



Audit committee

Date: Tuesday, 23 July 2019

Time: 16:30

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

Committee members:

Councillors:

Price (chair)

Driver (vice chair)

Giles

McCartney-Gray

Peek

Stutely

Wright

Youssef

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Agenda

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1 Apologies

To receive apologies for absence

2 Public questions/petitions

To receive questions / petitions from the public

Please note that all questions must be received by the committee officer detailed on the front of the agenda by **10am on Thursday, 18 July 2019**

Petitions must be received must be received by the committee officer detailed on the front of the agenda by **10am on Monday, 22 July 2019**

For guidance on submitting public questions or petitions please see appendix 1 of the council's constitution.

3 Declarations of interest

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

4 Minutes

5 - 10

To approve the accuracy of the minutes of the meeting held on 11 June 2019

6 Annual Governance Statement 2018-19

11 - 32

Purpose - To review and approve the final audited version of the Annual Governance Statement for 2018-19.

6 Statement of Accounts and Audit Results Report 2018-19 (to follow)

Purpose - This report will present the 2018-19 audited Statement of Accounts, the Audit Results Report and the

draft letter of management representation.

7 Internal audit 2019-20 – April to June update (Quarter 1) 33 - 44

Purpose - To advise members of the work of internal audit, completed between April to June 2019, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.

The 2019-20 Audit Plan was approved by the audit committee on 12 March 2019.

Date of publication: **Monday, 15 July 2019**



Audit committee

16:30 to 18:50

11 June 2019

Present: Councillor Price (chair), Driver (vice chair , following appointment, Giles, McCartney-Gray, Peek, Stutely , Wright (substitute for Councillor Lubbock) and Youssef

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillor Lubbock

1. Appointment of vice chair

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

2. Public questions/petitions

There were no public questions or petitions received.

3. Declarations of interest

There were no declarations of interest.

(During discussion on item 5 (below), Statement of Accounts 2018-19, Councillor Kendrick and the chief finance officer declared as directors of Norwich Regeneration Ltd.)

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 12 March 2019, and the exempt minute of that meeting.

(The chair requested that the order of the agenda be changed to allow the deputy head of internal audit to present items 7 (below), Annual audit report on internal audit and fraud 2018-19 and 8 (below), Draft Annual Governance Statement 2018-19.)

5. Statement of Accounts 2018-19

(Councillor Kendrick and the chief finance officer declared an interest in this item.)

A member referred to a press article where it was reported that the council had a "black hole of £10 million". The strategic finance business partner referred the member to the budget papers (budget council, 26 February 2019) where it was clear that what the funding gap and the changes that were being made incrementally to meet this gap. The chief finance officer referred to the complexities of local government finance and said that it was more nuanced than a "black hole". The

council's budget and the medium term financial strategy set out the savings to balance the council's budget.

(The chief finance officer paid tribute to the strategic finance business partner, who in her recent absence had authorised and signed-off the unaudited draft accounts on 31 May 2019.)

The strategic finance business partner gave a power point presentation of the draft, unaudited statement of accounts. During the presentation the chief finance officer and strategic finance business partner, referred to the report and answered members' questions. The committee was advised that the "*Revenue and capital budget monitoring 2018/19: Final outturn*" report would be considered at cabinet on 12 June 2019.

During discussion members noted there was an under-spend (or surplus) in the General Fund which related to salaries and the gap between an employee leaving the council and the recruitment of a new employee to the post. The chair pointed out the importance of filling posts promptly to ensure that service delivery was maintained. He said that where the council could anticipate vacancies, the recruitment process should start without delay. Members also were concerned about the under-spend in the Housing Revenue Account (HRA) and sought reassurance that the council was delivering less to tenants in terms of repairs and maintenance. The chief finance officer explained that the budget would be reviewed for the next financial year. There was no immediate use had been established for it in the (HRA) but members were reminded that major improvement and conversions were being carried out either funded by the Housing Capital Account or through the council's wholly owned company, Norwich Regeneration Limited (NRL).

Discussion ensued on the group accounts and some members concerns that as the company expanded it would put the council at greater risk. The chair and Councillor Wright, as chair of scrutiny committee, proposed that the audit committee reviewed the audited NRL accounts and that the company established its own internal audit. The chief finance officer said that NRL was a separate company, albeit a wholly owned company by the council, and its accounts contained commercial information and were not subject to publication like the council's or the group accounts. A summary of the NRL accounts would be available at Companies House. The chair also said that whilst an external auditor audited the NRL accounts there was no internal audit process of NRL on the council's behalf. He considered that this was important as the growing company was the largest inherent risk to the council within its control. The chief finance officer said that the group accounts were part of the statement of accounts which was subject to external audit and referred to the governance arrangements for the NRL board and operation of the company, which were agreed and monitored by the cabinet. The assistant head of internal audit (LGSS) said the authority should have assurance that the governance arrangements for NRL were fit for purpose and it was for members to take a view on the inherent risk to the council. In reply to a question, the strategic finance business partner said that this was the second year that group accounts were required. The cabinet member for resources and the chief finance officer explained that it was a growing company which did not require an external auditor of its own at this point or for its accounts to be considered at this committee. These arrangements would be reviewed as the company grew. The chair said that whilst it was a fledgling company it still was liable for large sums of money and asked how the threshold

would be determined for its own internal audit. He considered that it was prudent to put mechanisms in place now before the business expanded.

The vice chair and Councillor Stutely had a number of questions in relation to the council's key performance indicators (KPIs), particularly where the council had not met its targets.. The chief finance officer explained that these related to service areas and that some KPIs had been reviewed and there were some changes for the start of the next financial year. The chair suggested that the members met with the strategy manager to discuss these and to report back at the next meeting.

A member suggested that the hyperlink to the CIPFA list of financial stress indicators should be appended to the Statement of Accounts and not a link to the "budget report". The strategic finance business partner explained that these indicators had been taken into account in the budget setting. The council was in the middle of the range. The chair and Councillor Stutely suggested that members should be able to see the details in full when considering the accounts and that in future years the full reference should be included in the narrative.

Discussion ensued where the strategic finance business partner and the chief finance officer answered a member's questions relating to the council's budget provision for elections services and, referring to the Statement of Accounts, expanded on the narrative in relation to the council's commercial activity to generate income and the council's Medium Term Financial Strategy, particularly around business rates and the outcome of the Fair Funding Review, and its capital strategy. The chair asked that the committee would be kept informed of the business rates pilot scheme in the county. A member also sought information about the number of underpayments to applicants for benefits or council tax reduction. Another member asked for a copy of the council's "Reducing Inequalities Framework" for information.

RESOLVED to:

- (1) note the draft (unaudited) Statement of Accounts 2018-19;
- (2) include the CIPFA financial stress indicators in future years' Statement of Accounts;
- (3) note the committee's appreciation to the strategic finance business partner and deputy s151 officer and team for submitting the Statement of Accounts by 31 May 2019.

6. Annual Audit Report On Internal Audit and Fraud 2018-19

The deputy head of internal audit presented the report and said that chief internal auditor had issued a good assurance on the basis of the audit work undertaken during the financial year 2018-19 and was pleased to report that this level of assurance remained at the same level as the previous year.

During discussion the deputy head of internal audit, together with the principal auditor, referred to the report and answered members' questions. New members were advised that the committee received quarterly reports and that all audits were followed up with senior managers and the outcome reported to the committee. In reply to a member's question, the deputy head of internal audit said that an action

plan was issued for each internal audit report and explained the prioritisation of actions that were recommended to be taken.

Members noted that the payroll audit had been delayed and was expected to be ready for the committee's next meeting. Its delay though would impact on the audit plan for April and May 2019-20.

Discussion ensued on paragraph 4.5.5 of the report, the review on the governance arrangements for NRL. The chief finance officer confirmed that the corporate leadership team were working with colleagues across the council and NRL to build the business case. The principal auditor confirmed that the commercial rents audit had been carried out in the first quarter of 2018-19. Some of the actions arising from the audit of NRL should be completed by the end of June and could be reported to the next meeting.

In reply to a member's question, the deputy head of internal audit explained that internal audit did not offer a level of opinion on fraud. He explained the processes that were undertaken to investigate fraud.

RESOLVED to receive the Annual Audit Report on Internal Audit and Fraud 2018-19.

(Councillors Peek and Wright left the meeting at this point due to other commitments.)

7. Draft Annual Governance Statement

The deputy head of internal audit presented the report. This Annual Governance Statement (AGS) formed part of the statutory documents which accompanied the Statement of Accounts.

During the presentation the deputy head of internal audit drew members' attention to the fact that only 8 out of 13 heads of service had completed their self-assessments. The chair expressed displeasure at this and asked that each of these heads of service be written to and asked to explain why the self-assurance statements had not been completed as requested by internal audit. There had not been a problem in previous years and it was hoped that officers would respond more quickly in future years.

The chair referred to the adoption of the Risk Management Charter earlier in the year and pointed out that the policy and risk register would be updated in line with the charter.

The chief finance officer explained that it was proposed to appoint external directors in order to ensure that members of the NRL board had the right skill set. In reply to a question from the chair regarding the risk to each project that the company undertook, the chief finance officer said that there was clarity in the budget reports, where there was substantial lending or equity release, cabinet recommendations were subject to approval by full council and members had access to information on the risks and consequences that could impact on the council.

The chair said that the AGS was a public facing document and that it fulfilled the statutory requirement. He asked the chief finance officer if the committee could be involved at an early stage in the production of the AGS in future years. He considered that the committee could provide ideas to enhance the appearance of this outward facing document. The deputy head of internal audit said that the audit started in February or March each year, with the first draft being available in early April. He cautioned that the audit opinion would not be available until the completion of the final quarter in March.

RESOLVED to:

- (1) agree that the AGS is consistent with the committee's perspective on internal control within the council, and the governance issues and actions;
- (2) ask to ask the chief executive to advise the heads of service to complete self-assurance statements as soon as possible and to advise the chair of their reasons;
- (3) note that the chair of the committee would like members of the committee to have the opportunity to comment on the appearance of the AGS at an early stage.

8. Annual Audit Committee Report 2018-19

(The report was attached to the supplementary agenda for this meeting.)

The chair introduced the report. He said that he would like additional text under paragraph 20 to identify the audit considered at its meeting on 12 March as Norwich Regeneration Limited and to mention the work around a whistleblowing case, and that the committee had recommended cabinet adopted a Risk Based Verification Policy for the assessment of housing benefit and council tax reduction scheme claims and change of circumstances.,

A member pointed out a typographical error in paragraph 13, where the October date should read "2018".

A member welcomed the report which he considered was a good introduction and summary of the work of the committee over the civic year.

RESOLVED to recommend the Annual Audit Committee Report 2018-19 to the July committee.

CHAIR

Report to Audit Committee
23 July 2019
Report of Chief Internal Auditor, LGSS
Subject Annual Governance Statement 2018-19

Item

5

Purpose

To review and approve the final audited version of the Annual Governance Statement for 2018-19.

Recommendation

To approve the Annual Governance Statement for 2018-19.

Corporate and service priorities

The report helps to meet the corporate priority Value for money services

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers

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Background documents

None.

Report

Background

1. The Audit and Account Regulations 2015 requires the council to produce an Annual Governance Statement (AGS). It summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead.
2. The draft AGS is considered by the corporate leadership team, and then presented to the audit committee in order to ensure that it reasonably reflects the committee's knowledge and experience of the council's governance and controls. It accompanies the draft statement of accounts, and may subsequently be amended following review by the external auditor (EY). The final statement is signed by the chief executive and the Leader of the Council and approved by the audit committee.
3. At its meeting on 11 June 2019, the audit committee approved the draft AGS.
4. The Accounts and Audit Regulations 2015 require that the final version of the AGS is approved by the audit committee in advance of the Statement of Accounts.

The Annual Governance Statement

5. The draft AGS has been compiled using sources of evidence, including:
 - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - A review and re-drafting of the Council's Code of Corporate Governance itself, based on the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
 - Self-assurance statements prepared by Heads of Service;
 - The Chief Internal Auditor's opinion on the Council's internal control environment, which was reported to the Audit Committee on 11 June 2019.
6. The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The guidance states that the AGS should include:
 - The Council's responsibilities for ensuring a sound system of governance;
 - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
 - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
 - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.
7. 'Significant governance issues' are those that:

- seriously prejudice or prevent achievement of a principal objective of the authority;
- have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- have led to a material impact on the accounts;
- the Audit Committee advises should be considered significant for this purpose;
- the Chief Internal Auditor reports on as significant in the annual opinion on the internal control environment;
- have attracted significant public interest or have seriously damaged the reputation of the organisation; or
- have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

Conclusions

8. The AGS has been prepared, in accordance with professional guidance, and accompanies the Statement of Accounts. The audit committee approved the draft AGS on 11 June 2019. It will also be reviewed by the external auditors, and the final version will be signed by the Chief Executive and the Leader of the Council.
9. The process demonstrates good governance, it has been based on various sources of assurance, and the committee is asked to approve the final AGS.



Annual Governance Statement 2018-19

1. Scope of responsibility

- 1.1. Norwich City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Norwich City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3. Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at www.norwich.gov.uk.
- 1.4. This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.
- 1.5. In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement. This arrangement was extended in April 2017 for a further five years and the LGSS partnership now includes Milton Keynes Council (since April 2017).
- 1.6. Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:
 - An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.
 - The LGSS chief internal auditor is responsible for internal audit and reports to audit committee. The fraud team that was based at City Hall, dealing primarily with benefits fraud, transferred to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) on 1 April 2015. Counter fraud work required by the council is referred to the LGSS counter fraud team working to the LGSS chief internal auditor.
- 1.7. The role of Monitoring Officer is carried out by a senior officer from NpLaw.



2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Norwich City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Norwich City Council for the year ended 31 March 2019 and up to the date of the approval of this statement.

3. The governance framework

- 3.1 The council's Code of Governance recognises that effective governance is achieved through the following core principles:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability



4. Key elements of the Governance Framework

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively:

- Under the Localism Act 2011 the new standards regime was adopted by council on 19 June 2012, including the members' code of conduct as documented in Appendix 13 of the Councils Constitution.
- Training is provided to new members, any issues or failings are reported at Standard Committee meetings and advice is provided to members by the monitoring officer as identified, or as requested.
- There is a separate code of conduct for employees, which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- The chief finance officer is responsible for advising whether decisions of the cabinet and council are in accordance with the policy and budget framework.
- Budget managers have responsibility for ensuring that all proposals, decisions and actions incurring expenditure were lawful.
- Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.
- Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.
- Colleagues from NpLaw and LGSS have provided assurance, across a range of governance areas, to support the AGS.

3. Documenting a commitment to openness and acting in the public interest:

- Progress on delivering the Corporate Plan is communicated through a performance management framework. The Scrutiny Committee receives regular reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. In order to demonstrate its openness the Authority also publishes:
 - Constitution



- Council, Cabinet and Committee Reports
- Scheme of delegation to officers
- Various transparency reports, such as Pay Policy Statement and Payments over £500

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The council is part of Your Voice, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.
- The council's Customer first guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the Communications strategy and Communications handbook which helps staff to deal with communications issues.
- Residents are informed about the council's activities at all times. This is done through Citizen, the quarterly magazine for residents; work with the local media; the council website; social media and other channels. Council tenants also receive their own magazine, TLC, focusing on issues affecting them. Both of these publications are available on the council's internet.
- Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.
- In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.
- Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's business management group and reviewed on a quarterly basis.
- Information on current and closed consultations, including reports and minutes, is available on the council website.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning:

- The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.
- The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.



- Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at www.norwich.gov.uk
- The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. The corporate plan 2019-2022 was approved by council on 26 February 2019.
- This has been developed in the light of the wider city vision work, which has been undertaken under the 'Norwich 2040' banner. This started with a significant piece of resident and stakeholder engagement to identify consensus about what the strengths and challenges of Norwich are. It then continued with analysis of the findings to shape a vision for Norwich in 2040 which provides a shared set of aspirations for Norwich
- The city vision is therefore the starting point for this corporate plan. This has been combined with information and analysis including:
 - Analysing information on levels of need in the city such as looking at demographics, economic, environmental and equalities data
 - Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
 - Understanding how other local authorities are responding to similar challenges
 - Looking at the potential future factors that may impact on Norwich and the council
 - Discussions with councillors and officers
 - Reflecting the Medium Term Financial Strategy and transformation programme which helps plan resource allocation
- The draft corporate plan was informed by consultation with members, residents, local organisations and other stakeholders.
- Medium term financial plans are presented to council on an annual basis for the general fund and Housing Revenue Account along with capital, investment and treasury management strategies. The plans set out the level of general fund savings that need to be achieved in the coming and each of the following four years. An annual consultation on the budget is also undertaken. The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

6. Translating the vision into courses of action for the authority, its partnerships and collaborations:

- The council's vision and mission are:
 - The corporate vision – To make Norwich a fine city for all
 - The corporate mission – To put people and the city first
- The three corporate priorities are:
 - People living well



- Great neighbourhoods, local environment and housing
- Inclusive economy
- The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Service plans are being replaced by cross cutting strategies and team plans will be adapted to ensure a golden thread from each employee up to the corporate priorities and encourage a more joined up way of working as envisaged in the Fit for the Future Programme

7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:

- The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the director of business services, monitoring officer, chief finance officer (section 151 officer), head of HR and learning, director of neighbourhoods and local LGSS principal auditor. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.
- Key partnerships have been identified and are included in the council's partnership register. The financial contribution and risk for key partnerships are reviewed and the results are reported to cabinet annually

8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money:

- Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by team plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams.
- The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2019-2022 corporate plan. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.
- The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of HouseMark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council



also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.

- A summary of the overall performance of the council in 2018-19 is included in the narrative report to the statement of accounts for the year ending 31 March 2019.
- Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects.
- The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate.
- The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.
- The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle (LGC) awards 2014. It was also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015 and in the LGC 'Council of the Year' award 2016.

9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements:

- The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer.
- There is also an agreed protocol between the leader and chief executive officer covering their working arrangements.
- The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS, NpLaw and NPS Norwich being covered by service level agreements.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.):

- The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector



shared services organisation. It is intended that the finance function is insourced from LGSS to Norwich City Council from April 2020.

- The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

11. Ensuring effective arrangements are in place for the discharge of the monitoring officer function:

- The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer rest with a senior officer at Nplaw, the council's shared legal service. The deputy monitoring officer roles rest with nominated officers at the council. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and therefore it is vital that members and officers work with the monitoring officer to discharge the statutory responsibilities and other duties (as set out in appendix 9b of the constitution).
- There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the monitoring officer protocol, which currently forms appendix 9B of the council's constitution.
- The Council has appointed directors as deputy monitoring officers to cover a conflict of interest if the monitoring officer or NpLaw cannot advise.

12. Ensuring effective arrangements are in place for the discharge of the head of paid service function:

- The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.
- The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The



council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

- The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich City Council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.
- A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

- The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:
 - promoting the development of members
 - developing, monitoring and evaluating the councillors training and development programme
- A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.
- Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability:

- The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are published to the council website.



- The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.
- The risk management charter was considered by Audit Committee on 12 March 2019 and by Cabinet on 6 February 2019. The council's risk management policy was updated, approved by Cabinet in January 2017 and will be updated in 2019/20 in line with the risk management charter.
- Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.
- The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. A business continuity policy and framework was approved by Cabinet on 25 June 2014.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014):

- The council has recently reviewed its counter fraud arrangements, reflecting professional guidance and good practice, and has published revised anti-fraud and corruption, whistleblowing and anti-money laundering policies.
- The policies are promoted to employees, and are available on both the intranet and website. Employees are required to confirm that they have read these.
- For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.
- Under the partnership and delegation agreement, in 2018-19 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team includes a qualified financial investigator who has the power to initiate recovery proceedings under the Proceeds of Crime Act.
- For the year 2018-19 the Internal Audit team has received one referral as part of the Whistleblowing Policy.
- The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

16. Ensuring an effective scrutiny function is in place:

- The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. A member of the council's scrutiny committee is a member of the Norfolk health scrutiny committee and provides regular updates on their work to the council's scrutiny committee.



- A member of the council is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.
- A member of the council is also a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety partnership scrutiny panel to provide regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.

17. Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact:

- In line with the partnership and delegation agreement, the internal audit for 2018-19 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013):

- The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in October 2017 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations:

- The council provides support and information to the externally appointed auditors (Ernst & Young). Audit findings and recommendations are reported through the Audit Committee.

20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures:

- The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.
- The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships



- Norwich Regeneration Limited (NRL) has a board consisting of two councillors, and three officers of the council. The board combines a broad range of experience including finance, business case development, procurement, risk management as well as general management. The company appointed a full time Managing Director in 2018 who has significant commercial house building experience. NpLaw provide company secretary support to the board. The board is provided additional expertise from various people including officers of the council, a financial advisor, a project manager, estate agents, architects and legal. The board has put in place a scheme of delegation to allow day to day decisions to be taken without the need for a full board meeting but major decisions are reserved for the board. NRL is taking a phased approach to development and houses are being sold from its first development and NRL is now taking on further developments. NRL has a business plan in place which goes through rigorous scrutiny requiring the approval of The Council as shareholder as well as the NRL board. Risks are managed at a company level through the business plan and board meetings while project risks are managed through the project process for each project.

5. Review of effectiveness

- 5.1 Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the directors within the council who have responsibility for the development and maintenance of the governance environment, the LGSS Chief Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

1. The council and cabinet

- In February 2015 the council approved the new corporate plan 2015-2020, which is reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery. This was updated in 2017, with changes to the key performance measures, which had been agreed by cabinet and the scrutiny committee. The council will continue to engage with stakeholders to inform the setting of corporate priorities beyond 2018-19, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.
- The council approves medium term financial plans for the general fund and housing revenue account along with capital, investment and treasury management strategies. These provide the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- During 2018-19 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.



- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. Council considered and delegated the decision to appoint a S151 & Chief Finance Officer to the Chief Executive and the Leader.
- Council considered the appointment of Independent Persons for the Council as per the standards framework to be compliant with the Localism act 2011.
- Following the decision made at full council, the Cabinet resolved to not participate in the Norfolk and Suffolk devolution agreement, with the process to establish an elected mayor and combined authority for the East Anglia region.
- Cabinet approved key strategies and policies such as the Procurement Strategy 2016-2020, and the Risk Management Policy. Cabinet approved that all appropriate mitigation had been taken for risks which exceeded the Council's risk appetite.
- Cabinet approved business plans, including joint ventures for NPS Norwich Limited, Norwich Norse Building Limited and Norwich Norse Environmental Limited, plus Norwich Regeneration Ltd and the Norwich and Homes and Communities Agency (HCA) strategic partnership.
- Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports. Performance monitoring reports during 2018-19 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2015-20.
- The council's constitution working party recommends to cabinet and council any changes to the constitution.

2. The scrutiny committee

- The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. Reviews also include delivery of the corporate plan, through performance reports.
- The statutory annual report on the work of scrutiny committee in 2018-19 was presented to scrutiny committee on 21 March 2019 and presented to Council on 23 July 2019.

3. The audit committee

- The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.
- The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.



- The Local Audit and Accountability Act 2014 introduced changes to the appointment process for external auditors. The committee reviewed options for appointing external auditors, and endorsed a recommendation to use PSAA Ltd, who was specified as the sector-led appointing body under the Local Audit (Appointing Person) Regulations 2015. This was recommended to cabinet and approved by full council.
- The committee reviewed counter fraud policies including anti-fraud and corruption, anti-money laundering, and whistleblowing. These were recommended and approved by cabinet.
- In line with good practice, the annual report on the work of the audit committee in 2018-19 was discussed by the audit committee on 11 June 2019 and presented to council on 23 July 2019.

4. The standards committee and monitoring officer

- The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.
- The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from nplaw.
- The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. The report covered the period up to 15 June 2019 and was presented to the Standards Committee on 2 July 2019. This concluded that the systems of internal control administered by the monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this report for the purposes of the latest regulations.

5. Chief finance officer

- The chief finance officer is a statutory appointment, and during 2018-19 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal financial control, and supporting the audit committee.
- Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion each year from 2012-13 to 2017-18.



6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report will be presented to the Audit Committee on 11 June 2019. This report will outline the key findings of the audit work undertaken during 2018-19, including areas of significant weakness in the internal control environment.
- From the audit reviews undertaken during 2018-19, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to audit committee.
- It is the opinion of the Chief Internal Auditor that, taking into account all available evidence, good assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018-19, and this remains at a similar level from 2017-18. At the time of writing the report the opinion excludes the review of payroll due to resources in the HR team however, it is not anticipated that any substantial areas of weaknesses will be identified. The detail to support this assessment will be provided in the Annual Internal Audit Report

7. Corporate governance group

- This is an internal officer group meeting every four months, which is chaired by the director of business services, and is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and learning, director of neighbourhoods and LGSS principal auditor.

8. Other explicit review / assurance mechanisms

External audit

- Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.
- EY's audit results report (ISA260) for 2017-18 was presented to audit committee on 24 July 2018. The annual audit letter 2017-18 was presented to audit committee on 16 October 2018. The annual report on the certification of claims and returns 2017-18 was presented to audit committee on 12 March 2019.



- For 2017-18 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant risks identified other than the ongoing control weaknesses (e.g. regarding property, plant and equipment accounting records on the fixed assets register) which have previously been reported to audit committee and which will be improved once the new finance system has been implemented in July 2019.

Improvement and efficiency.

- The council has been on a significant journey of improvement over recent years which has been recognised by a number of awards including:
 - The Gold award for “Delivering through efficiency” in the iESE improvement and efficiency awards 2013.
 - Highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year category.
 - Gold award for overall “Council of the Year” in the iESE improvement and efficiency awards 2014.
 - Local Government Chronicle Award for “Most Improved Council” 2014.
 - Selected as a finalist in the MJ Local Government Achievement Awards 2015, for ‘Best Achieving Council’.
 - The council was also selected as a finalist in the Local Government Chronicle ‘Council of the Year’ award 2016.
 - In addition, during 2015, iESE undertook a corporate health check of the council, and a review of efficiency was undertaken by Newton Europe, both with positive results
 - Achieved silver standard status for the Council’s Home Options service by the peer led, National Practitioner Support Service
 - The city council is shortlisted for a top accolade in next year’s LGC Awards for the housing development on Goldsmith Street

6. Governance issues and actions

- We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at www.norwich.gov.uk).

External auditors annual letter 2017-18

- EY’s annual audit letter was presented to audit committee on 16 October 2018. EY issued an unqualified audit opinion on the council’s financial statements, and an unqualified value for money conclusion, which is a positive report for the Council.



- Some significant risks were highlighted in the financial statements audit: the risk of fraud in revenue and expenditure recognition; and the risk of management override to perpetrate fraud. In these cases, following review and testing, EY did not identify any material misstatements.
- The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding.

Emerging legislation

- The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018.
- The Information Commissioner has confirmed that the United Kingdom will be adopting the EU General Data Protection Regulations which will apply from 25th May 2018. This will replace the existing Data Protection Act. It is anticipated that there will be new requirements for the Council to consider and adopt to maintain compliant with the law. The Council already has a positive track record in information governance and will monitor and respond to developments in the legislation as the guidance is published by the Information Commissioner and the European Article 29 Working Party.

7. Conclusion

Based on the work that has been completed, assurance can be taken that the governance arrangements at Norwich City Council are fit for purpose.

Norwich City Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements. Implementation of these actions will be monitored through the next annual review.



8. Statement by Leader of the Council and Chief Executive

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation not only as part of our next annual review, but also continuously throughout the year.

Signed:

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Alan Waters
Leader of the Council

.....

Laura McGillivray
Chief Executive

Date:

Date:

Report to	Audit Committee 23 July 2019	Item
Report of	Chief Internal Auditor, LGSS	7
Subject	Internal audit 2019-20 – April to June update (Quarter 1)	

Purpose

To advise members of the work of internal audit, completed between April to June 2019, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.

The 2019-20 Audit Plan was approved by the audit committee on 12 March 2019.

Recommendations

The committee is requested to consider the contents of this report.

Corporate and service priorities

The report helps to meet the corporate priority for value for money services.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Kendrick – Resources

Contact officers:

Duncan Wilkinson, Chief Internal Auditor, LGSS 01908 252089

Neil Hunter, Head of Internal Audit, LGSS 01223 715317

Magen Powell, Principal Auditor, LGSS 01603 212575

Background documents

None

LGSS Internal Audit & Risk Management

Norwich City Council

Quarterly update report

Q1

As at 5th July 2019

Resources

As outlined to Audit Committee at the beginning of the financial year, it is good practice to keep audit plans under review and update them to reflect emerging risks, revisions to corporate priorities, and resourcing factors which may affect the delivery of the audit plan.

Additional work is considered where it will help to improve the internal control environment and governance arrangements at the Council. Consequently it is appropriate to review the internal audit plan and re-profile accordingly.

The original plan was agreed as 450 days, there have been no further changes to the plan for 2019-20. As at 5th July 2019, 138 productive days are projected to have been delivered against the plan which reflects the profiling with the majority of testing completed in quarter's two to four.

Progress against the plan

Finalised Assignments

A number of reviews from 2018-19 were finalised in the April/May, and these were reflected in the Annual Report on Internal Audit and Fraud, which was presented to the Audit Committee on 11th June 2019. Since then, the following audit assignments have reached completion as set out below:

Directorate	Assignment	Control Assurance	Compliance Assurance	Organisational Impact
2019/20 Audit Plan				
Cross cutting	2018/19 Annual Governance Statement	N/A		
Cross cutting	Contract Extensions	Satisfactory	Good	Minor
Cross cutting	Disabled Facility Grant & additional grant	NA – Unqualified grant certifications		

At the conclusion of an audit assignment an assurance opinion of the system is reported and these are explained further in Appendix B – Audit Definitions.

Key points from the completed 2019/20 reviews include:

Contract Extensions

The corporate management of procurement and contracts is carried out by the business relationship and procurement team, with service management responsible for the ongoing contract management.

The audit carried out sample testing of contract extensions agreed since April 2018. For those tested, appropriate approvals were obtained and the extensions have been recorded on the contracts register and, where applicable, on the exemptions register. However, the control

environment should be strengthened by inclusion of the requirements for extending contracts in the corporate contract procedures and other corporate procurement documents.

Disabled Facility Grant and additional grant

Norfolk County Council received £7.4m capital funding from the Department of Health for Disabled Facility Grants as part of the Better Care Fund in 2018/19. Norwich City Council was allocated £1.056m and we reviewed the expenditure to the accompanying grant conditions. Following audit testing, this was completed within the deadline and signed by the Chief Executive and Chief Internal Auditor.

An additional grant of £129,528 received directly from Ministry of Housing Communities and Local Government (formerly DCLG) required a separate certification. Following audit testing, this was completed within the deadline and signed by the Chief Executive.

Draft / Interim reports / Work in progress

At the time of producing this report, the following audit assignments are at draft report stage or work in progress:

Directorate	Assignment
Cross cutting	Information Security and GDPR
Cross cutting	Financial Systems IT General Controls
Cross cutting	Payroll
Cross cutting	Scheme of Delegation
Cross cutting	Contract Management
Cross cutting	Key Policies and Procedures
Cross cutting	Commercial Property Investment Strategy
Cross cutting	Council Tax
Cross cutting	National Non-Domestic Rates (NNDR)
Cross cutting	Joint Ventures

Further information on work planned, and in progress, may be found in the Audit Plan, attached as Appendix A.

Implementation of management actions

Throughout the year we have sought assurances from teams that their actions from previous audits have been implemented to schedule. Summary of follow up recommendations from the 2018/19 audit reviews:

Audit	Essential Recommendations		Important Recommendations	
	Agreed	Status as at end of Q1	Agreed	Status as at end of Q1
Commercial Rents			6	3 completed, 3 in progress
Corporate Key Performance Measures			3	1 completed, 2 awaiting response from service
Contract Extensions			1	Revised target date to 2020
Norwich Regeneration Limited	5	2 were due to date, both completed	3	Not yet due
Housing Rents-Arrears			3	All completed
Council Tax			2	All completed
Project Management			3	Not yet due
Housing Benefits			1	Not yet due
Treasury Management			3	Not yet due
Procurement Compliance			2	Not yet due

There are currently no outstanding high level actions, and this provides positive assurance of the Councils commitment to maintain the internal control environment.

Summaries of completed audits with limited or no assurance

At the conclusion of an audit an assurance opinion of the system is reported. This reflects the effectiveness of control, compliance and organisational impact. These are explained further in Appendix B – Audit Definitions

Individual reviews which highlight there is only limited or no assurance, in the final report, are communicated to the Audit Committee for awareness. No such audits have been issued this quarter.

Other audit activity

In addition to completing ongoing audit reviews, the Internal Audit team has been conducting work in the following areas:

Corporate Risk Register

To facilitate a full refresh of the risk management process and corporate risk register, the Internal Audit Risk Management team facilitated a risk workshop on 14th November 2018 with the Corporate Leadership Team. From the workshop, a new set of 7 corporate risks has been recommended, and owners have been allocated to each of these risks. These new risks were presented to the Audit Committee at the March 2019 Committee meeting.

Following the workshop, the Internal Audit Risk Management team has created a draft summary document which detailed proposed triggers, consequences, controls and actions for the corporate risk owners to adapt/develop as appropriate. In line with the risk management refresh, the Internal Audit Risk Management team has commenced meetings with officers in order to use this summary to fully agree the details of each risk and to populate the corporate risk register on the risk management system, GRACE. It is anticipated this work will be completed by the end of July 2019.

Once the risk management team has met with all of the corporate owners to agree the corporate risks, then meetings will be arranged with owners of the directorate level risks to update the directorate level risks to ensure that they align with the new corporate risks and to cascade down the refresh of the risk registers throughout the organisation.

Advice and assurance

The team provides both proactive and responsive advice where it helps to improve the control environment. There is a contingency in the plan for handling queries, and planning for significant pieces of work which may be commissioned throughout the year. We have assisted the Council in the following areas to date:

Implementation of new IT System

The Council is implementing a new Finance System for HR and Finance.

The Project Board have requested that Internal Audit is involved to proactively provide advice on governance, risk and internal controls during project delivery.

Joint Ventures

An internal audit presence has been requested at the Project Board and Project Group meetings to proactively provide advice on governance, risk and internal controls during project delivery.

Review of controls following data breach

A data breach raised concerns about the process using the outward mail insertion machine. Internal audit was requested to review the controls within the process and procedure notes for sending out mail and has made recommendations for further development which were all agreed by the service.

Annual Governance Statement

We produced the Annual Governance Statement, which is a key piece of work which accompanies the Statement of Accounts. The team worked with Service Leads to map sources of assurance, and to identify any potential governance risks. The final version of the Annual

Governance Statement will be presented to the Audit Committee with the Statement of Accounts.

Development

Continuous improvement

The LGSS Internal Audit team follows good professional practice such as the Public Sector Internal Audit Standards, and the supporting Local Government Application Note.

The Internal Audit team has reviewed the audit definitions which are issued on conclusion of audit work. The methodology and approach continues to be relevant, and some minor revisions have been made to the terminology which should add clarity to the reporting process. The audit definitions are listed in Appendix B.

Appendix A – Internal audit plan

Norwich 2019/20

Audit	Status	Qtr opened / planned	Qtr closed	Profiled days
National Fraud Initiative	Ongoing	All year	N/a	20
Fraud Investigations	Ongoing	All year	N/a	10
Total Anti-Fraud and Corruption:				30
Accounts Receivable	Not started	Q4		25
Purchase to Pay	Not started	Q4		25
Payroll	Not started	Q4		15
Housing Rents/Arrears	Not started	Q3		20
Housing Benefits	Not started	Q3		20
Council Tax	Not started	Q2		15
NNDR	Not started	Q2		15
Bank Reconciliations	Not started	Q3		10
Treasury Management	Not started	Q4		15
Total Key Financial Systems:				160
Strategic Risk Management	Ongoing	All year	N/a	15
Risk Management	Not started	Q4		5
Total Risk Management:				20
Contract Management	In progress	Q1		20
Joint Ventures	In progress	Q1		30
Total Contracts:				50
Norwich Regeneration Limited	Not started	Q3		15
Total Risk-Based Audits:				15
Annual Key Policies & Procedures Review	In progress	Q1		6
Financial Regulations	Not started	Q4		2
Contract Procedure Rules	Not started	Q4		2
Total Policies & Procedures:				10
Fees and Charges	Not started	Q3		5
Key Performance Indicators	Not started	Q3		5
Scheme of Delegation compliance	In progress	Q1		5
Commercial Property Investment Strategy	In progress	Q1		20
Contract Extensions	Complete	Q1	Q1	5
Total Compliance:				40
IT Audit Assurance	Not started	Q4		25
Total ICT and Information Governance:				25
Attend HR & Finance Project Meetings	Ongoing	All year	N/a	5
Attend Information Governance Group	Ongoing	All year	N/a	5
Attend Data Breach Response	Ongoing	All year	N/a	5
Attend/facilitate Corporate Governance and RM Group	Ongoing	All year	N/a	5
Annual Governance Statement	Complete	Q1	Q1	10
Total Governance:				30
Disabled Facility Grant	Complete	Q1	Q1	10
Total Grant assurance:				10
Ad -Hoc Advice & Guidance	Ongoing	All year	N/a	15
Follow-Ups of Agreed Actions	Ongoing	All year	N/a	10

Total Advice & Guidance:				25
Committee Reporting	Ongoing	All year	N/a	15
Management Reporting	Ongoing	All year	N/a	10
Audit Plan	Ongoing	All year	N/a	10
Total Reporting:				35
Operational Plan Total - 2019/20				450

Appendix B – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems 'police/ enforce' good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring 'ease of use'. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to the Corporate Management Team along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a system to prioritise our recommendations, as follows:

Essential	Important	Standard
<p>Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/reputational loss.</p> <p>The improvement is critical to the system of internal control and action should be implemented as quickly as possible.</p>	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/reputational loss.</p> <p>The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.</p>	<p>The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should implement promptly or formally agree to accept the risks.</p>

