NORWICH City Council

Minutes

Audit committee

16:30 to 17:40 **23 November 2021**

Present:	Councillors Price (chair), Driver, Giles, Haynes, Peek, Sands (M), and Stutely
Also present:	Councillor Kendrick, cabinet member for resources
Apologies:	Councillor Wright (due to unforeseen circumstances, he was unable to attend the meeting but had tried to arrange a substitute at short notice and to attend for item 6 (below) as chair of scrutiny committee)

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interests.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 21 September 2021.

4. Internal Q2 Update

The internal audit manager presented the report. This was the first report that included high and medium internal audit recommendations following a request from the chair. Members were advised that the internal audit review of risk management had been issued and therefore Appendix 1 – Progress in Completing the Agreed Audit Work could be amended by removing “draft”. Members were advised that there had been discussions with the executive director of community services (as set out in paragraph 5.7 and appendix 5) to better support the team by looking at the previous audit recommendations and feeding into the new arrangements. There were 45 days on the audit plan for consultancy work and there had already been discussions with the project team to see how internal audit could contribute to this work including advice on controls going forward and looking at coverage in the internal audit plan for 2022-23 for assurance work.

In reply to a member’s question, the internal auditor explained that the annual audit opinion would be based on the internal audit work undertaken in the year which

could be amended to meet the council's needs during that year in accordance with the Public Sector Internal Audit Standards. The days left on the audit plan would be prioritised to focus on the risks and make best use of the resources within internal audit to deliver the plan and support the annual opinion. The internal audit manager would be working with the corporate leadership team and would report back to the next meeting of the committee. The removal of items therefore did not impact on the overall audit opinion.

In reply to a member's question, the internal audit manager explained that she would ensure that quarter headings for Appendix 1 were at the top of each page in future reports.

A member asked whether the length of time it took to implement actions arising from internal audit reviews exposed the council to risk. She referred to the Information Security and GDPR internal audit where actions had been deferred, one was high priority and others medium priority, and would be around 3 years out-of-date by the due date for implementation. The head of IT, customers and digital said that good progress was being made on the outstanding actions (as set out in Appendix 5) in relation to this audit, which included procurement of software to prohibit the extension of data retention rules for the council's IT systems and ongoing work to replace and refresh legacy systems, in accordance with the council's roadmap. In terms of data protection and security, the data protection team leader had placed it on the agendas of all CIAG meetings. Corporate wide training on data protection and information security had been rolled out to all officers and arrangements were in place for member training. It was expected that this training would be reviewed and refreshed annually. Further testing of the software to prohibit the extension of data retention rules would be needed but the risk to the council would be reduced by it and, going forward, the council's resilience and control environment improved. Members were advised that cybersecurity was always considered a high risk.

During discussion on progress against the internal audit plan, the internal audit manager explained that whilst 25 per cent of the work had been completed, progress had been slow due to resource issues and a backlog of work from the previous "difficult" year, 2020-21 (Appendix 5). The consultancy work on the joint ventures was expected to take place in the latter part of this financial year. The executive director of corporate and commercial services explained that there was the finance in place to support the internal audit team during this transition to the new contract arrangements from 1 April 2022, but there was a national shortage of internal auditors. The chair commented that the work on the programme had started later in the cycle and expressed concern about the impact that this would have on the council. The executive director of corporate and commercial services commented that whilst internal audit tested controls, this did not replace the management control environment and governance arrangements. There were officers within each directorate whose responsibility was to ensure compliance. External audit also provided an independent assurance on the council's finances, governance arrangements and value for money considerations. Members were advised that the shortage of auditors also applied to the external audit firms and that other local authorities were in a similar position.

The internal audit manager explained the "reasonable" assurance grading given to the risk management internal audit review and said that in audit management terms it was consistent with policy and acceptable to have five medium recommendations

and one low (as set out in Appendix 2, Executive Summary). She explained that there needed to be more consistency in the application of the council's risk appetite and referral to the corporate leadership team as appropriate, and a process for de-escalating risks.

The internal audit manager confirmed that the audit plan for 2021/22 would be brought back to the committee with reasons for any proposed changes to the plan.

The chair then referred to Appendix 3 and the outstanding audit recommendations from the internal audit review of Housing Repairs and Responsive Maintenance, that were under review, as set out in paragraph 5.7, and asked why these were no longer being implemented. The executive director of corporate and commercial services said that some of the recommendations did not align with the new contract. It was vital that the issues and recommendations were considered as part of due diligence and to move forward to ensure a safe transition to the new contract arrangements and the conclusion of the old contract. The internal audit manager was a consultant on Project Place and would report back to committee following engagement with managers with an explanation of why any of the recommendations were not being implemented.

The chair referred to the table at Appendix 4 and asked why the council's review of other high-risk contracts would not be completed until June 2022 and suggested that there needed to be robust contract management across the council. The executive director of corporate and commercial services replied that the head of legal and procurement had been undertaking a review of all contracts and relevant governance arrangements across the organisation since her appointment earlier this year. This work was on track for 2022 and would be reported back to members when the detailed evidence had been agreed for the key contracts. An interim report could be provided in March 2022. The head of legal and procurement was working with the head of environment services on the waste contract. The transfer of the environmental contracts to NCSL had gone smoothly on 1 April 2021.

(As more than an hour had passed in discussing this item, Councillor Giles moved and Councillor Sands seconded that the committee moved to the vote, and with the majority of members voting in favour the procedural motion was carried.)

RESOLVED to note the progress in delivering the internal audit plan of work within this period and management progress against delivering outstanding high and medium priority internal audit recommendations.

5. Appointment of External Auditors

The head of finance, risk and audit presented the report.

During discussion several members said that they considered that there was only one acceptable option as recommended by the head of finance, risk and audit to accept the Public Sector Audit Appointments' (PSAA's) invitation for a sector-led option for the appointment of external auditors.

The chair considered that the committee should discuss the options further. The monitoring officer advised the committee that its focus should be on providing a steer to the council to make a decision on the appointment process for external auditors.

At the request of a member, the head of finance, risk and audit summarised the options before the committee (as set out in paragraphs 8, 9 and 10 of the report) and explained the reasons for the preferred option (as set out in paragraph 11). Members noted that there was no appetite for a shared local independent panel from the county council and the other district councils in Norfolk. There were benefits from being part of a national scheme, which included economies of scale and that it would provide the best deal for the council.

The chair expressed concern that the external auditors had requested additional baseline fees to cover their workload during the current contract and pointed out that fees would therefore be increased this time round. In reply to a member's question, the head of finance, risk and audit confirmed that the other two options would not be cheaper than the recommended option to opt into the sector-led option for the appointment of the external auditors, pointing out that there was only a small pool of audit firms available to conduct local government authority audits.

RESOLVED to recommend to council[1] that the authority accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

6. Update from the Chair of Scrutiny Committee

The chair proposed that in the absence of Councillor Wright, chair of scrutiny committee, that the oral update on the outcome of the scrutiny committees held on 12 and 18 November 202, in relation to Health, Safety and Compliance in Council Homes, should be deferred to the next meeting of the committee for discussion (as a separate agenda item). Councillor Haynes seconded the motion.

RESOLVED with two members voting in favour, and five members voting against, the motion to defer this item for discussion at the next meeting was lost.

CHAIR

[1] It is the view of the monitoring officer that this is a council decision and therefore it is not necessary to refer the report to cabinet as set out in the recommendations contained in the report to audit committee.