



**Audit committee**

**16:30 to 18:35**

**8 March 2022**

Present: Councillors Price (chair), Driver (vice chair), Giles, Haynes, Peek, Sands (M), Stutely and Wright (from item 4)

Also present: Councillor Kendrick, cabinet member for resources

**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 18 January 2022.

**4. Internal Audit Q3 Update**

The internal audit manager presented the report and said that 51 per cent of this year's audit plan had been completed. Since the production of the agenda papers, the internal audit reviews of Housing Rent/Arrears and Treasury Management had been completed and issued with a reasonable audit opinion that would be reported to the next meeting. The internal audit review of business grants had received a reasonable audit opinion, with 4 medium priority recommendations and 4 low priority recommendations.

During discussion the internal audit manager, executive director of corporate and commercial services (S151 officer) and the interim head of finance, audit and risk, answered members' questions.

In reply to a member's question, the internal audit manager confirmed that internal audit had not been called on to investigate anti-fraud or corruption, as cases had been dealt with under the council's Anti-fraud and Corruption policy, and it had not been involved in the annual National Fraud Initiative (NFI) matching exercise. Therefore, the days put aside for consultancy have not been required as discussed at the last meeting. A member commented on the excellent work of the Revenues and Benefits team had done to issue the business support grants during the pandemic. He asked whether the level of errors and overpayments at 0.7 per cent of

total grants paid out and the recovery rate of 97 per cent, and the identification of fraudulent applications at 0.2 per cent, compared with other authorities nationally. Members then considered that they would like further information on the outcome of the internal review of business grants and the outcome of NFI matching exercise and to invite the relevant officers to the next meeting.

A member expressed concern that the internal audit plan would not be completed this year. The internal audit manager said that the team was working hard and there were several audits underway. The plan was being kept under review, and whilst it might slip beyond 31 March 2022, the objective was the delivery of the annual internal audit report and audit opinion for the year. Any significant risks would be reported to the corporate leadership team (CLT) and the committee. If it became apparent that the internal audit plan could not be completed, the internal audit manager would liaise with the chair. The executive director of corporate and commercial service confirmed that it was usual to report at the end of the cycle. The internal audit manager was working hard to ensure completion of the plan and prepare for the new provider and reiterated that by the time a draft internal audit review report had been produced, the bulk of the audit review work had been completed. Regarding the audit review of Treasury Management, the lead officers had responded in a timely manner to the recommendations, but the report had not been signed off because the internal audit team was working on other audits. Members were assured that there was nothing of concern in the recommendations. The internal audit manager said that it did not take a day to finalise reports which illustrated that the bulk of the work had been completed. Fieldwork on the environmental services review was underway and would be concluded by 31 March 2022.

A member referred to the internal audit review of business support grants and said that £40,000 was a large amount of public money to be written off. The internal audit manager said that managers have signed off the recommendations. In reply to the member's question, the executive director of corporate and commercial services explained that the council's business model was that fraud investigation was provided by a business partner of the council. A peer review of the Revenues and Benefits service was going to be conducted in the next year and would be reported back to the committee in the next year. The council had supported the government to deliver the business support grants during Covid. The council had a responsibility to ensure that checks were in place, but it should be considered in the context of the national picture of the government being open that fraud had occurred because of the timescales to get grants out to support businesses. Members noted that the council's performance against benchmarking against the NFI and business grants would be considered at the next meeting.

In reply to questions from the chair, the internal audit manager said that she was trying to deliver the plan and was confident that internal audits would be completed but the one that might fall behind was payroll. She also said that the recommendations from the internal audit review of risk management had not fallen due and would either be reported at the next meeting, or a new due date put forward for consideration.

**RESOLVED** to:

- (1) note the progress in delivering the internal audit plan of work within this period;

- (2) invite the managers of the revenues and benefits service to a future meeting of the committee.

## **5. Internal Audit Recommendations Update**

(Note: this report was wrongly titled “Internal Audit Q1 Update” in the agenda papers.)

The internal audit manager introduced the report and referred to Appendix 2, which tracked the internal audit recommendations that were either medium or high priority that had gone past the due date. Members were advised that the internal audit manager would take questions, caveating that some would need to be referred to the responsible officer as appropriate.

A member asked for clarification on when actions arising from the internal audits should be implemented, adding that “up and running” was not an exact measure. The internal audit manager agreed, and said that this would be addressed. She explained that actions were agreed with management in the quarter that the audit work had been carried out and set out in the final report of the internal audit review.

The executive head of corporate and commercial services apologised that an update on the actions arising from the payroll had not been provided to the internal audit manager in time to be included in the report. The head of HR and learning was engaged with the TUPE arrangements to transfer staff from the joint ventures to the council at the end of the month. The issue had not been with the payroll system. The weakness had been due to a mistake by an officer who did not understand the control system. Training had been provided. There had been no financial loss to the council.

During discussion, the internal audit manager explained the process for rescheduling due dates for implementation of recommendations in consultation with responsible officers and the CLT. The committee could ask for responsible officers to attend the committee if they required further information on the reasons for delay. Members were advised that there was still a risk to the council until a control had been implemented but taken on face value, a delay did not increase the risk.

Members were advised that evidence was required before the Contract Management – Waste Management audit review could be signed off. It was expected that this would be concluded before the next meeting. In reply to a member’s question, the executive director of corporate and commercial services said that there were savings related to this contract which would need to be implemented in the next financial year. There were ongoing discussions with the provider. Members commented that they were reassured that there would be no cuts to service delivery.

The executive director of corporate and commercial services said that a new process for contract management had been agreed and CLT was working to embed a consistent approach throughout the organisation by June 2022. A summary of the actions could be provided to the committee for background information. The chair said that this was important. The committee raised concerns about Housing and Responsive Repairs contract management and thanked CLT for highlighting this issue.

The chair referred to Key Policies and Procedures, due to be completed by the end of March 2022, and asked whether there was a benchmark or process for determining when a policy or procedure was due for review. The committee could be updated on this at its next meeting.:

**RESOLVED** to:

- (1) note the progress against delivering outstanding high and medium priority internal audit recommendations;
- (2) ask the executive head of corporate and commercial services to provide a summary of the actions to ensure robust contract management is consistently employed throughout the council;
- (3) ask the strategy manager to further information on the process for reviewing key policies and procedures, to a future meeting of the committee.

(Councillor Kendrick left the meeting at this point (on other council business).)

## **6. Risk Management Update**

The interim head of finance, audit and risk presented the report. The risk register had been incorporated into the Q3 Assurance report to cabinet on 23 February 2022. Members agreed to discuss risks 7 and 10, in private.

The chair commented on the section of the report under the heading Focus on Climate Change Risk and said that he was disappointed that an overarching Climate Change risk had not been advocated.

During discussion on information security, the head of customers, IT and digital said that “unauthorised access to or loss or disclosure of personal data” (Risk 8 – Data Protection Compliance) covered a range of things, such as inadvertently emailing to the wrong person or automated letters.

The committee made some general points on the risk register. It was noted that cabinet had recommended that consideration be given to add the risk associated with Elections in relation to photo identification being required for voters. A member also commented on climate change and said that adaptations of existing housing stock and welfare visits to vulnerable people in extreme weather conditions should be considered. The chair suggested that this could be considered by scrutiny committee as part of its work programme.

The chair then went through the Risk Register, item by item, giving members an opportunity to comment or ask questions.

The chair commented on Risk 2 – Commercialisation (investment property, NRL, and other commercial income sources) and said that his concerns about the council’s property acquisitions and commercial activity were well known. The interim head of finance, audit and risk pointed out that the risk register report was to the end of Q3 and therefore the risk control actions in relation to this risk, would be expected to be completed by the end of this financial year.

Regarding Risk 4 – Further waves of Covid 19, members expressed concern about the impact of government policy to withdraw measures, the increased number of people currently infected by the virus and the risk to vulnerable people.

Members commented that the full impact of Brexit (Risk 5) had not been realised yet. The interim head of finance, audit and risk advised that the level had been reduced but it was still a significant risk, particularly concerns relating to the supply chain and increased cost of living.

The head of customers, IT and digital explained that the risk score for Risk 8 – Data Protection Compliance had been reviewed to correct the risk level to the council. It was therefore a re-assessment of the risk rather than an actual increase.

Members commented on Risk 11 – Antisocial Behaviour (ASB) and noted that the current risk score of 16 was much higher than the target risk of 6 and noted that temporary staff had been trained. They wanted to know what the effect would be on the appointment of the new team to the risk scores, which appeared to be stable rather than moving down. The interim head of finance, audit and risk replied that the service lead would be able to provide a specific response on this issue. The chair pointed out that this was important for all ward councillors and had welcomed the online contact for reporting ASB. Another member asked whether the team had been fully recruited and was advised that this was a specific question to the service lead.

The executive director of corporate and commercial services replied to questions on the Risk 13 – The Council's Approach to Waste and Recycling becomes financially, environmentally and contractually unsustainable. The report on the contract strategy for NEWS had been considered and approved at cabinet (17 November 2021). She commented that the risk control measures (mitigation) were intended to take the current residual risk to the target risk. The provision of services was linked to legislation and if the Environment Act required it, there would have to be free collection of garden waste. The chair acknowledged the finance and resource issues that this could have on the council. He suggested that there was an opportunity to improve the collection of recycling from communal bins as part of the renegotiation of the contract.

A member commented on Risk 14 – Health, Safety and Compliance in Council Homes and Buildings and asked why the current residual risk was still 20. The executive director of corporate and commercial services explained that the risk control actions were mitigation to address the risk. The executive director of community services was on leave but would attend the next meeting when the risk register was under consideration.

The chair commented on Risk 15 – Failure to draw down £15m of HIF money, secured from Homes England to assist with the delivery of Anglia Square, and said that the current residual score of 16 was high and noted that it was unlikely that development would start on site before 2023.

Councillor Stutely, chair of licensing committee, said that he welcomed the improvement plan in relation to Risk 17 – Failure to deliver acceptable levels of performance in regulatory services and there had been positive outcomes from the peer review. The chair pointed out that the internal audit plan would include an audit review of this service area. The executive director of corporate and

commercial services said that it was intended to turn around the service within the next 3 to 6 months.

The chair asked whether the committee could have sight of the directorate risk registers that fed into the corporate risk registers.

**RESOLVED to**

- (1) note the risk management update.
- (2) ask the early intervention and community safety manager to provide a specific response on the Risk 11 – Antisocial Behaviour relating to the appointment and training of the new ASB team, to a future meeting of the committee;
- (3) ask the interim head of finance, audit and risk to consider whether it would be helpful for members of the committee to review directorate risk registers.

**7. Strategic and Annual Internal Audit Plans 2022/23**

The internal audit manager presented the report.

During discussion the internal audit manager and the executive director of corporate and commercial services answered members' questions. Delays in the external audit would not impact on the internal audit plans. External and internal audit worked closely together but were separate functions. Service heads had been consulted in the development of the plans which were risk based. It was important to consider that alongside the audit process, lead officers managed risks at operational level which were overseen by CLT.

The vice chair welcomed the inclusion of the charter, strategy and items such as play equipment in the plans.

A member commented that the Fighting Fraud and Corruption Strategy had highlighted an increasing threat of fraud for local authorities (as set out in Appendix 4). The internal audit manager said that all councils considered best practice and needed to be aware of the wider picture.

The chair said that he was concerned that members of the committee had not been involved in the development of the internal audit plans. He suggested that members emailed the internal audit manager and included other members in the circulation if they had any concerns or suggestions for items that they would like to be included in the plans.

Discussion ensued on the number of days allocated in the plans in comparison to previous plans. The internal audit manager said that it was important to ensure that all areas were covered to give assurance for the annual audit opinion. The internal audits were prioritised on the corporate risks that were important to the council. The executive director of corporate and commercial services said there were some slight savings to the council but this approach, with better quality information and proactive management, was more beneficial to the council. Days were no longer the

measurement that should be considered but the outputs, with good compliance embedded throughout the authority. The chair suggested that the allocation of more days would enable internal audit to add even more benefit to the council and reduce risks. The executive director of corporate and commercial services said that the internal audit manager had discussed the plans with CLT and they had taken on board her recommendations.

The chair commented that he would be interested to see the full report on the internal audit review on Air Quality, as it was very important in the city. He was also pleased to see that there would be more work on processes and contract management. He also referred to Appendix 3, which showed where areas not covered in earlier years would be audited over the next 4 years.

**RESOLVED** to

- (1) endorse:
  - (a) the Internal Audit Charter;
  - (b) the Internal Audit Strategy;
  - (c) the Strategic Internal Audit Plans 2022/23 to 2025/26; and
  - (d) the Annual Internal Audit Plan 2022/23.
  
- (2) ask members to contact the internal audit manager with any suggestions or comments on the plan where they consider should be included in the plan by the end of the week (11 March 2022).

**8. Audit Plan Addendum VFM Risk Assessment (Year ended 31 March 2021)**

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

**RESOLVED** to note the report.

**9. Exclusion of the public**

**RESOLVED** to exclude the public from the meeting during consideration of the item 10\* below on the grounds contained in the relevant paragraphs of schedule 12a of the local government act 1972 (as amended).

**10\* Risk Management Update – Exempt Appendix (paragraph 3)**

The committee discussed the measures of mitigation in relation to Risk 7.

Members of the committee had no comments to make in relation to risks set out in the exempt appendix (Risk 10).

**RESOLVED** to note the report.

CHAIR