



Audit committee

Date: Tuesday, 18 January 2022

Time: 16:30

Venue: Council chamber, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Price (chair)

Driver (vice chair)

Giles

Haynes

Peek

Sands (M)

Stutely

Wright

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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 which have been submitted in accordance with 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 - 8
	To approve the accuracy of the minutes of the meeting held on 23 November 2021	
5	Internal Audit Q2 Update	9 - 20
	Purpose - To outline the review process and proposed amendments to the Internal Audit plan for 2021/22	
6	Audit Committee Self-Assessment	21 - 32
	Purpose - The audit committee carried out a self-assessment exercise on 1 November 2021 facilitated by the Internal Audit Manager. The results of the assessment are provided within this report to allow the committee to track progress made against agreed actions and to make any amendments based on the current position.	
7	Extraordinary meeting	

To agree to hold an extraordinary meeting to consider the Annual Governance Statement 2021-22 and the Statement of Accounts and Audit Results Report 2021-22.

Date of publication: **Monday, 10 January 2022**



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 council¹ 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.



Committee Name: Audit

Committee Date: 18/01/2022

Report Title: Internal Audit Q2 Update

Portfolio:	Cllr Paul Kendrick, cabinet member for resources
Report from:	Internal Audit Manager – Norwich City Council
Wards:	‘All Wards’
OPEN PUBLIC ITEM	

Purpose

To outline the review process and proposed amendments to the Internal Audit plan for 2021/22.

Recommendation:

It is recommended that members endorse the proposed changes to the Internal Audit Plan for 2021/22.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report helps to meet all above corporate priorities.

Report Details

1. The 2021/22 the Internal Audit Plan was endorsed by the Audit Committee on 9 March 2021. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation.
2. The Internal Audit Plan has been reviewed to ensure it continues to address the key identified risks and is deliverable with the available resource. The updated plan has been reviewed and agreed by the Corporate Leadership Team.
3. Appendix 1 sets out in detail the review undertaken, proposed amendments to the planned work and resource implications.

Consultation

Not applicable for this report.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

The proposals in the report to provide additional resources to complete the plan are expected to cost £20,000. This can be delivered within the original budget allocation.

Legal

None applicable for this report.

Risk Management

Risk	Consequence	Controls Required
Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion.	Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.	Risk based review of the plan to ensure sufficient coverage to issue the end of year opinion. Sufficient and appropriate resources to deliver the plan.

Other Options Considered

Not applicable for this report.

Reasons for the decision/recommendation

The Committee receives this report in conformance with the Public Sector Internal Audit Standards.

Background papers: None

Appendices: Revised Internal Audit Plan Revisions 2021-2022 -
appended report

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Eastern Internal Audit Services



NORWICH CITY COUNCIL

Revised Annual Internal Audit Plans 2021/22

Responsible Officer: Internal Audit Manager, Norwich City Council

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The 2021/22 the Internal Audit Plan was endorsed by the Audit Committee on 9 March 2021. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation.
- 1.3 Due to ongoing difficulties in delivering the agreed work with current resources it is necessary to revise the agreed 2021/22 Internal Audit Plan.
- 1.4 The Internal Audit plan 2021/22 started later than usual with no work being scheduled in quarter one to allow for the finalisation of outstanding 2020/21 work. In addition, the Executive Director of Corporate and Commercial Services sought to relieve the already identified resource pressures on the Internal Audit service by entering into the Eastern Internal Audit Consortium arrangement led by South Norfolk Council.
- 1.5 The Head of Internal Audit from Eastern Internal Audit Services oversees the management of the Internal Audit plan with 2 FTEs delivering the assurance work. This arrangement will be in place until April 2022 when the Council is to enter the consortium arrangement and the work will start to be delivered by an outsourced contractor.
- 1.6 Due to the late start of the plan and ongoing challenges faced by the internal team such as staff sickness and the Covid-19 Pandemic impacting on assurance work, it is recognised that the current plan of work devised at the end of the 2020/21 financial year is no longer achievable.
- 1.7 The Internal Audit Plans for 2021/22 has therefore been revised to defer any work that is not considered a significant risk to the Council and reprofile the remaining assurance areas.
- 1.8 Additional external resources will be used to enhance resource capabilities for the areas that do represent a significant risk to the Council and the remainder will be assigned to the in-house team based on the number of chargeable days that can be achieved by 31 March 2022. This will increase the likelihood of sufficient assurance work being delivered in time for the Annual Internal Audit Opinion on the governance, risk and control framework for 2021/22.
- 1.9 This report outlines our approach and changes proposed to the Internal Audit plan for 2021/22.

2. INTERNAL AUDIT PLAN 2021/22 AMENDMENTS

2.1 Deferred audits

A total of 485 days was originally planned for 2021/22. A total of 280 of these days were allocated to audit work. It is proposed that the following audits are deferred reducing the plan by 65 days and bringing the total of audit work to 235 days.

- 2.2 A risk assessment will be undertaken during internal audit planning in quarter four 2022 to establish when assurance will be required for each of these areas. The original plan is provided at **Appendix 1**. The revised plan is provided at **Appendix 2** for comparison.

Audit	Days	Reason for deferral
Quarter 3		
NC2216 Debt Recovery	10 days	These days are covered by reviewing debt management procedures in Housing Benefits, Council Tax and NNDR. The remaining applicable area, Accounts Receivable will be added to the 2022/23 plan as part of a 3-year strategic plan.
NC2220 New Financial Management Code	10 days	Head of Audit, Finance and Risk has provided an overview of compliance against the financial management code. No further assurance deemed as required.
NC2202 Grant's assurance Green Homes	15 days	Originally profiled across quarter 3 and 4. Assurance work for this grant is not yet required. Testing required for the grant determination will be carried out by the Internal Audit Manager when requested and in line with the deadline provided by BEIS.
Quarter 4		
NC2218 Towns fund deal	20 days	This review will be deferred into 2022/23 when projects get up and running and area is sufficiently progressed to carry out testing.
IT audit - tbc	10 days	Auditable area not yet determined. Days to be carried forward into the 2022/23 plan.
Total	65 days	

2.3 Consultancy days

A total of 485 days was originally planned for 2021/22. A total of 205 days were allocated to consultancy work including 20 days for follow up. Much of the consultancy days will not be delivered due to no need having been identified.

- 2.4 Consultancy days will be separated out of the overall total in Audit Committee reporting to show progress against audit work that will be relied upon when determining the annual opinion. If any significant work is carried out in the areas of consultancy work listed below it will be reported to the committee in detail. All consultancy work except for risk management which will be delivered by the in-house team until April 2022, will be delivered by the Internal Audit Manager as and when required.

Consultancy	Days	Delivered	Work to date
Anti-Fraud and Corruption - NFI	20	0	Internal Audit has not been involved in matching exercises in 2021/22.
Anti-Fraud and Corruption - Investigations	10	0	No areas of investigation completed.
Information Governance Group	5	1	Meetings attended where required.
Resources, Performance & Delivery Board	5	1	Meeting attended where required.
Joint Ventures Insourcing	45	0	Internal Audit Manager to provide support to Project Place. Details of work to be provided to Audit Committee.
New Housing System	10	2	TIAA has provided IT support provided on reconciliation controls.

Consultancy	Days	Delivered	Work to date
Consultancy Contingency	15	7	BSG Support – Covid19 business grants support and advice.
Risk Management	15	6	Preparing cabinet update papers
Data Breach Response	5	0	None raised for IA attention
Annual Governance Statement	10	8	Supporting the preparation of the AGS 2020/21. No further support required.
Audit Management Duties	45	12	Internal Audit Management duties. Reviewing reports. Audit Committee papers.
TOTAL	185	37	

2.5 Additional resource

Internal Audit coverage will be enhanced by an external resource to increase the likelihood of the revised internal audit work will be delivered. The following audits have been reallocated from the in-house team and will be delivered in quarter four. TIAA will continue to deliver planned IT audit coverage.

Audit	Days	Audit scope
Quarter 4		
Accounts Payable	10	A key controls financial systems audit. The audit will evaluate compliance with procedures for adding and amending suppliers, the processing of approved purchase orders and authorisation of orders in line with delegated authority.
Environmental Services	20	This audit will evaluate the controls in place for the management of environmental services by the in-house NCSL. This is the first audit of the new arrangements since the Council brought Environmental Services in house from April 2021. Our review will focus on whether the Council is receiving a high standard of delivery for residents in line with the terms of the contract for street cleaning, parks and open spaces.
Social Housing Delivery Programme	20	This audit will focus on providing assurance that required governance controls are well established to deliver the social housing delivery programme.
Total	50	

2.6 Summary of internal audit plan revisions

As a result of the proposed revisions the original 2021/22 Internal Audit Plan has been reduced by 65 audit days to better reflect remaining available days up to 31 March 2022 and to allow the team to focus on providing assurance over significant risks at the Council.

- 2.7 A total of 235 days will be delivered overall. As identified above, details of consultancy days delivered will be reported to the Audit Committee separately so to accurately reflect the audit work being relied upon for the annual internal audit opinion. Once complete the revised plan provides sufficient assurance to enable the annual internal audit plan to be relied upon for the Council's Annual Governance Statement.

Original plan 2021/22		Revised Plan 2021/22	
Audit days	300	Audit Days	235

3. RECOMMENDATIONS

- 3.1 Audit Committee consider the suggested revisions to the 2021/22 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council and the requirements to enable the Annual Internal Audit Opinion to be provided within resources available. It is recommended that members endorse the proposed changes to the Internal Audit Plan for 2021/22.

4. CONCLUSION

- 4.1 Internal Audit is required to ensure that the plan of assurance work remains responsive to the needs of the Council throughout the year amending our approach as and when required.
- 4.2 To counteract resourcing challenges facing the delivery of the internal audit plan in 2021/22, it is proposed that the plan is reduced by 65 days overall and 50 days of planned work are re-allocated to an external resource. It is proposed that consultancy days continue to be delivered upon request and if significant reported in detail to the Audit Committee; allowing the Progress report to better reflect progress against work that will be relied upon for the Annual Head of Internal audit opinion.

APPENDIX 1 – INTERNAL AUDIT PLAN ORIGINAL 2021/22

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
							High	Medium	Low	
Quarter 1										
		0	0	0						
Quarter 2										
Risk Management	NC2206	15	15	15	Final draft report 23 November 2021	Reasonable	0	5	1	Nov-21
Corporate Health & Safety	NC2204	15	15	12	Draft report stage					
IR35 Compliance	NC2205	10	10	9	Draft report stage					
Grants assurance DFG	NC2201	5	5	5	Completed signed certification issued					n/a
Business Support Grants	NC2203	20	20	19	Draft report stage					
TOTAL		65	65	60						
Quarter 3										
Environmental Services	NC2213	20	20	0	Scheduled					
Accounts Payable	NC2215	10	10	0	Scheduled					
Housing Rent/Arrears	NC2208	15	15	3	APM issued 8 October 2021					
Housing Benefits	NC2209	15	15	0	Scheduled					
Council Tax	NC2210	10	10	5	APM issued 6 December 2021. Fieldwork ongoing					
National Non Domestic Rates (NNDR)	NC2211	10	10	5	APM issued 6 December 2021. Fieldwork ongoing					
Debt Recovery	NC2216	10	10	0	Scheduled					
Treasury Management	NC2212	10	10	1	APM issued 22 October 2021					
New Financial Management Code	NC2220	10	10	0	Scheduled					
Grants assurance Green Homes	NC2202	5	5	2	Scheduled					
TOTAL		115	115	16						

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations		
							High	Medium	Low
Quarter 4									
Grants assurance Green Homes	NC2202	10	10	0	Scheduled				
Payroll	NC2207	10	10	0	Scheduled				
Capital Accounting and Programme Management	NC2214	30	30	1	Capital Accounting and Programme Management Audit Combined. APM with CLT for approval.				
Social Housing Delivery Programme	NC2217	20	20	0					
Towns Fund Deal	NC2218	20	20	0	Scheduled				
TOTAL		90	90	1					
IT Audits									
IT Governance		10	10	0	TIAA Instructed, APM being developed				
Housing & Tenancy Application		10	10	1	TIAA Instructed, APM being developed				
To be determined		10	10	0	10 days to be carried forward into the 2022/23 plan.				
TOTAL		30	30	1					
Consultancy									
Anti Fraud and Corruption - NFI		20	20	0	No internal audit involvement 2020/21				
Anti Fraud and Corruption - Investigations		10	10	0	None raised for IA attention				
Information Governance Group		5	5	1	Ongoing support				
Resources, Performance & Delivery Board		5	5	1	Meeting attended, information provided.				
Joint Ventures Insourcing		45	45	0	Internal Audit Manager to provide assurance on Project Place.				
New Housing System		10	10	2	IT support provided on reconciliation controls.				
Consultancy Contingency		15	15	7	BSG Support - Covid19 business grants				
Risk Management		15	15	6	Preparing risk management update papers cabinet				
Data Breach Response		5	5	0	None raised for IA attention				
Annual Governance Statement		10	10	8	Supporting the preparation of the AGS in 2020/21. No further days required.				
Audit Management Duties		45	45	14	Internal Audit Management responsibilities, reviewing reports.				
TOTAL		185	185	39					
Follow Up									
Follow Up		20	20	10					
TOTAL		20	20	10					
TOTAL		505	505	137			0	5	1
Percentage of plan completed				27%					

APPENDIX 2 – REVISED INTERNAL AUDIT PLAN 2021/22

Audit Area	Audit Ref	No. of days	Revised Days	Auditor	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
								High	Medium	Low	
Quarter 1											
		0	0		0						
Quarter 2											
Risk Management	NC2206	15	15	AH	15	Final draft report 23 November 2021	Reasonable	0	5	1	Nov-21
Corporate Health & Safety	NC2204	15	15	AH	12	Draft report stage					
IR35 Compliance	NC2205	10	10	SE	9	Draft report stage					
Grants assurance DFG	NC2201	5	5	SE	5	Completed signed certification issued					n/a
Business Support Grants	NC2203	20	20	SE	19	Draft report stage					
TOTAL		65	65		60						
Quarter 3											
Housing Rent/Arrears	NC2208	15	15	SE	3	APM issued 8 October 2021					
Housing Benefits	NC2209	15	15	AH	0	Scheduled					
Council Tax	NC2210	10	10	AH	1	APM issued 6 December 2021					
National Non Domestic Rates (NNDR)	NC2211	10	10	AH	1	APM issued 6 December 2021					
Debt Recovery	NC2216	10			0	Deferred					
Treasury Management	NC2212	10	10	AH	1	APM issued 22 October 2021					
New Financial Management Code	NC2220	10			0	Deferred					
Grants assurance Green Homes	NC2202	15			0	Deferred					
TOTAL		95	60		6						
Quarter 4											
Environmental Services	NC2213	20	20	SS	0	Scheduled					
Accounts Payable	NC2215	10	10	EV	0	Scheduled					
Payroll	NC2207	10	10		0	Scheduled					
Capital Accounting and Programme Management	NC2214	30	30	SE	1	Capital Accounting and Programme Management Audit Combined. APM with CLT for approval.					
Social Housing Delivery Programme	NC2217	20	20	SS	0	Scheduled					
Towns Fund Deal	NC2218	20			0	Deferred					
TOTAL		110	90		1						
IT Audits											
IT Governance		10	10	PK	0	TIAA Instructed, APM being developed					
Housing & Tenancy Application		10	10	PK	1	TIAA Instructed, APM being developed					
To be determined		10			0	Days carried forward 2022/23					
TOTAL		30	20		1						
TOTAL		300	235		68			0	5	1	
Percentage of plan completed					29%						



Committee Name: Audit

Committee Date: 18/01/2022

Report Title: Audit Committee Self-Assessment

Portfolio:	Cllr Paul Kendrick, cabinet member for resources
Report from:	Internal Audit Manager – Norwich City Council
Wards:	‘All Wards’
OPEN PUBLIC ITEM	

Purpose

The Audit Committee carried out a self-assessment exercise on 1 November 2021 facilitated by the Internal Audit Manager. The results of the assessment are provided within this report to allow the Committee to track progress made against agreed actions and to make any amendments based on the current position.

Recommendation:

That members discuss the November 2021 self-assessment checklist at Appendix 1 to this report to ensure that this is an accurate reflection of the discussion and actions required and update as appropriate.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report helps to meet all above corporate priorities.

Report Details

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) document on “audit committee’s practical guidance for local authorities and police” sets out the guidance on the function and the operation of audit committees. It represents CIPFA’s view of best practice and incorporate the positions statements previously issued.
2. The Audit Committee used the CIPFA documentation to conduct out a self-assessments exercise in November 2021. The results of the assessment are attached to this report for discussion.

Background

3. The CIPFA Audit Committee guidance states “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.
4. The Section 151 Officer has overarching responsibility for discharging the requirements for sound financial management, and to be truly effective requires an audit committee to provide and support challenge.
5. Good audit committees are characterised by; balanced, objective, independent, knowledgeable and properly trained members, a membership that is supportive of good governance principles, a strong independently minded Chair, an unbiased attitude and the ability to challenge when required.
6. It is therefore good practice to complete a regular self-assessment exercise against the checklist, to be satisfied that the committee is performing effectively. In addition, the Public Sector Internal Audit Standards also call for the committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility. This is the first time the Audit Committee has undertaken a self-assessment exercise and as a result, actions have been identified to ensure full compliance with best practice.
7. Part one of the assessment is a yes / no response and covers:
 - Purpose and Governance;
 - Functions of the Committee;
 - Membership and Support; and
 - Effectiveness of the Committee.

Current Position/Findings

8. At the session facilitated by the Internal Audit Manager on 1 November 2021 the Committee members in attendance were asked to consider the answers to questions asked in part one of the assessment. Responses are provided at **Appendix 1** of this report for discussion and update where required.

9. The exercise has highlighted the following areas of partial or no conformance with best practice. It is suggested that the Committee considers progress against the agreed improvement recommendations.
- Question 4 –Is the role and purpose of the audit committee understood and accepted across the authority?
The Committee answered partly. It is recommended that Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.
Target Date: To be agreed by the audit committee
 - Question 8 - Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?
The Committee answered partly. Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.
Target Date: To be agreed by the audit committee
 - Question 9 - Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?
The Committee answered partly. The Committee requests that CLT and the Constitutional Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.
Target Date: To be agreed by the audit committee
 - Question 12 - Has an effective audit committee structure and composition of the board been selected?
The Committee answered partly as it considers that independence could be strengthened by appointing an independent member.
Target Date: To be agreed by the audit committee
 - Question 15 – Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?
The Committee answered no. The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.
Target Date: To be agreed by the audit committee
 - Question 18 - Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?

The Committee answered partly. Feedback would be received by the Committee as part of the presentation of the annual report. However, the Committee suggests that a survey of staff and other members interacting with the Committee is undertaken to provide feedback.

Target Date: To be agreed by the audit committee

- Question 19 - Has the committee evaluated whether and how it is adding value to the organisation?

The Committee answered partly. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area to demonstrate where value is added.

Target Date: To be agreed by the audit committee

- Question 20 - Does the committee have an action plan to improve any areas of weakness?

The Committee answered partly. It is recommended that the actions arising from this assessment are monitored to completion by the Committee.

Target Date: To be agreed by the audit committee

10. The second part of the exercise requires practical examples to be highlighted to display strengths and weaknesses in the following key areas:

- Promoting the principles of good governance and their application to decision making;
- Contributing to the development of an effective Audit Committee;
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks;
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence;
- Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, controls and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money;
- Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.

11. The Committee will carry out the second stage of the assessment during next year's annual exercise to score effectiveness once the above actions have been resolved.

Conclusion

12. In conclusion, the Audit Committee self-assessment has indicated that the Committee feels it is acting broadly in line with best practice and can demonstrate that it is adding value to the Council through its role and terms of reference. This exercise will be carried out annually and improvement actions tracked in the Audit Committee work plan to ensure completion.

Consultation

Not applicable for this report.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.

Legal

None applicable for this report.

Risk Management

Risk	Consequence	Controls Required
That the Audit Committee does not continue to comply with relevant and up to date guidance and that its Terms of Reference are inappropriate for it to fulfil its role.	Ineffective audit committee function unable to provide and support challenge over the council's operations.	Completion of the self-assessment and identified actions to ensuring best practice and sound terms of reference.

Other Options Considered

Not applicable for this report.

Reasons for the decision/recommendation

It is good practice to complete a regular self-assessment exercise against the checklist, to be satisfied that the committee is performing effectively.

Background papers: None

**Appendices: Appendix 1 Audit Committee Self-Assessment
Questionnaire**

Contact Officer:

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Part 1 Self-assessment of good practice

This evaluation supports an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle's then it is an indicator that the committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
Audit Committee purpose and governance				
1	Does the authority have a dedicated audit committee?	✓		
2	Does the audit committee report directly to full council?	✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	✓		
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓		
6	Are the arrangements to hold the committee to accounts for its performance operating satisfactorily?	✓		
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? <ul style="list-style-type: none"> - Good governance - Assurance framework - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption 	✓		

	Good Practice Questions	Yes	Partly	No
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		✓	
9	Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?		✓	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Not applicable		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
Membership and support				
12	Has an effective audit committee structure and composition of the board been selected? This should include: <ul style="list-style-type: none"> - Separation from the executive - An appropriate mix of knowledge and skills among the membership - A size of committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process 		✓	
13	Does the chair of the committee have appropriate knowledge and skills?	✓		
14	Are arrangements in place to support the committee with briefings and training?	✓		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓
16	Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the chief finance officer?	✓		
17	Is adequate secretariat and administrative support to the committee provided?	✓		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓	
19	Has the committee evaluated whether and how it is adding value to the organisation?		✓	
20	Does the committee have an action plan to improve any areas of weakness?		✓	

Actions arising

Question	Assessment	Action	Proposed Target Date
4	Partly	Training to be considered for members to raise awareness of the role of the Audit Committee. Training to be provided for any independent committee members appointed.	TBC
8	Partly	Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.	TBC
9	Partly	Treasury management is included within the list of wider areas of involvement for Audit Committees. The Committee requests that CLT and the Constitutional Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.	TBC
12	Partly	To enhance knowledge skills and independence of the Committee, an independent member will be appointed using the appropriate process.	TBC
15	No	The membership of the committee has not been assessed against the core knowledge and skills framework. This has been circulated by the Audit Manager requesting that any training/knowledge requirements are identified by members.	TBC
18	Partly	Feedback would be received by the Committee as part of the presentation of the annual report. However, the Committee suggests that a survey of staff and other members interacting with the Committee is undertaken to provide feedback.	TBC
19	Partly	As part of the self-assessment exercise the Committee has evaluated how it is adding value. Part two of the self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area.	TBC
20	Partly	It is recommended that the actions arising from this assessment are monitored to completion by the Committee.	TBC

Part 2 Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 no evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Self-evaluation examples, areas of strength & weakness	Assessment 1-5
Promoting the principles of good governance and their application to decision making		
Contributing to the development of an effective control environment		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks		

Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence		
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements		
Supporting the development of robust arrangements for ensuring value for money		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks		

