanding	06 Jun 24: Further meeting booked with the head of housing, tenancy services manager and housing income manager on Monday 10th June 2024 to discuss the way forward.
Safeguarding 22/23	When the mandatory safeguarding adults and safeguarding children courses have been updated, management to implement monitoring controls going forward to ensure mandatory e-learning courses and renewals at defined intervals are completed by relevant staff.	Important	Dawn Bradshaw, Head of HR and OD	31/07/2023	N/A	Outstanding	20 Jun 24: Evidence of SLT report detailing monitoring of mandatory training to be provided to close recommendation.

APPENDIX 6 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2023/24

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Anti-Social Behaviour 23/24	Management to review the appropriateness of current key performance measures, ensuring they are aligned with the revised Anti-Social Behaviour Policy.	Important	ASB Manager	30/11/2023	30/09/2024	Outstanding	7 Jun 24: Due to the general election, June cabinet has been cancelled. Now scheduled for July Cabinet - still on track for revised due date
Anti-Social Behaviour 23/24	Management to develop appropriate management reports, and introduce evidenced, monthly checking of such reports.	Important	ASB Manager	31/01/2024	30/09/2024	Outstanding	7 Jun 24: Civica D360 is unable to manage ASB cases efficiently. We are working with our Digital Business Partner Jen Smithson to produce a bespoke case handling solution, incorporating reporting. Test build still underway and expect first iteration available summer 2024.
Anti-Social Behaviour 23/24	Management to promptly issue the revised the Anti-Social Behaviour Policy, including appropriate reference to the requirements of The Charter for Social Housing Residents (Social Housing White Paper), and ensure that supporting process documentation reflects the revised Policy.	Important	Community Safety Manager	31/10/2023	31/07/2024	Outstanding	7 Jun 24: Due to the general election, June cabinet has been cancelled. Now scheduled for July Cabinet - Please revise due date to 31 July 2024
Anti-Social Behaviour 23/24	Management to introduce a formal, monthly, quality checking process with results documented and fed back to team members for development purposes.	Important	ASB Manager	31/10/2023	30/09/2024	Outstanding	7 Jun 24: Quality checking is taking place as part of officers 1-1s on a monthly basis. Once new system has been implemented, we will devise a form that can be completed in the system to provide more rigour.
Anti-Social Behaviour 23/24	Management to promptly analyse the results of Post-Closure Complainant Satisfaction Surveys and develop an Action Plan to address the key concerns identified.	Important	ASB Manager	30/09/2023	30/06/2024	Outstanding	21 Jun 24: Awaiting evidence for Recommendation to be closed as complete due to becoming BAU
Information Security and Data Protection Compliance 23/24	Annual information governance statement to SLT and Cabinet / Members be produced, presented by the SIRO and DPO.	Important	Information Governance Manager	31/12/2023	30/09/2024	Outstanding	20 Jun 24: Agreed with Monitoring Officer that this statement will be included within Annual Governance Statement. Evidence to be sent to TIAA.
Information Security and Data Protection Compliance 23/24	Information Asset Register and Record of Processing Activities be reviewed to ensure that all processing purposes are correctly captured, and that all elements of the Article 30 requirements are included.	Important	Information Governance Manager	31/12/2023	30/09/2024	Outstanding	20 Jun 24: ROPA and IAR have been updated.
Parking and Civil Enforcement 23/24	The cash collection schedule and cash input spreadsheet to be fully updated for both on and off-street parking to ensure that cash collection is documented accurately.	Important	Head of Environmental Services	22/04/2024	30/09/2024	Outstanding	17 Jun 24: Work in progress against the recommendation.



Committee name: Audit

Committee date: 17/07/2024

Report title: Annual Report of Audit Committee 2023-2024

Chair of Audit Committee Councillor Price

Report from: Interim Head of Legal and Procurement

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 the committee for comment.

Recommendation:

That the committee approves the content of the Annual Report of the Audit Committee 2023-24 and recommends it to Council for adoption.

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 attached report gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council in September.
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.
9. The report is subject to approval by the Audit 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.

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

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

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

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

12. 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

13. 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

Contact Officer:

Contact: Sameera Khan

Email address: sameerakhan@norwich.gov.uk



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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.

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>

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>

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>

[illegible]

Engagement and outputs

The CIPFA Position Statement states that:

“The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.”

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>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 private. • 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>

Audit Committee – Annual Report 2023-2024
Appendix A

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

OPEN PUBLIC ITEM

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

Contact officer:

Name: Teresa Sharman

Telephone number: 01603 430138

Email address: Teresa.sharman@southnorfolkandbroadland.gov.uk



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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	Minor improvement	No further 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.

Promoting the principles of good governance and their application to decision making	<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)
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<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 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<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)
Supporting effective external audit, with a focus on high quality and timely audit work.	<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 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<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)
Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements	<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 	
Supporting the development of robust arrangements for ensuring value for money.	<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.		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<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). 	
Promoting effective public reporting to the authority’s stakeholders and local community and measures to	<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	

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

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.

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-

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.

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.

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.

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.



Committee Name: Audit
Committee Date: 17/07/2024
Report Title: Work Programme

Portfolio: Councillor Kendrick, cabinet member for an open and modern council

Report from: Interim Head of Legal and Procurement

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

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

Recommendation:

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

Policy Framework

The council has five corporate priorities, which are:

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

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

Report Details

Introduction

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

Work Programme 2024/25

4. The proposed work programme for 2024/25 is set out on the table attached to this report at Appendix A. The work programme comprises the standing agenda items and annual reports.
5. As part of the self-assessment review and in line with CIPFA guidance, it has been proposed that members of the committee meet independently with the External Auditor and Head of Internal Audit. It is therefore proposed to hold an informal session before the formal committee meeting on 17 September where the Draft Statement of Accounts and Annual Governance Statement will be considered for the committee to meet with the auditors without officers being present. This will not replace the usual informal briefing for members on the Statement of Accounts and separate arrangements will be made for this.
6. Additional items are placed on the work programme during the year either from officer discussion at committee or with the chair, including items that the officers consider relevant to the committee.
7. Due to other work streams some reports may come to a later meeting than first expected. Also there has been some impact on the scheduling of reports to committee following changes to the key officers supporting the committee and to the rescheduling of meetings due to the run-up to the General Election. Members will be aware that the reports on Norwich City Services Limited (NCSL) governance arrangements and assurance will now be considered at the September meeting. This will enable the Scrutiny Committee to consider the NCSL Business Plan at its meeting on 18 July 2024, before the Audit Committee considers the governance arrangements.
8. The work programme includes reports that have not yet been assigned to a particular meeting.

Actions Arising from previous meetings

9. The action tracker of issues agreed at these meetings is attached to this report at Appendix B.

Self-Assessment – Actions tracker

10. The attached Appendix C contains the actions agreed at the reconvened meeting (19 March 2024/14 May 2024). Actions not completed in 2023/24 have been added to the 2024/2025 Self-Assessment Action Plan.

Training and development

11. All members of the committee have attended the “Effective Audit Committee” training facilitated by Ian Fifield. As part of the self-assessment exercise, members of the committee will be surveyed on their skills and training needs.
12. The chair attends meetings of the Chairs of Audit Committees Forum - Eastern Region and where appropriate information from these meetings will be shared with members of the committee.

Consultation

13. The committee will review the work programme and actions identified as part of the annual committee self-assessment exercise at each meeting.

Implications

Financial and Resources

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

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

Legal

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

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None

Consideration	Details of any implications and proposed measures to address:
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	None

Risk Management

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

Other Options Considered

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

Reasons for the decision/recommendation

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

Background papers:

None

Appendices:

Appendix A – Draft Work Programme 2024/2025

Appendix B – Action tracker – actions arising from meetings of the committee held on 21 November 2023, 23 January 2024 and 19 March/14 May 2024.

Appendix C - Actions arising from the Committee's Self-Assessment approved on 14 May 2024, and updated to include outstanding actions.

Contact Officer:

Name:

Email address: democraticservices@norwich.gov.uk



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

Audit Committee – Schedule of Meetings

Date	Item
17/09/2024	<i>Informal session with Head of Internal Auditor and External Auditor</i>
	Internal Audit Annual Report and Opinion 2023-24
	Draft Annual Governance Statement 2023-24
	Draft Statement of Accounts 2023/24
	Financial Regulations
	Governance Arrangements for NCSL
	Assurance Mapping of Levels of Assurance of NCSL
	Work Programme
22/10/2024	Global Internal Audit Standards
	Internal Audit Progress Update 2024/2025 - Q1
	Risk Management Update
	Risk Management Policies and Strategies
	Work Programme
26/11/2025	<i>Held for Formal or Informal Audit Committee</i>
28/01/2025	Work Programme
	Cyber Assurance
	Internal Audit Progress Update 2024/2025 - Q3
	Statement of Accounting Policies
	Work Programme
11/03/2025	Audit Committee - Self Assessment
	Strategic and Annual Internal Audit Plans 2024/2025
	Review of Accounting Policies
	Work Programme
To be confirmed	External Auditor's Audit Plan 2024/2025
	Internal Audit Progress Update 2024/2025
	Work Programme

Audit Committee 17 July 2024
Work Programme - Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
23 Jan 24	6. Progress Report on Internal Audit Activity 2023-2024	(5) that consideration is given to including an internal audit review of mandatory training across the council in the next year's audit plan.	Interim Head of Legal and Procurement (Sameera Khan)	Considered at ELT Interim Head of Legal and Procurement to report back on outcome of ELT review
19 Mar 24/ 14 May 24	6 & 7 2023/24 Quarter 3 Corporate Risk Register	<p>(2) ask the Interim Chief Finance Officer to ask the executive leadership team (ELT) and Cabinet to consider:</p> <ul style="list-style-type: none"> (a) upgrading the risk score for CORP22 to 20; (b) reinstating Health & Safety Compliance on the corporate risk register; (c) inclusion of risk mitigation for mould and damp in council housing; (d) inclusion of inherent risk scores on the Corporate Risk Register and more detail on actions and mitigation to provide further understanding on status; (e) review CORP21 to include reputational risk and liability; 	Chief Finance Officer (Alistair Rush)	

Audit Committee 17 July 2024
Work Programme - Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
		<p>(f) consider using risk management software and specific software for management of electronic signatures;</p> <p>(g) note the errors in data on the spread sheet and avoid</p>		
19 Mar 24/ 14 May 24	6 & 7 2023/24 Quarter 3 Corporate Risk Register	<p>(3) recommend to the Scrutiny Committee that:</p> <p>(a) it seeks assurance on the NCSL Business Plan in relation to performance monitoring and governance, particularly in relation to housing repairs and street cleaning;</p> <p>(b) asks for a representative of NCSL to attend the Scrutiny Committee where the business plan is considered;</p> <p>(c) refers any concerns about the governance and control environment surrounding the company to this committee (Audit Committee);</p> <p>(d) that it scrutinises the council's business continuity arrangements.</p>	Interim Head of Legal and Procurement (Committee Officer)	Report to Scrutiny Committee

Audit Committee 17 July 2024
Work Programme - Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
19 Mar 24/ 14 May 24	6&7 2023/24 Quarter 3 Corporate Risk Register	<p>(1) The chair will write to the chair of Scrutiny Committee outlining the committee's concerns regarding the performance of NCSL in relation to its business plan and requesting that members of the Audit Committee attend the Scrutiny Committee where the business plan will be considered.</p> <p>(2) Note that Councillor Osborn is to provide wording to the chair and Interim Chief Finance Officer on his recommendations to amend CORP21.</p>	<p>Councillor Price Chair of Audit</p> <p>Councillor Osborn</p>	
19 Mar 24/ 14 May 24	9 Progress Report on Internal Audit Activity	<p>(2) ask that reference to the non-compliance with the council's contract management framework is referred to in the Annual Governance Statement.</p>	Interim Head of Legal and Procurement	
19 Mar 24/ 14 May 24	10. Strategic and Annual Internal Audit Plans 2024/25 to 2026/27	<p>(2) ask the Interim Head of Legal and Procurement to follow up the details of the ELT review of mandatory training for officers and report back to the committee.</p>	Interim Head of Legal and Procurement	

Audit Committee 17 July 2024
Work Programme - Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
19 Mar 24/ 14 May 24	11. DLUHC Consultation Response – Addressing the Local Audit Backlog in England	(2) ask members to liaise with the Interim Head of Legal and Procurement regarding individual press statements on these arrangements.	Interim Head of Legal and Procurement	
19 Mar 24/ 14 May 24	13. Work Programme	(2) agree the changes to the work programme and hold a separate informal meeting for a briefing on the AGS and statement of accounts.	Interim Head of Legal and Procurement / Committee Officer	

Updated May 2024

Audit Committee 17 July 2024 – Work Programme
Appendix C

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	There has been a delay to a general review of the constitution due to the General Election.
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	There has been a delay to a general review of the constitution due to the General Election.
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 • How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8) 	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	Completed

Action	Owner	Date for Completion	Progress
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	There has been a delay to the general review of the constitution due to the General Election.
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	The work programme is reviewed at each meeting.
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	There has been a delay to the general review of the constitution due to the General Election.
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	In progress – survey to be circulated to members

Action	Owner	Date for Completion	Progress
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		In progress – see above
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	In progress – see above
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.	
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)		By end of Oct 24	

Action	Owner	Date for Completion	Progress
13. Review results of Self-Assessment of Good Practice exercise at a committee meeting. (Q29)		March 24	Approved 14 May 2024
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	
15. Appointment of a second Independent Person	Sameera Khan, Interim Head of Legal and Procurement	Brought forward from 2023/2024 Committee Self-Assessment Exercise	