



Audit committee

Date: Tuesday, 12 July 2022

Time: 16:30

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

Committee members:

Councillors:

Price (chair)

Driver

Everett

Haynes

Kidman

Sands (M)

Stutely

Wright

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Agenda

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1 Appointment of Vice Chair

To appoint a vice chair for the ensuing civic year

2 Apologies

To receive apologies for absence

3 Public questions/petitions

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

4 Declarations of interest

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

5 Minutes

To approve the minutes of the meeting held on 8 March 2022 and the extraordinary meeting held on 17 May 2022

5a Minutes of the meeting held on 8 March 2022 5 - 12

5b Minutes of meeting held on 17 May 2022 13 - 16

6 Progress Report on Internal Audit Activity 2021-22 17 - 40

Purpose - This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22.

7 Internal Audit Annual Report and Opinion 2021-22 41 - 56

Purpose - In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes of the overall adequacy and effectiveness of the organisational framework of governance, risk management and control.

8 Code of Corporate Governance 57 - 78

Purpose - This report seeks the views of the audit committee on the updated Code of Corporate Governance

9 Contract Management Arrangements Review 79 - 86

Purpose - The purpose of this report is to inform the audit committee on the council's arrangements for contract management and provide assurance regarding the measures in place to respond to the identified corporate risk relating to Contract Management.

10 Consideration of Treasury Management 87 - 92

Purpose - In undertaking its self-assessment, the audit committee raised the subject of whether it should have a role in considering treasury management.

This report updates the committee on potential options for reviewing treasury management and seeks to make recommendations on how to progress.

11 Annual report of the Audit committee 2021-22 93 - 106

Purpose - This report presents the draft Annual Report of the Audit Committee 2021-22 appended at Appendix A to the committee for comment.

12 Work Programme 107 - 112

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

Date of publication: **Monday, 04 July 2022**



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 pro-active 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



Audit committee (extraordinary meeting)

17:00 to 18:10

17 May 2022

Present: Councillors Price (chair), Driver (vice chair), Giles, Sands (M), Schmierer (substitute for Councillor Haynes), Stutely and Wright

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillors Haynes and Peek

1. Declarations of interest

There were no declarations of interests.

2. Annual Governance Statement 2020/21

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

The chair said that he considered it was prudent to amend the Annual Governance Statement as set out in paragraph 4 of the covering report. He thanked the committee for raising concerns about contract management and the corporate leadership team for identifying the issue and taking the appropriate action. He referred members to the Statement by the Leader of the Council and the Chief Executive (page 7 of the agenda papers) and said that the improvements to the governance arrangements of the council highlighted in the statement, including the shareholder panels and the wholly owned companies, demonstrated that members' concerns had been listened to and acted on. The AGS was a public document that showed the council's governance and risk management structure to be robust.

RESOLVED, unanimously, to endorse the Annual Governance Statement and recommend it for signing by the leader of the council and the chief executive officer.

3. Statement of Accounts and Audit Results Report 2020/21

(Mark Hodgson, director Ernst & Young (external auditor) and Andrew Paylor, Ernst & Young, attended the meeting for this item.)

(Members of the committee had attended an informal briefing on the changes to the Statement of Accounts facilitated by the executive director of corporate and commercial services, interim head of finance, audit and risk and corporate finance business partner (interim) before the meeting.)

The interim head of finance, audit and risk introduced the report. These were not the final accounts as there was some audit work outstanding, but he was confident that this was nearing completion. Members' attention was drawn to the changes made to

the draft Statement of Accounts (SoA), as set out in paragraph 4 of the report and it was noted that a briefing note had been circulated to members before the meeting of adjustments to the accounts that had been agreed with the external auditor and would be included in the final version of the accounts to be signed off. ([This briefing note is available on the council's website with the papers for the meeting.](#))

In reply to a member's question, the interim head of finance, audit and risk and the executive director corporate and commercial services, explained that there had been a decrease in the council's net pension liability due to an error in the information provided by the Norfolk Pension fund, but overall, despite this change identified through the audit process, there had been a £34 million increase in the council's pension liability over the two-year period.

The external auditor presented the audit results report and apologised that this report was later than had been originally expected and that issues affecting the planned timeline for delivery would be discussed with the executive director of corporate and commercial services, at the conclusion of the audit.

During the presentation, the external auditor explained that during the audit process the audit differences level for reporting misstatements had been updated to £0.146 million. He updated members of the progress of the outstanding audit processes as listed under "Status of the Audit" (page 6 of the audit results report, page 206 of the agenda papers). Work was progressing in relation to the receipt of the response to their Management fraud enquiry letter, Recharge Testing and Accounts Receivable and Housing Revenue Accounts (expenditure). The audit had been completed with no issues to report in relation to Capital Financing Reserve, Collection Fund Disclosures, and Housing Revenue Account Disclosures and Income. The unaudited statement of accounts had been received for Norwich Norse Building Limited and note 32 amended, as set out in the interim head of finance, audit and risk's briefing note to the committee. The external auditors were waiting for guidance from HM Treasury on the completion of the whole of government accounts submission.

The external auditor confirmed that there were no further issues to report in relation to the Focus of the Audit section of the Executive Summary. The executive director of commercial and corporate services explained that it had been agreed to accept the unaudited accounts of the council's associate Norwich Norse Building Ltd in order to confirm the council's consolidated Group financial statements, as it would not result in a material difference and could be adjusted in the next year's accounts. Members were also directed to one uncorrected misstatement in the draft financial statements relating to £150,000 for a redundancy which had been misclassified as a provision rather than an accrual, and three differences relating to National Non-Domestic Rate (NNDR) appeals; grants and pensions that had been corrected by management. There were no issues to report in relation to the council as a going concern or any material risks to report by exception in relation to the Value for Money risk assessment. The auditor expected to issue an unqualified audit opinion.

During discussion members of the committee expressed their frustration with the delays to the audit. The external auditor said that it was a national issue with only 53 per cent of local authorities' statement of accounts for 2020-21 being signed off by 30 April 2022. This was due to significant issues that included resources and the complexity of audits, as well as Covid. Members noted that issues had been raised with government through the Redmond Review and other surveys.

Discussion ensued on the phasing of audits. It was not possible to bring forward the council's audit in next year's cycle, or elements such as property and assets. Delays could be caused because of problems encountered by the auditors once they had started another audit but testing was conducted before commencement in mitigation. The council would be in the middle tranche of the audit cycle for 2021-22 and was due to be audited in December 2022. The cabinet member for resources shared the committee's concerns about the impact that the timing of the audit had on the council's resources, budget planning and close down of the accounts.

At the chair's request, the interim head of finance, audit and risk drew members' attention to the section of the report which explained the underspends of £1.5 million for the General Fund and £4.8 million for the Housing Revenue Account final outturns (as summarised on pages 56 and 57 of the agenda papers). He explained that there had been significant variances in expenditure due to the impact of Covid-19. The government had provided a grant to support the council to mitigate additional expenditure. The most significant of these was housing the homeless for the city council. The council had made good 25 per cent of the income lost that was not supported by the government grant. This included the cancellation of events, such as the Lord Mayor's Procession. Members were advised that the remainder of the General Fund underspend (£0.913 million) had been moved to reserves. The council maintained a prudent minimum level of reserves. A strategy for the use of the reserves to smooth expenditure would be considered by the cabinet. Regarding the Housing Revenue Account, members were advised that the underspend was attributed to Covid-19, although responsive repairs had been carried out during this period. Members also noted the Capital outturn.

In reply to a member's question, the executive director of corporate and commercial services explained that the assurance against priorities was provided in the AGS. Some key performance indicators could not be collected during this period because of Covid-19. Performance and risk management was reported to cabinet as a Quarterly Assurance report.

During discussion, the chair commented on the Medium Term Financial Strategy (MTFS) and the prudent minimum level of reserves, and asked the external auditor for his views on whether maintaining reserves at £5 million was the correct direction of travel, whilst expressing his concern that the government had not fulfilled its Fair Funding Review. In reply, the external auditor said that the use of reserves was set out in the council's MTFS. The council's S151 officer provided justification for the prudent minimum level of reserves. It was not possible to benchmark against other authorities as each was different, such as the wholly owned companies, assets etc.

The chair commented on the improved performance of Norwich Regeneration Ltd but expressed his concern about long term debt.

RESOLVED to:

- (1) approve the statement of accounts presented in Appendix 1 of the report, subject to the completion of any outstanding audit work; and, if any outstanding audit work gives rise to a material adjustment to the accounts, to delegate approval of the statement of accounts, as amended/adjusted in line with audit findings, to the chief finance officer, in consultation with the chair (or vice chair) of the committee.

- (2) delegate to the chief finance officer, in consultation with the chair, the signing of the accounts.
- (3) note the Audit Results Report from the council's external auditor presented in Appendix 2 of the report
- (4) approve the draft letter of management representation presented in Appendix 3 of the report.

CHAIR



Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Progress Report on Internal Audit Activity 2021/22

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

Purpose

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2021/22.

Recommendation:

It is recommended that members note the progress in delivering the remainder of the 2021/22 internal audit plan of work.

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

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

Report Details

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

Consultation

3. Not applicable for this report.

Implications

Financial and Resources

4. There are no specific financial implications from this report; the internal audit plan will be delivered from within the resources available.

Legal

5. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Not applicable for this report.
Health, Social and Economic Impact	Not applicable for this report.
Crime and Disorder	Not applicable for this report.
Children and Adults Safeguarding	Not applicable for this report.
Environmental Impact	Not applicable for this report.

6. 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.	Progress against completing the annual internal audit plan is reported to the Audit Committee in accordance with the Public Sector Internal Audit Standards. Additional resources are deployed where required to ensure adequate levels of coverage are provided for the annual opinion.

Other Options Considered

7. Not applicable for this report.

Reasons for the decision/recommendation

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

Background papers:

None

Appendices:

Appendix A Internal Audit Update.

Contact Officer:

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Eastern Internal Audit Services



Norwich City Council

Progress Report on Internal Audit Activity

Period Covered: 25 February 2022 to 30 June 2022

Responsible Officer: Faye Haywood – Internal Audit Manager Norwich City Council

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1. INTRODUCTION

- 1.1 This report is issued to assist Norwich City Council in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Council to determine.
- 1.3 To comply with the above this report includes:
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits where applicable.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 9 March 2021, the Annual Internal Audit Plan for the year was presented to the Audit Committee. Since that meeting, the plan has been reduced by 65 days, in response to the resourcing challenges faced by the internal team.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 204 days of programmed work has been completed, equating to 97% of the Internal Audit Plan for 2021/22.
- 3.3 The Internal Audit team has now concluded all the work for 2021/22, with four audits currently being prepared for finalisation. The executive summary for one of the draft reports is at the stage that it can be provided to Audit Committee within this paper. The remaining three will be provided at the September 2022 meeting.

4. THE OUTCOMES ARISING FROM OUR WORK

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

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Limited Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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

Risk Priority	Definition
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

- 4.3 During the period covered by the report six reports have been issued in final and one is currently in draft awaiting management responses.

Audit	Assurance	High	Medium	Low
IR35 Compliance	Reasonable	0	1	3
Housing Rents/Arrears	Substantial	0	0	3
Accounts Payable	Reasonable	1	2	4
Treasury Management	Reasonable	0	1	2
NNDR	Reasonable	0	2	2
Council Tax	Reasonable	0	6	1
Health and Safety (Draft)	Limited	0	7	2
Total		1	19	17

The Executive Summaries of the reports are attached at **Appendix 2**; full copies of the reports can be requested by members of the Committee.

- 4.4 As can be seen in the table above as a result of the audits, a total of 37 recommendations have been raised.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
							High	Medium	Low	
Quarter 1										
		0	0	0						
Quarter 2										
Risk Management	NC2206	15	15	15	Final report issued 23 November 2021	Reasonable	0	5	1	Nov-21
Corporate Health & Safety	NC2204	15	15	15	Draft report issued on 26 April 2022.	Limited (DRAFT)	0	7	2	Jul-22
IR35 Compliance	NC2205	10	10	10	Final report issued	Reasonable	0	1	3	Jul-22
Grants assurance DFG	NC2201	5	5	5	Completed signed certification issued					
Business Support Grants	NC2203	20	20	20	Final report issued 25 January 2022	Reasonable	0	4	4	Mar-22
TOTAL		65	65	65						
Quarter 3										
Housing Rent/Arrears	NC2208	15	15	15	Final report issued	Substantial	0	0	3	July 22
Housing Benefits		15			Deferred to 2022-23.					
Council Tax	NC2210	10	10	10	Final report issued 4 July 2022	Reasonable	0	1	6	July 22
NNDR	NC2211	10	10	10	Final report issued 4 July 2022	Reasonable	0	2	2	July 22
Accounts Payable	NC2215	10	10	10	Final report issued on 31 May 2022.	Reasonable	1	2	4	July 22
Debt Recovery		10		0	Incorporated into other audits					
Treasury Management	NC2212	10	10	10	Final report issued 21 June 2022	Reasonable	0	1	2	July 22
Environmental Services	NC2213	20	20	19	Draft report in quality assurance process					
New Financial Management Code		10		0	Resources reprioritised.					
Grants assurance Green Homes		15		0	Deferred to 2022-23.					
TOTAL		125	75	74						
Quarter 4										
Payroll		10		0	Deferred to 2022-23.					
Capital Accounting and Programme Management	NC2214	30	30	29	Draft report in quality assurance process					
Social Housing Delivery Programme		20		0	Deferred to 2022-23.					
Towns Fund Deal		20		0	Deferred to 2022-23.					
TOTAL		80	30	29						
IT Audits										
IT Governance	NC2220	10	10	6	Audit underway.					
Housing & Tenancy Application	NN2219	10	10	10	Position statement issued					
To be determined		10		0	10 days carried into the 2022/23					
TOTAL		30	20	16						
Follow Up										
Follow Up		20	20	20						
TOTAL		20	20	20						
TOTAL		320	210	204			1	23	27	
Percentage of plan completed				97%						

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

IR35 Compliance Executive Summary

1.1 We have been able to provide an opinion of **reasonable assurance** over the controls operating within the area under review. A summary of the key findings to support this opinion is shown below.

1.2 The audit review has given assurance over:

- There is guidance, relating to the IR35 regulations, checking the employment status via HMRC and the dispute process, for recruiting managers on AskHR via the intranet.
- There is a good understanding by senior HR officers of the requirements of IR35 rules, and a process is in place for an independent review of any disagreements of decisions, although there are not many of these.
- In line with the pay policy statement, approved annually by Council, HR confirmed that the council engages workers inside of IR35 if possible, such as for established positions, in these cases no HMRC checks are required. They will only carry out HMRC checks if the circumstances suggest IR35 doesn't apply because of the nature of the role or if there was a challenge from the agency supplying the worker.
- It is the recruiting managers responsibility to ensure the appropriate checks are carried out with support of HR if needed, but HR officers will challenge and recheck if considered appropriate.

1.3 However, one medium priority recommendation has been raised (see 4.1):

- There is no specific control to ensure that the HMRC check has been completed when required, so currently reliant on this being queried by HR or possibly procurement / contracts team. The senior contracts officer is currently updating the checklist used when discussing new contracts with managers. The checklist will include a reminder to complete the IR35 check where applicable.

As most appointments requiring an HMRC check will be by way of contract, this will help to mitigate the financial risks of non-compliance. Risks relate to paying gross, when any payment should have paid net of National Insurance (NI) and tax deductions, with employer NI also paid.

1.4 Three low priority recommendations have been raised and are as follows:

- Relating to the issue detailed in 3.3, consider requiring managers, when appointing agency workers, consultants and interims, to confirm to HR that the HMRC check has been completed when required and the outcome of the check. (See 4.1)
- Update AskHR to ensure that it clearly assigns responsibility to managers for the IR35 checks. (See 4.2)

- The Procurement Guide was last updated in January 2017. Appendix B relates to the use of consultants and advisors. This includes details of HMRC requirements and the HMRC online check required for those employed on a self-employed basis, including consultants, who submit invoices. There is no specific reference to IR35 nor a cross reference to the IR35 guidance on AskHR. It is recommended that this is considered at the next review and update of the Procurement Guide. (See 4.2).

1.5 Also noted but no recommendation raised:

- For one of the sample appointments in the audit testing no evidence was provided that an HMRC check had been completed for the initial contract covering the period 1 April 2021 to 31 August 2021. This was for an asset consultant, coded to professional advice and fees, and detailed in the contract records as being outside of IR35, so an HMRC check was required prior to the end of the contract.

When a contract is extended or changed, a further HMRC check is required, in this case there was an extension until 30 November 2021. An HMRC check was completed on 16 November 2021, with the report detailing that off payroll rules do not apply.

This case represented one of three in the audit testing that required an HMRC check. For the other two, the checks had been completed and evidence seen that IR35 did not apply.

1.6 Action Summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	0	N/A
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	1	4.1 (NB - now completed)
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	3	4.1, 4.2 x 2

Housing Rents/Arrears Executive summary

1.1 We have been able to provide an opinion of **substantial assurance** over the controls operating within the area under review. A summary of the key findings to support this opinion is shown below.

1.2 The audit review has given assurance over:

- There is close monitoring of rent arrears, by managers and team leaders. Key data has been reported monthly to senior management and the portfolio holder. These included collection rates and underlying arrears of current tenants, impact of Covid 19 changes and Universal Credit, and other contributing factors such as staff shortages.
- The audit testing included some cases where there are high arrears, which are likely to be difficult to recover over a long period of time. However appropriate recovery action was being taken for the cases tested, in line with the current arrears policy for non-commercial debt.
- We did not review the new housing system, which, since the audit work, is now live from 31 January 2022. However, the audit did confirm that there have been regular fortnightly verbal updates of progress with the project by the project manager to the housing leadership team. The project records include key decisions, risk register and issues log.

The new system will be reviewed in more detail by internal audit as one of the IT audits in the plan for 2021-22 - audit of the NEC housing & tenancy application.

1.3 However three low priority recommendations have been raised and are as follows:

- Review the outstanding cases of debts awaiting write-off and obtain appropriate authorisation to write off before the financial year-end. (This recommendation remains outstanding from the 2020/21 audit).
At the last audit for 2020-21 there was a backlog of debts over £2,000 that required authorisation by the chief finance officer (CFO) to write-offs these debts, as recovery action had been exhausted. Many of these have been actioned, but a few from 2018-19 and 2019-20 remain outstanding. The previous backlogs of those requiring authorisation for write-off by the former income and rents manager had been cleared prior to his retirement. (See 4.1)
- To minimise the risks of bank mandate fraud, prior to authorisation of rent refunds, carry out a check to confirm the bank account detailed is for the correct recipient. (See 4.2)
- Add the check of the bank account details prior to issuing rent refunds, as noted in 3.3 above, to the Civica process. (See 4.2)

1.4 Also noted but no recommendation raised as management are aware:

- Audit was advised that due to lack of resources, there has been little recovery work for former tenancy arrears, and therefore no monitoring data has been collated since March 2020.

Resources have concentrated on arrears of current tenancies, and the team have also been providing support to the project for the new housing system, the first phase of which went live on 31 January 2022.

See Appendix 1, former tenancy arrears total £1.59m (0.03% of the gross rental income budget for 2021-22), with an increasing trend over the last three years.

- When the audit was carried out, the reconciliation of the housing rents system to the general ledger had not been counter-signed by a senior finance officer to demonstrate that it is correct, and no errors have been made. This has now been completed. There is a small variation that will need clearing before the year-end. Revised procedures will now need to be put in place for a similar reconciliation with the new NEC housing system.

1.5 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.		
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.		
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	3	4.1, 4.2 x 2

Accounts Payable Executive Summary

- 1.1 We have been able to provide an opinion of **Reasonable assurance** over the controls operating within the area under review. A summary of the key findings to support this opinion is shown below.
- 1.2 It is acknowledged the below areas have sound controls in place and are operating consistently:
- Access to the finance system is set up so that permissions are based on the needs of a user's role, with key tasks such as creating new suppliers and making payments restricted to staff in the AP team, to reduce the risk of fraudulent payments being made.
 - Controls are built into the system to identify and prevent duplicate payments at the point of input of the invoice, which prompts review and action by AP officers.
 - Orders are independently authorised and receipted, to ensure segregation of duties within the process.
 - A sample of 11 purchase card holders verified that they have all signed the application form and these have been approved by line managers. This enables understanding of the terms and conditions connected to the Council purchase card which should help prevent incorrect use.
- 1.3 The audit has also highlighted the following areas where seven recommendations have been made: One high priority, two medium priority and four low priority. The recommendations are as follows:

High priority:

- To ensure independent checks are carried out each time an amendment is made to a supplier's details. For this check to take place via phone, using the phone number from the supplier's website or the number that is stored on the system. For these checks to be noted on the e5 system, so there is evidence and a clear audit trail.

Medium priority:

- The 'No PO, no Pay' policy to be formally documented and re-launched with staff and suppliers.
- In addition to the recommendation raised to formally document and re-launch the 'No PO, no Pay' policy, an Exceptions' List be created, listing the reasons in which a PO may not need to be raised prior to purchasing so compliance against this policy can be monitored.

Low priority:

- Ensure regular training and reminders are provided to staff to remind them of entering VAT into the NatWest portal correctly, and ensuring that VAT invoices/receipts are always retained for purchase card transactions.
- To corporately establish the new process for booking hotel accommodation. For the Purchase Card policy FAQ section on booking hotel accommodation, and Citynet, to then be updated, to reflect the up-to-date current procedures.
- To ensure the number of open POs is reduced. For this to be done by ensuring regular communications to staff, and also involvement from heads of departments by reminding their staff to either receive the goods or close POs that are no longer necessary to provide a safeguard against fraud and support the year end close down process.
- Final checks and sign off's to be completed on all new suppliers forms where this hasn't yet been done, and for the forms to be uploaded to e5 finance system.

1.4 In addition to the above recommendations, three operational effectiveness matters have been raised for management to consider:

- For management to consider whether there is a need for a form to be filled out when requesting an increase in transaction or credit limits for purchase cards; or if a business case submitted via email and signed off by the manager is sufficient.
- Management should consider whether it is an efficient use of procurement's time to convert a requisition into a PO.
- To amend and improve the generic messages sent from the e5 finance system which reminds staff to approve POs and ensure goods are received.

Other points to note:

- It was noted during the course of the audit that the e5 finance system is currently not capable of generating monitoring reports, such as PO and goods received, systems access, and reports that show amendments to suppliers. This has meant that reliance has had to be placed on management information during the course of this audit where ordinarily full data sets would be interrogated to indicate the reliance of key controls. It is suggested that management consider the functionality of the e5 finance system and feed any monitoring requirements into planned systems upgrade work.
- Internal audit reviewed a total of four creditor control account reconciliations of which one had not been reviewed at time of testing over a month later than its preparation date, whereas the remaining three were reviewed no later than 4 days following the end of the month, in line with best practice. We understand this to be an isolated incident and as such no recommendation has been raised.

1.5 Action Summary

Risk Priority	Definition	No.	Ref
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	1	4.1
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	2	4.2; 4.3
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	4	4.4; 4.5; 4.6; 4.7
Operational Effectiveness Matters	Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis.	3	OEM1 OEM2 OEM3

Treasury Management Executive Summary

1.1 We have been able to provide an opinion of **reasonable assurance** over the controls operating within the area under review. A summary of the key findings to support this opinion is shown below:

- Cash-flow records are maintained on a daily basis and include known payments/receipts due in the future
- Liquidity requirements of the TMS are maintained throughout the year to cover unexpected immediate payments.
- Borrowing records are maintained appropriately
- Reporting requirements of the TMS are followed.
- TMS requirements for investments are followed, including the investment ratings criteria to be met for each counterparty and their monetary / term limits.
- All new borrowings and investments are approved at appropriate level
- Monies due for capital and interest, for return of investments and for any borrowings, are received on the due dates direct to the bank account.
- Controls and separation of duties for checking details of investments / repayments of borrowings prior to releasing monies from the bank, to ensure the correct destination for these monies.
- Bank accounts and internal records of treasury management activity to the general ledger are being reconciled regularly to confirm that the transactions are recorded accurately.
- Appropriate fidelity insurance cover is in place.
- KPIs and monthly management information is produced and reviewed.

1.2 One medium recommendation has been raised relating to the following:

- To ensure that an independent senior officer reviews and signs off completed reconciliations. This recommendation has since been confirmed as implemented.

1.3 Two low priority recommendations have been raised.

- Ensure that snips taken for evidence to demonstrate approval for daily treasury activity, include all relevant information, including details of what approval is requested for and details of when it was taken.
- The fidelity insurance document to be obtained from the external insurance team at the beginning of the financial year and ensure the cover is appropriate and correct.

There is also currently no process in place for services to advise of payments / income due and for referring any large, unexpected transactions. However, the service is currently developing a new process where they link each departments budget into the cash flow. Based on this planned improvement, no further recommendation is necessary.

1.4 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	0	N/A
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	1	4.1
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	2	4.2, 4.3

NNDR Executive summary

1.1 We are providing an opinion of **reasonable assurance** over the controls operating within the area under review.

1.2 The audit review has given assurance over:

- Annual systems parameters have been accurately updated and signed off.
- NNDR records are updated with VO change lists on ongoing basis.
- Full VO list and the NNDR database are regularly reconciled
- Reliefs and exemptions are awarded in line with statutory criteria and that appropriate evidence is held for support.
- Accounts with arrears have followed the correct debt recovery process to recover unpaid NNDR bills.
- Refunds are correctly awarded only after receipt of proof of entitlement.
- Debts are written off only when all avenues of collection have been pursued and the debt is considered unrecoverable.
- Regular reconciliation of refunds are completed by an independent officer; and periodically reviewed and signed off by a senior officer.
- Regular reconciliations of the NNDR records to the ICON cash receipting system are completed by an independent officer; and periodically reviewed and signed off by a senior officer.

The process was confirmed to show that at year end, the Northgate system is reconciled to the E5 general ledger and reviewed by external audit. As external audit reviews this in detail, no detailed review was conducted during this internal audit.

1.3.1 However, one medium priority recommendation has been raised relating to the following:

- Review and agree a process of awarding discretionary charity top up reliefs.
- One medium recommendation is also outstanding from the 2020/21 audit review relating to a review of all businesses in receipt of SBRE to confirm whether there are any other similar cases. Progress has been made on implementation and a new deadline of September 2022 given for implementation of the remainder of the work.

1.4 Two low priority recommendations have been raised relating to:

- Regular reviews of all types of reliefs and exemptions and retention of appropriate evidence.

- Ensure for recovery action, system notes are accurate and comprehensive. Training to be provided to staff as required to assist with the recovery process.

1.5 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	0	N/A
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	1 historical 1 new	4.1 4.2a
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	2 new	4.2b; 4.3;

Council Tax Executive summary

1.1 We are providing an opinion of **reasonable assurance** over the controls operating within the area under review.

1.2 The audit review has given assurance over:

- Annual systems parameters have been accurately tested.
- Council tax records are updated with the VO change lists on an ongoing basis.
- Full VO list and the council tax database are regularly reconciled.
- Debt collection policies and procedures are in place, to recover unpaid council tax bills.
- Refunds are correctly awarded only after receipt of proof of entitlement.
- Debts are written off only when all avenues of collection have been pursued and the debt is considered unrecoverable.
- Regular reconciliation of refunds are completed by an independent officer; and periodically reviewed and signed off by a senior officer.
- Regular reconciliations of the council tax records to the ICON cash receipting system are completed by an independent officer; and periodically reviewed and signed off by a senior officer.

Audit did confirm the process that at year end the Northgate system is reconciled to the E5 general ledger and reviewed by external audit. As external audit reviews this in detail, no detailed review was conducted during this internal audit.

1.3 However, one medium priority recommendation was raised relating to the following:

- Signed financial delegation record forms which should be in place for all relevant officers. This recommendation has been implemented.

1.4 A further six low priority recommendation have been raised relating to:

- Audit trail for the sign off of the annual system parameter setting.
- Review of apprenticeship disregard discounts with no end dates.
- Regular reviews of all types of discounts and exemptions and retention of appropriate evidence.
- A reminder to be issued to staff involved in processing exemptions to remind them of the requirement to request a start date from GPs on the form for severely mentally impaired claimants.

- A procedural guide for New Property and Valuation for CTAX to be developed.
- To regularly monitor and action accounts with broken, inactive recovery arrangements.

1.5 Action summary

Risk priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.		
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	1	4.1;
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	6	4.2; 4.3a, 4.3b, 4.3c, 4.4, 4.5

Health and Safety Draft Executive Summary

1.1 We have been able to provide an opinion of **Limited assurance** over the controls operating within the area under review.

Positive Findings:

1.2 The audit has given assurance over the controls for:

- During the pandemic, the Covid-19 Group discussed general issues around the business and impact on services. Guidance given to staff was regularly updated and communicated via bulletins. These were driven by the government guidelines and rules in relation to social distancing, wearing facemasks, having windows open, one-way systems and isolation where necessary.
- A separate Covid-19 related risk assessment has been developed and been completed by managers in relation to office layouts and occupancy to ensure staff members are able to work at a safe distance.
- The Health and Safety Officer attends a regional wide H&S meeting (HSE).
- Internal Audit received a variety of information to evidence inspection programmes at City Hall the Norman Centre and the Halls.

1.3 As a preface to the recommendation of this report it is important to note that the Council has identified that Corporate Health and Safety improvements are required. We have been informed that external consultants are being commissioned to carry out an independent external compliance check of the Corporate Health & Safety policy, procedures and practices, and to implement any arising actions from this deeper dive work. This is scheduled to take place in the second half of 2022/23 with a view that all identified actions will be implemented in full within the subsequent 12 months. The review intends to evaluate the effectiveness of the Health and Safety policy which has recently been adopted as an interim policy Pending the wider review) following updates to relevant officer details and references to the Corporate Manslaughter Act. Further, a restructure of the service is planned to enable additional resources to be brought into this important statutory function of the Council and ensure that the recommendations outlined in this report and from the wider compliance check are maintained moving forwards.

1.4 **A total of seven medium priority recommendations have been raised:**

- The approach to general risk assessments and office inspections as well as the completion of the office inspection checklists should be documented within the Health and Safety policy and communicated to staff. The expectation is on managers to complete these on an annual basis.
- Develop a system to ensure that risk assessments are routinely carried out are adhered to, and outcomes reported to the H&S Officer.

- Develop a system to ensure that the office inspections are regularly undertaken and supported by a H&S trained individual. A log should be kept of outcomes and identified actions should be followed up. Consideration given to re-instating annual walkarounds with a member of Unison at City Hall.
- Consider resource requirements for corporate Health and Safety compliance at the council to ensure there is a designated responsible resource who covers corporate, proactive health and safety management.
- Measurable objectives to be developed for Health and Safety to ensure continuous improvement of H&S at the council.
- All reportable Health and Safety incidents/accidents and near misses to be provided to the H&S Officer so that these can be included within the Councils overall statistics to be reported and monitored by the Council's Joint Consultation Negotiation Committee (JCNC).
- The Health and Safety officer to periodically request data from the L&D team for the mandatory introductory e-learning H&S module. This data to be sorted by directorate and presented to CLT quarterly for awareness and to prompt an improvement in uptake. Overall uptake figures to be included within H&S performance statistics provided to the JCNC for monitoring.

1.5 In addition two low priority recommendation were raised:

- Review job descriptions for the Corporate Health & Safety Advice Team and Site Managers outside City Hall to include details about their relevant H&S responsibilities.
- As and when job descriptions are updated, consider the inclusion of health and safety related responsibilities.

1.6 Action Summary

Risk Priority	Definition	No.	Ref(s)
High	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.	N/A	N/A
Medium	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	7	4.1a, 4.1b, 4.2, 4.3a, 4.4a, 4.4b 4.5
Low	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	2	4.3b 4.3c

1.7 Other points to note

The following points are considered to be actively in progress and as such, no recommendation has been raised.

- Various written procedures on health and safety risks such as lone working, manual handling and first aid exist and are available to staff on the Council's intranet. In October 2021, the Health and Safety Board identified which of the Council's procedures are currently overdue for an update. A timeframe and action plan for refresh and reapproval will be devised for each procedure following the planned peer review.
- A Corporate Health and Safety Board has been established since October 2021. Attendees include relevant Heads of Service and operational leads, and the board has met twice with further meetings scheduled throughout following months. This is a relatively new board and consideration will be given as to whether resourcing is appropriate and whether its objectives are being delivered.
- The last Fire Risk Assessment (FRA) at City Hall was undertaken in 2015/16 by NPS Group. A new FRA has been commissioned and is being undertaken presently by a newly appointed and suitably competent external organisation holding third party accreditations. We understand that the Council has identified that a number of the documents related to health and safety in operational assets are in need of updating and that there is no documentary evidence trail to give assurance that the priority actions identified in previous assessments were indeed carried out. Working in parallel with the work being done on the Council's Housing stock various new assessments have been commissioned and a tracker has been established. This is overseen by the new Head of Building Safety and a dedicated resource has been brought in to ensure that the operational assets are addressed.
- The Head of Building Safety and Compliance has confirmed that once the City Hall FRA has been received and reviewed internally, the actions will be allocated to the relevant staff and managed through to completion.
- Facilities management have identified the need to recruit and re-evaluate the approach to fire wardens at City Hall in response to remote working practices. This is scheduled to be discussed with the Corporate Health and Safety Board.



Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Internal Audit Annual Report and Opinion 2021/22

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

Purpose

In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes of the overall adequacy and effectiveness of the organisational framework of governance, risk management and control.

Recommendation

The audit committee, in maintaining an overview as to the quality of systems of internal control in operation at the council, is being requested to note and approve the assurance opinion awarded and confirm that key information provided is carried across to the council's Annual Governance Statement, which is also considered on the agenda.

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

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

Report Details

1. The following is provided within the report;

- A summary of the work that supports the opinion submitted;
- Disclosure of any impairments or restriction to the scope of the opinion;
- a comparison of actual audit work undertaken with planned work;
- Any other issues considered relevant to the Annual Governance Statement.

Consultation

2. Not applicable for this report.

Implications

Financial and Resources

3. There are no specific financial implications from this report; the internal audit plan will be delivered from within the resources available.

Legal

4. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Not applicable for this report.
Health, Social and Economic Impact	Not applicable for this report.
Crime and Disorder	Not applicable for this report.
Children and Adults Safeguarding	Not applicable for this report.
Environmental Impact	Not applicable for this report.

Risk Management

Risk	Consequence	Controls Required
Failure to undertake the Annual Internal Audit Plan could result in the Head of Internal Audit not being able to provide an annual opinion.	Reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon.	Progress against completing the annual internal audit plan is reported to the Audit Committee in accordance with the Public Sector Internal Audit Standards. Additional resources are deployed where required to ensure adequate levels of coverage are provided for the annual opinion.

Other Options Considered

5. Not applicable for this report.

Reasons for the decision/recommendation

6. The Committee is receiving this report in conformance with the Public Sector Internal Audit Standards.

Background papers:

None

Appendices:

Appendix A Internal Audit Annual Opinion .

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Eastern Internal Audit Services



NORWICH CITY COUNCIL

Annual Report and Opinion 2021/22

Responsible Officer: Faye Haywood Head of Internal Audit for 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 Those standards – the Public Sector Internal Audit Standards (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the Audit Committee) to support the Annual Governance Statement (AGS). This report sets out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2021/22, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the AGS.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s AGS, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Leadership Team and key stakeholders and endorsed by Audit Committee.

The Internal Audit plan was formally endorsed by the Audit Committee at the meeting held on 9 March 2021.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS.

Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The internal audit work undertaken for 2021/22 indicates a reasonable grading overall for areas of governance, risk management and control that have been reviewed.

Of the nine reviews completed within the year, eight of these achieved a positive assurance grading. A further three reviews are complete but are yet to be issued formally.

In addition to the above audits, assurance has been provided over Disabled Facilities Grant allocation, a position statement on the implementation of the housing and tenancy application has also been completed. The Internal Audit Manager has provided advisory support to the Project Place board. This advisory work has been relied upon when considering the Internal Audit opinion overall.

One report for Corporate Health and Safety (currently in draft) was given a limited assurance grading. A total of eight recommendations have been raised, seven of these are medium priority and relate to enhanced management of risk assessments and inspections, H&S resources, performance indicators and staff training. Until these recommendations are verified as complete, we recommend that they are referenced within the council's Annual Governance Statement.

A limitation of scope applies for the 2021/22 year in the following areas where Internal Audit work has not been completed as planned.

- Payroll
- Housing Benefits

As identified by CLT and reported to the Audit Committee throughout the year, in-house resource limitations were identified as a risk to delivery of the Internal Audit Plan. Actions have now been put in place to avoid similar limitations in the future. These actions are referenced within section 3.5.3 of this report.

The Council will be required to highlight the limitation in its annual governance statement when referring to the HIA opinion.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified have been taken into account.

The opinion has been discussed with the Corporate Leadership Team prior to publication.

3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

- 3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based.

3.2 **Summary of the internal audit work**

A total of 204 days has been delivered from the revised 2021/22 internal audit plan resulting in 12 assurance reviews and includes 20 days of follow up work. The team have also been involved in signing off the Disabled Facilities Grant, providing advice for Project Place and the implementation of the Housing and Tenancy application. An additional three internal audit reports are complete but are currently undergoing quality assurance processes.

The summaries of all assurance reports have been presented to Audit Committee, ensuring open and transparent reporting, and enabling the Committee to review key service area controls and the conclusions reached.

At the January 2022 Audit Committee meeting, it was reported that a total of 65 days should be deferred to allow the team to focus on the key risks that required assurance for 2021/22. The following audits were reprofiled into the councils 3-year internal audit programme.

Audit	Days	Reason for deferral
Quarter 3		
NC2216 Debt Recovery	10 days	These days were added to the Council Tax and NNDR audits by reviewing debt management procedures. The remaining applicable area, Accounts Receivable has been added to the 2022/23 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 has been deferred into 2022/23 when projects get up and running and the area is sufficiently progressed to carry out testing.
IT audit - tbc	10 days	Days were carried forward into the 2022/23 plan. Housing System Implementation Phase 2 is scheduled.
Total	65 days	

The internal resource transferred to the contractor in April 2022 as part of the council's new consortium arrangement for internal audit. The two planned internal audits highlighted below were not completed in time for transfer and have therefore been deferred into the 2022/23 internal audit plan.

Audit Area	Assurance
Payroll	Last reviewed in 2020/21 Reasonable assurance
Housing Benefits	Last reviewed in 2020/21 Reasonable assurance

At the request of management, the audit of Social Housing Delivery Programme will be carried out alongside the Norwich Regeneration Limited audit planned for 2022/23.

3.3 **Advisory work**

A total of 185 days were originally assigned to consultancy work in the 2021/22 plan. As highlighted by the progress report presented to the Audit Committee in January 2022, much of the consultancy days have not been delivered due to no need having been identified.

A summary of advisory work carried out is provided in the table below:

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	2.5	Internal Audit Manager support to Project Place Board.
New Housing System	10	0	Position statement provided by TIAA Ltd included as part of coverage within internal audit plan.
Consultancy Contingency	15	7	BSG Support – Covid19 business grants support and advice.
Risk Management	15	10	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	31	Internal Audit Management duties. Reviewing reports. Audit Committee papers and general advice and guidance.
TOTAL	185	60.5	

Joint Ventures Insourcing – advisory work

The Internal Audit Manager has provided support to the Project Place Board in an advisory capacity. Highlights from this work are provided below.

A total of seven board meetings were attended from January 2022 up to 'go live' on 1 April 2022 with the final project closure meeting held in May 2022. A range of reports were provided to the board for review including budget papers and project highlight reports covering risks and issues. Board meetings were well attended and focused on the strategic project deliverables. The level of detail provided by the project team and officers within reports allowed for valuable discussion, challenge and supported decision making.

As part of the advisory role, the Internal Audit Manager provided support to the project team regarding the reporting of risk. Ensuring that higher priority risks could be easily identified by the board and that the layout of the register was in line with the corporate approach.

During project closure, the project team provided Internal Audit with assurance that following implementation, all outstanding risks were re-assigned to the appropriate service area to resolve.

The closure report provided to Project Place Board on 9 May 2022 highlighted that the project was successfully delivered, meeting its targets in respect of being delivered on time and to the required quality. A project underspend was also reported.

Position Statement Housing and Tenancy Application

A position statement has been provided to the Internal Audit Manager to give assurances over the implementation of the core phase of NEC.

3.4 Follow up of management action

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 31 recommendations raised and formally agreed by management so far for 2021/22, 12 are complete, two medium and seven low priority recommendations are outstanding, and 10 are within deadline.

Two low priority recommendations are outstanding from 2018/19, both in relation to the Procurement Compliance report; two medium and one low priority recommendations are outstanding from 2019/20; and six medium and five low priority recommendations are outstanding from 2020/21.

Please refer to **Appendix 2**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations and **Appendix 3**, which provides an update from management regarding all medium outstanding recommendations.

3.5 Issues for inclusion in the Annual Governance Statement

3.5.1 The Internal Audit Manager recommends the following points are referenced within the council's Annual Governance Statement.

Internal audit has highlighted a limited assurance grading in the area of Corporate Health and Safety for 2021/22. We therefore suggest that the seven medium recommendations raised as part of this report are referenced within the council's Annual Governance Statement until they are resolved. They relate to:

- Improving the approach taken to general risk assessments and office inspections.
- Developing a system to ensure that the risk assessment expectations are adhered to.
- Ensuring office inspections are regularly undertaken by a trained individual.
- Consider resource requirements for corporate H&S at the council to allow for proactive work to be undertaken.
- Measurable performance objectives to be designed for corporate H&S.
- All reportable incidents and accidents to be provided to the H&S team for recording.
- Uptake of mandatory H&S training to be monitored for completion.

3.5.2 We also recommend any medium outstanding audit recommendations from historical limited assurance reports are referenced within the council's Annual Governance Statement. This currently relates to four medium recommendations from the policies and procedures audit 2020/21.

3.5.3 Scope limitations

In accordance with guidance from CIPFA, the following limitations of scope of internal audit work should be referenced within the council's Annual Governance Statement and include action taken to prevent the risk of limitation in future years.

As described within the opinion section 2.2, planned audits for Payroll and Housing Benefits were not completed prior to staff transferring to an outsourced provider in April 2022 as part of the council's new consortium arrangement.

Senior management identified limited internal audit resources as a risk to delivering the internal audit plan and in March 2021 approached the Eastern Internal Audit Services Consortium to deliver the service.

Due to contractual complications, the new arrangements were not mobilised until April 2022. As a result, the internal audit team's ability to complete the plan of work has been impacted. The following steps were taken to minimise the risk of insufficient assurance being provided for the opinion in 2021/22 and to ensure limitations would be resolved going forwards.

- The 2021/22 internal audit plan was reviewed, and a number of audits deferred to allow focus on the most significant risks facing the council.
- As a result of this exercise a total of 65 days of lower priority work was identified for deferral into the three-year audit programme.
- Additional resources were arranged, and audits reassigned to support completion of the 2021/22 plan.
- The council's risk maturity has been identified to understand the reliance that can be placed on the council's strategic assessment of risk. This assessment supported the risk-based approach to internal audit planning for 2022/23 and onwards. The audit universe has been created to justify the areas added to the annual internal audit plan and 3-year audit programme. This approach will ensure that assurance resources are focused on the key strategic risks facing the council going forward.

In addition to the above, as of April 2022 the council has entered into an agreement with South Norfolk Council to manage the Internal Audit service through the Eastern Internal Audit Services Consortium. The arrangement outsources the delivery of the internal audit plan to a contractor, allowing resources to be scaled up or down depending on need. Through this arrangement the council will also have access to audit staff with a range of specialisms and expertise.

The council will also be able to demonstrate conformance with all elements of the Public Sector Internal Audit Standards particularly around the requirements for a Quality Assurance and Improvement Programme to be developed and reported on.

In preparation for the external assessment of internal audit, which is scheduled for October 2022, a plan for any areas of non-conformance with the PSIAS will be drawn up by the Internal Audit Manager and provided to CLT for oversight until conformance can be assured.

4. THIRD PARTY ASSURANCES

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22

Audit Area	Assurance	No of Recs	Implemented	High priority OS	Medium priority OS	Low priority OS	Not yet due
Annual Opinion Audits							
Business Support Grants	Reasonable	8	3	0	1	4	0
Corporate Health and Safety	Limited (Draft)	9	0	0	0	0	9
IR35 Compliance	Reasonable	4	1	0	0	2	1
Risk Management	Reasonable	6	4	0	1	0	1
Housing Rents/Arrears	Substantial	3	1	0	0	1	1
Council Tax	Reasonable	7	0	0	0	0	7
NNDR	Reasonable	4	0	0	0	0	4
Treasury Management	Reasonable	3	3	0	0	0	0
Environmental Services	TBC						
Capital Accounting and Programme Management	TBC						
Accounts Payable	Reasonable	7	0	0	0	0	7
IT audits							
IT Governance	TBC						
Total		51	12	0	2	7	30

Assurance level definitions		Number
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.	1
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.	7
Limited Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.	1
No Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.	0

APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

		Completed between 13 November 2021 and 31 March 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
		High	Medium	Low	High	Medium	Low	High	Medium	Low		High	Medium	Low
Audit Area	Assurance Level													
2018/19 Audits														
Procurement Compliance	Compliance: Satisfactory						2				2			
2019/20 Audits														
Contract management - Housing repairs & responsive maintenance	Controls: Limited Compliance: Limited		1								0			
Information Security and GDPR	Controls: Satisfactory Compliance: Limited		1			1					1			
Payroll	Control: Satisfactory Compliance: Substantial		1			1	1				2			
2020/21 Audits														
Contract Management - Waste Services	Limited		4			1					1			
Equality Duties	Limited			1			2				2			
Key Policies & Procedures	Limited					4	3				7			
Licensing	Reasonable					1					1			
Northgate pre-implementation (Core phase)	Reasonable		1								0			
2021/22 Audits														
Risk Maturity Assessment	Reasonable		3	1					1		1		1	
Off-payroll working (IR35) compliance	Reasonable									2	2			1
Housing Rents and Arrears	Substantial									1	1			1
Accounts Payable	Reasonable										0	1	2	4
Treasury Management	Reasonable		1	2							0			
Business Support Grants	Reasonable		2	1					1	4	5			
		0	14	5	0	8	8	0	2	7	25	1	3	6

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

2019/20

Report	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Information security and GDPR	The Council should ensure all suppliers deemed to be high risk or high impact in the aforementioned review sign up to the amended terms and conditions.	Medium	Procurement team	2019/20	N/A	Outstanding	In progress. Our understanding is that there are still 3 contracts where updated terms are required; nonetheless, all parties involved are ultimately bound by the DPA 2018 which minimises risks involved.
Payroll	Complete the signing of the co-operation agreement with Sefton.	Medium	Head of HR and learning	January 2020	31 July 2022	Outstanding	Agreement has been redrafted and signed off by NCC. Nplaw providing the agreement to the 3 rd party payroll provider, anticipated final sign off July 2022

2020/21

Report	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Contract Management – Waste Services	Ensure that service performance data provided by the contractor are verified and independently checked by the council to prime records.	Medium	Environmental Services Manager	February 2021	N/A	Complete, pending Internal Audit verification	Internal Audit has been advised that this recommendation is now complete, awaiting evidence for independent verification.
Key Policies and Procedures	Decide on a corporate level how often policies should be reviewed and ensure that all policies comply with this decision.	Medium	Strategy Manager	31/01/2022	31/08/2022	Outstanding	IT are working on pulling all policies and strategies into shared area (sharepoint) This shared information will include policy owners and review dates for each policy. Automated update reminders will be sent to all policy owners as and when each policy is due for review. The process will include how to add new policies and will highlight the sign off process for the policies.
Key Policies and Procedures	Once a decision on review frequency has been made, develop a review schedule of all key documents. This could be attached to the code of governance with a reference to this on all relating documents.	Medium	Strategy Manager	31/01/2022	31/08/2022	Outstanding	Please see above comment

Report	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Key Policies and Procedures	Develop a framework that gives guidance for developing a coherent and relevant policy and ensure the new framework is communicated to staff. The content could include multiple elements (see report).	Medium	Strategy Manager	31/01/2022	31/08/2022	Outstanding	We will develop a briefing note advising Heads of Service that all new corporate policies must be stored in the shared area and reviewed regularly. This will explain that HoS should use existing corporate policy documents as their model and secure agreement from their director as to the appropriate approval route on a case by case basis.
Key Policies and Procedures	Ensure that all documents are reviewed in accordance with the framework during their next review.	Medium	Strategy Manager	31/01/2022	31/08/2022	Outstanding	The Strategy team will check the policies due for renewal in the shared area on a quarterly basis and highlight any issues to the Head of Strategy, Engagement and Culture, who will resolve with the relevant HoS or escalate to CLT if required.
Licensing	Complete a review of fees and obtain authorisation from licensing committee for implementation 2021-22.	Medium	Public protection (licensing) team leader and Public protection manager	30/04/2021	30/10/2022	Outstanding	Full review of all fees and charges across the service commenced, including discretionary licensing fees. View to implementation Sept/Oct 2022.

2021/22

Report	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Risk Maturity Assessment	4.1 A risk management training programme to be developed for relevant Council staff, highlighting roles and responsibilities and give practical tips for the identification and articulation of risk.	Medium	Head of Finance, Audit and Risk	28/02/2022	Sept 2022	Outstanding	Following the 2021/22 deep dive a number of training issues have been identified and are forming the basis of additional training being commissioned from CIPFA. This includes forecasting, scenario planning and sensitivity analysis as well as training to understand the financial risk associated with budget variances.
Business Support Grants	8. Complete the post payment assurance reviews for the SGBs, using the higher risk cases already identified and the results from the SBRR review.	Medium	Revenues and Benefits Operations Manager	31/03/2022	31/07/2022	Outstanding	Approximately 90% of identified cases have been checked and the remaining ones will be done by the end of July 2022.

APPENDIX 4 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and the internal auditors undertook the agreed programme of work as approved by management and endorsed by the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2021/22 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Scope limitations

Scope limitations relevant to the 2021/22 year are outlined in section 2.2 and section 3.5.3 of this report. The reasons for any limitations identified and proposed action to prevent further occurrence are provided.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and the internal auditors' examinations should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.



Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Code of Corporate Governance

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of legal and procurement

Wards: All Wards

Purpose

This report seeks the views of the audit committee on the updated Code of Corporate Governance

Recommendation:

It is recommended that the audit committee approves the Code of Corporate Governance

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the corporate priority to ensure Norwich City Council is in good shape to service the city. This item specifically addresses the corporate plan activity to review the Code of Corporate Governance.

Context

1. Good governance in local government is important. As local authorities, we are trusted with public funds and significant responsibilities to deliver services to members of the public. In 2020, the government published a [report](#) of lessons learnt from recent government interventions in failing authorities that highlighted the strong correlation between significant failings in local authorities and ineffective governance “our analysis shows that one common characteristic of recent statutory and non-statutory interventions is weaknesses in the local authority’s culture and governance.”
2. Production of a Code of Corporate Governance demonstrates the Council’s commitment to effective corporate governance and the review process enables it to reflect on its systems and practices, identifying potential areas for improvement.

Background

3. The audit committee’s terms of reference include: “Review, consider and agree the Annual Governance Statement, including the adequacy of the corporate governance framework and improvement action plan contained within it.”
4. The Accounts and Audit Regulations 2014 (as amended) require that in each year, councils undertake a review of their system of internal control and produce an Annual Governance Statement (AGS). The CIPFA guidance, *Delivering good governance in Local Government 2016*, identifies that the AGS should be prepared by reviewing how the Council is performing against its own Code of Corporate Governance. The Code of Practice on Local Authority Accounting confirms that authorities should prepare their AGS in accordance with the CIPFA guidance.
5. To comply with the CIPFA guidance, authorities should therefore have in place a Code of Corporate Governance which identifies the systems, processes and practices they have in place to deliver their functions effectively. Helpfully, CIPFA have provided a set of guidance notes and principles for authorities to use in preparing their Code.
6. Norwich City Council last reviewed its Code of Corporate Governance in November 2017. The Code is strongly based on the CIPFA guidance, however since its adoption there have been a number of changes within the authority and the associated documents that demonstrate compliance with the Code, meaning that an update is now timely.

Developing the new Code of Corporate Governance

7. In order to develop the new Code of Corporate Governance, the following steps have been undertaken:
 - (a) The CIPFA guidance highlighted above, and associated guidance notes were reviewed.

- (b) A review was undertaken of codes of corporate governance adopted by a number of authorities to assess different practice and methodology
 - (c) A workshop was held with a wide range of officers including finance, internal audit, strategy, communications, information governance, democratic services, HR and communities to review the CIPFA framework and identify ways in which the authority complied with the code, and areas planned for development
 - (d) A review was undertaken of existing corporate documents, including the corporate plan, to ensure alignment and identify further areas for development
 - (e) An initial draft Code was then developed and circulated to attendees of the workshop and then the Council's Corporate Leadership Team for review
8. Many authorities continue to use the CIPFA framework as a key benchmark for production of their Code. The CIPFA framework is based on the international framework for good governance, albeit adapted for local authorities in England. It was therefore clear that this should be retained as the foundation for the Council's Code.
9. The Code has then been enhanced in comparison to previous versions, notably to include a section referencing the governance arrangements with respect to the Council's own companies and to include a governance framework, as a simple one-page reference to demonstrate how the various component committees, boards, functions and policies come together.
10. The revised code of corporate governance is attached at Appendix A for the audit committee to consider and approve.

Development of the Annual Governance Statement

11. As set out in paragraph 2, councils should prepare their Annual Governance Statement with regards to their own Code of Corporate Governance.
12. A draft annual governance statement has been prepared for inclusion in the draft statement of accounts, which are intended for publication by 31 July and consideration by the audit committee by 30 September. The proposed action plan in the Annual Governance Statement reflects those actions identified in the Code of Corporate Governance attached to Appendix A.
13. Consideration of the Code of Corporate Governance by the audit committee provides opportunity to incorporate any further feedback regarding the adequacy of the governance framework into the Annual Governance Statement, in accordance with the committee's terms of reference.

Implications

Financial and Resources

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

14. The actions identified within the Code of Corporate Governance reflect activities that are already planned by the council, whether through Corporate, Directorate or Service level plans. As such, it is not anticipated that further financial or non-financial resources will be required in order to bring the identified actions into effect.

Legal

15. Production of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2014 (as amended). As outlined at paragraph 2 and 3 above, the Codes of Practice expect that the AGS should be prepared with due regard as to how the authority complies with its own Code of Corporate Governance.
16. Effective governance systems in place support the Council in demonstrating its ongoing commitment to delivering best value in the delivery of its functions, as required by the Local Government Act 1999

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	The Code of Corporate Governance itself does not have specific implications in this regard. The implementation of individual activities identified within the Code may have impacts, which will require formal assessment as those activities are undertaken
Health, Social and Economic Impact	
Crime and Disorder	
Children and Adults Safeguarding	
Environmental Impact	

Risk Management

Risk	Consequence	Controls Required
The Council does not have effective governance arrangements in place, leading to poor or ineffective decision making	Poor governance arrangements can have significant impacts on local authorities ability to function effectively to deliver services to the public	Adoption of the Code of Corporate Governance and delivery of associated actions identified serves to demonstrate the Council's ongoing commitment to effective corporate governance
The Council does not undertake its review of governance effectively	This could lead to opportunities for potential improvements in the governance framework to be missed, and for the Council's auditors to raise concern regarding the production of the annual governance statement	This report sets out the process followed in producing the code of corporate governance, which is supported by adoption of the Code by the Audit Committee

Other Options Considered

17. As set out in paragraph 6, consideration has been given to the way that other authorities have undertaken the development of their code of corporate governance and review has been undertaken against the CIPFA code in development of the Council's own Code. Following this work, officers are recommending adoption of the Code in Appendix A.

Reasons for the decision/recommendation

18. As set out above, the Code of Corporate Governance is fundamental to demonstrating the council's commitment to effective corporate governance and is key to production of the council's statutory Annual Governance Statement.

Appendices: Appendix A, Code of Corporate Governance

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NORWICH
City Council

Norwich City Council

Code of Corporate Governance

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What is corporate governance?

Corporate governance are the arrangements we put in place to ensure we deliver the things we say we will do. It makes sure we do the right things, in the right ways, in a manner that is open and transparent. It ensures that we remain accountable for the things we do, and people can trust in our integrity. Good corporate governance helps organisations achieve high standards and the Council's financial and non-financial resources are targeted where they are most needed.

What does good governance mean to us?

At Norwich City Council, it's one of our core aims to ensure we are in a good place to serve the People of Norwich. To do this we will:

- Put the Council on a sustainable financial footing and deliver services effectively and efficiently
- Change how we work to serve the city better, building on our Covid-19 response
- Improve the way that residents can access services by embracing new technology and making it easier to do things online, while providing alternatives for those unable to do so
- Be open and transparent, with accessible data and decisions which are subject to public scrutiny
- Value, respect and listen to our employees. Ensure our workforce reflects our communities
- Preserve and strengthen confidence in the Council's governance framework, providing the foundations for a high performing Council that is compliant with its statutory obligations

What is the purpose of this Code of Corporate Governance?

This Code of Corporate Governance is based up on the best practice document produced by CIPFA, *delivering good governance in local government*. It provides a framework for those practices authorities should have in place to ensure sound decisions are made and services are operating effectively. The CIPFA framework is based on 7 principles, which are reflected in our Code below.

As well as providing a framework through which the Council can benchmark its activities, the Code provides the opportunity to reflect and understand where our arrangements can be strengthened. Governance is a continuous learning journey; there will always be opportunities to learn, develop and improve.

The Code in turn provides a framework for our Annual Governance Statement, which reflects the work we have done in the past year to strengthen our governance arrangements, as well as areas we have recognised for further development.

How does this Code relate to the Council's companies?

The Code of Practice sets the framework for the Council to seek assurance over its operations, including its wholly owned companies.

As independent bodies, the Council's two companies, Norwich City Services (NCS) and Norwich Regeneration Limited (NRL) have their own governance arrangements in place.

Between them, the Council and its companies are responsible for ensuring that:

- a) Conflicts of interest between the Council and its companies are identified and managed appropriately;
- b) There is clarity in regard to the responsibilities of the Council and its companies;
- c) Public funds given to the companies by the council are subject to appropriate controls and probity;
- d) Responsibilities of the Council, discharged by the companies, are done so safely
- e) There are appropriate mechanisms to evaluate the performance of the companies in delivering services entrusted to it.

What makes up the Code of Corporate Governance

The Code of Corporate Governance is made up of two elements:

- a) The Code itself, which evaluates the Council's corporate governance arrangements against the CIPFA Code of Practice and identifies areas for development
- b) The Council's governance framework, which draws together and maps the boards, policies and practices the Council has in place to deliver corporate governance

The Code of Corporate Governance shall be subject to an annual review process alongside the Council's Annual Governance Statement

Norwich City Council: Code of Corporate Governance

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law			
Sub Principles	Demonstrating good governance	How the Council complies	Areas for development
Behaving with integrity	<ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) Leading by example and using these standard operating principles or values as a framework for decision making and other actions Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> The Council's constitution sets out the rules that the Council, its staff and Councillors follow The constitution includes codes of conduct for both Councillors and staff The Council has adopted procedures for dealing with conduct issues raised in relation to Councillors and there are similarly procedures in relation to issues raised relating to staff The Council has adopted Anti-Fraud and Corruption and Whistleblowing Policies 	<ul style="list-style-type: none"> The Council is undertaking a review of its culture to understand how it can develop to serve the people of Norwich. It is anticipated that action plans will be emerging in the Autumn The Council has a broad scheme of delegation, however this can cause confusion. It is intended to review the Scheme during the coming year to assist officers understand the scope of their responsibility In line with audit recommendations, the Council has been developing its policy register to ensure there is clarity on ownership and timing of policy review The Council will continue to monitor emerging legislation, in particular developing systems to ensure compliance with the Election Act
Demonstrating strong commitment to democratic values	<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values 		

	<ul style="list-style-type: none"> Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation 		
Respecting the rule of law	<ul style="list-style-type: none"> Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders Dealing with breaches of legal and regulatory provisions effectively Ensuring corruption and misuse of power are dealt with effectively 		
Principle B - Ensuring openness and comprehensive stakeholder engagement			
Openness	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring 	<ul style="list-style-type: none"> Records of Council meetings including decisions made, as well as decisions made by officers, are available on the Council's website The Council's Citizen Participation Blueprint will seek to develop a participation strategy, and adopt an asset based approach to community development. Pilot schemes have been developed to understand potential approaches prior to a full adoption The Council undertakes an open budget consultation, ensuring that all 	<ul style="list-style-type: none"> The Council is working to improve its compliance with the transparency code, ensuring all required information is available on the Council's website Implementation of the Citizen Participation Strategy The Council is seeking to develop a consultation statement, to provide guidance and (where appropriate) consistency in the way that consultations are approached

	<p>that the impact and consequences of those decisions are clear</p> <ul style="list-style-type: none"> Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action 	<p>potentially interested parties have the opportunity to provide their views</p> <ul style="list-style-type: none"> The Council uses a range of platforms to inform and engage with citizens including the quarterly Citizen magazine, website and social media 	<ul style="list-style-type: none"> The Council is reviewing its complaints policies and monitoring systems for complaints
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively Ensuring that partnerships are based on: - trust - a shared commitment to change - a culture that promotes and accepts challenge among partners - and that the added value of partnership working is explicit 	<ul style="list-style-type: none"> The Council has developed the Get Talking Norwich platform to aid citizen participation in consultations, provide a platform for updates and seek feedback from users. The Council maintains a database of users who wish to be engaged in consultations on specific topics In relation to local planning, the Council participates in the Greater Norwich Growth Board, which supports the delivery of local planning in the Greater Norwich area through engagement with key public sector partners and the Local Enterprise Partnership. The Statement of Community Involvement explains how the Council will engage with the community in its future planning for the area. 	
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs 	<ul style="list-style-type: none"> The Council encourages democratic engagement in its committees and decision making meetings, and has introduced livestreaming to support further engagement 	

	<ul style="list-style-type: none"> • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the interests of future generations of tax payers and service users 		
Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits			
Defining outcomes	<ul style="list-style-type: none"> • Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Delivering defined outcomes on a sustainable basis within the resources that will be available • Identifying and managing risks to the achievement of outcomes • Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> • The Council has an agreed corporate plan which sets out its vision for the City and includes clear actions and performance indicators for how its vision will be delivered • The corporate plan takes into account the views and considerations of Norwich 2040 vision, a steering group involving a range of stakeholders to look at the longer term view of the City • The Council has a range of agreed strategies and policies that support delivery of the corporate plan including the Covid-19 blueprint, Economic Strategy and Environmental Strategy • The Council's quarterly assurance reports detail how the Council is performing against its financial and non-financial targets, including an assessment of its risks to achieving outcomes • The Council's Medium Term Financial Strategy is subject to regular review and consideration to understand the Council's future resources 	<ul style="list-style-type: none"> • Over the next year, the Council intends to review both its environmental strategy and agree a biodiversity strategy • The Council will review the emerging recommendations of both the Good Economy Commission and the Climate Commission and understand where and how these should be implemented
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the 		

	<p>organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <ul style="list-style-type: none"> • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensuring fair access to services, taking full account of the access needs of disabled and vulnerable people 	<ul style="list-style-type: none"> • The Council has established processes for undertaking and considering the outcomes of equality impacts when making decisions and receives an annual equality statement to evaluate its impact in improving equality 	
Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes			
Determining Interventions	<ul style="list-style-type: none"> • Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided • Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts 	<ul style="list-style-type: none"> • Decisions are subject to a robust review process prior to determination in line with the Council's scheme of delegation • The Council uses set templates for report writing and decision making, which require authors to consider a range of factors including financial, legal, social and equality impacts when making decisions and feedback from consultation undertaken. • The Council has agreed corporate timetables for the reporting of performance and establishing the budget. These are widely communicated to staff • The Council has developed an internal transformation programme Future Shape Norwich. This is overseen by a corporate board. All programmed work is supported by business cases and associated 	<ul style="list-style-type: none"> • The Council is intending to review its policies relating to oversight and enforcement activity during the year, including CCTV, Corporate Enforcement and Regulation of Investigatory Powers. This will include developing action plans to implement policies as necessary. • The Council will be undertaking a review of its performance measures during the year to evaluate whether these are effective in enabling measurement of performance • The Council will be delivering the Future Shape Norwich transformation programme. This cuts across a range of service areas to support the Council in being more financially sustainable and improving
Planning Interventions	<ul style="list-style-type: none"> • Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered 		

	<ul style="list-style-type: none"> • Considering and monitoring risks facing each partner when working collaboratively including shared risks • Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensuring capacity exists to generate the information required to review service quality regularly • Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	<p>action plans are subject to ongoing monitoring.</p> <ul style="list-style-type: none"> • The corporate plan is used to inform Directorate Planning, with each directorate having its own plan they are expected to deliver. The Directorate Plan is channeled into individual performance targets. • In addition to its corporate leadership team, the Council has developed corporate boards to support delivery of corporate aims, including: <ul style="list-style-type: none"> ○ Resources and Performance Board, to support development of corporate planning, deep-dive on performance and support areas which have additional performance improvement needs ○ Health and Safety Compliance Board, to support improvement in the Council's processes for monitoring health and safety in its physical assets ○ Asset and Investment Board, to support development and delivery of the asset management framework ○ Customer, Innovation and Digital Board, to support delivery of programmes that improve customer experience 	<p>customer experience. Work will be overseen by the programme board.</p>
Optimising Achievement of Intended Outcomes	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage 		

	<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes" 		
Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it			
Developing the entity's capacity	<ul style="list-style-type: none"> Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently Recognising the benefits of partnerships and collaborative working where added value can be achieved Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	<ul style="list-style-type: none"> The Covid-19 pandemic demonstrated the Council's ability to be flexible with its resources, re-allocating based on skillsets. Similar practices operate in areas such as the annual elections, where teams across the Council come together to deliver a defined project. The Council has staff performance management framework to provide a formal evaluation of performance on a 6-monthly basis, supplemented by regular 1-1 meetings. The Constitution clearly establishes roles and responsibilities for members and levels of decision making responsibilities The Council develops a member development programme on an annual basis and actively promotes national and regional development opportunities to Councillors The Council has an e-learning system and a range of corporate development activities available to staff. The Council aims to attract staff from a diverse range of backgrounds. This is subject to monitoring and reporting, as well as learning to understand 	<ul style="list-style-type: none"> The Council is seeking to develop a formal workforce strategy, to develop a clearer framework for its long term resource planning The Council is undertaking a review of its culture to understand how it can develop to serve the people of Norwich. It is anticipated that action plans will be emerging in the Autumn The Council will be undertaking a staff survey during the year, to understand how we can improve the experience of staff within the Council. An action plan will be developed emerging from the survey The Council has been undertaking a service review process to evaluate the level of resources allocated to service areas. Each review is subject to a robust consultation process. The process is expected to conclude by the autumn of 2022. The Council has been undertaking a senior leadership
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the 		

	<p>delivery of services and other outputs set by members and each provides a check and a balance for each other's authority Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external – - identifying and developing talent within the Council's workforce - developing succession planning. • Ensuring that there are structures in place to encourage public participation • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections 	<p>how the Council can be more effective in recruiting candidates.</p>	<p>development programme that will conclude in 2022.</p> <ul style="list-style-type: none"> • The Council has been reviewing its wellbeing programme for staff and will be agreeing and implementing a new staff wellbeing strategy which has been developed by staff.
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	<ul style="list-style-type: none"> • Holding staff to account through regular performance reviews which take account of training or development needs • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing 		
Principle F – Managing risks and performance through robust internal control and strong public financial management			
Managing Risk	<ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively • Ensuring that responsibilities for managing individual risks are clearly allocated 	<ul style="list-style-type: none"> • The Council has developed quarterly assurance reports which integrate financial and non-financial performance, audit outcomes and risks to give a holistic view of organisational performance. • The Council has an agreed corporate risk strategy. Risks are communicated through the corporate and directorate level risk register. Each are reviewed on a quarterly basis at a Directorate and then corporate level. • Risk assessment is a required part of business planning and decision making and incorporated into templates. • The Council has business continuity plans in place which are subject to periodic testing, including in respect of specific risks. This is supported by a steering group who oversee developments in business continuity and ensure they are reflected in corporate planning. Following business continuity events, review sessions are held to understand how improvements to processes can be made. 	<ul style="list-style-type: none"> • The Audit Committee has identified that it would benefit from the appointment of an independent person, in line with good practice. It is intended to recruit to this post • The Council is reviewing its policies and processes in relation to health and safety; this will be subject to an action plan • The Council has been strengthening its controls in relation to contract management. This work will be continuing into 2022/23 • The Council has been reviewing the operation of its regulatory services following a peer review. This work will continue into 2022/23 • The Council will be implementing a new Enterprise Resource Planning system, replacing its existing finance and HR system. Through this process the Council will be monitoring risks and ensuring effective internal control systems are developed
Managing Performance	<ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system: Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making) 		

	<ul style="list-style-type: none"> • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) 	<ul style="list-style-type: none"> • The Council has undertaken a review of its project management documentation to ensure consistency and standardization of approach, risk management and reporting • The Council has transferred its internal audit service to the Eastern Internal Audit Services, to help provide long term resilience • The Council's Internal Audit Service reports the outcome of its work to Corporate Leadership and Audit Committee. The Internal Audit Service is monitored to ensure compliance with the Public Sector Internal Audit Standards • The Council's Scrutiny Committee establishes its own work programme annually and receives training on its role. It can elect to pre-scrutinise policies and documents, and has the right to call-in cabinet decisions. The Scrutiny Committee examines the Council's budget, corporate plan and its company business plans as a matter of course. • The Council's Audit Committee oversees financial governance. It receives risk reports; reports from internal and external auditors and the accounts. It undertakes an annual self-assessment exercise. • The Council has a range of processes in place to ensure the safe storage of data. Data sharing is subject to sharing agreements and impact assessments undertaken where data use changes. 	<ul style="list-style-type: none"> • The Council will be implementing a new master data management system. This will support the Council in ensuring the consistency and accuracy of its data
Robust Internal Control	<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives • Evaluating and monitoring the authority's risk management and internal control on a regular basis • Ensuring effective counter fraud and anti-corruption arrangements are in place • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - that its recommendations are listened to and acted upon 		
Managing Data	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensuring effective arrangements are in place and operating effectively when 		

	sharing data with other bodies Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	<ul style="list-style-type: none"> The Corporate Leadership Team receives quarterly reports on compliance with information governance standards The Council has secured its compliance with the PSN information security standards. 	
Strong public financial management	<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls 		
Principle G – Implementing good practices in transparency, reporting and audit to effective accountability			
Implementing good practice in transparency	<ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<ul style="list-style-type: none"> The Council has established report templates which are subject to robust review before publication The Council is required to produce the annual statement of accounts and annual governance statement. The statement of accounts and annual governance statements sits alongside the quarterly assurance reports, which enable members and senior management to take a robust evaluation of corporate performance 	<ul style="list-style-type: none"> Develop a formal action plan to incorporate the items contained within this Code We will be reviewing how we can better use technology during committee meetings, including promoting the use of electronic access to committee papers
Implementing good practice in reporting	<ul style="list-style-type: none"> Reporting at least annually on performance, value for money and the stewardship of its resources Ensuring members and senior management own the results Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement) 	<ul style="list-style-type: none"> This framework is subject to consideration by the Audit Committee, with the Annual Governance Statement serving as an annual demonstration of the Council's commitment to good governance The Council has undertaken significant work to strengthen its oversight of its wholly owned companies. This includes the 	

	<ul style="list-style-type: none"> • Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations 	<p>introduction of shareholder panels, which meet quarterly to evaluate how the companies are performing against their own performance targets and business plans. Business plans are subject to annual approval by the Cabinet (including pre-scrutiny).</p>	
Assurance and Effective Accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon • Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met 	<ul style="list-style-type: none"> • The Council's internal audit arrangements are outlined above. Internal Audit have direct reporting access to the Audit Committee. • The Council welcomes peer challenge and, for example, has utilised peer support in regards its regulatory service. The Council also supports the use of external expertise where necessary to supplement insight and experience, as well as joining local and national networks to gain understanding of best practice. • The Council has undertaken work to strengthen its contract management arrangements, which has been reflected above • 	

Norwich City Council Governance Framework





Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Contract Management Arrangements Review

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of legal and procurement

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

The purpose of this report is to inform the audit committee on the council's arrangements for contract management and provide assurance regarding the measures in place to respond to the identified corporate risk relating to Contract Management.

Recommendation:

It is recommended that the audit committee notes the arrangements in place to support the council in managing its contracts.

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Corporate Priority to ensure Norwich City Council is in good shape to serve the city, by ensuring effective arrangements are in place to manage contracts within the council

Background

1. The council, like many other councils, commissions a wide range of goods, services and works from a range of third party suppliers. The risks associated with each contract will vary, from relatively small, one off purchases to major contracts essential for delivering key services to the people of Norwich.
2. In February 2021, the council agreed a new Procurement and Contract Management Strategy. Throughout the strategy, emphasis is placed on the need for effective contract management to reduce our commercial risk and deliver value for money. Contract management is identified as a corporate risk, reflecting the potential impact that contract failure can have on the council.
3. In June 2021, the Government issued Procurement Policy Note (PPN) 5, National Procurement Policy Statement. This requires local authorities to have in place appropriate arrangements to determine and manage its most significant contracts. The PPN highlighted that further legislation would be forthcoming relating to what arrangements councils have in place and the requirement to benchmark this.
4. As the audit committee will be aware, contract management was highlighted previously by the internal audit service as an area for improvement within the organisation. This was reinforced by the identification over the past year of challenges regarding compliance with housing standards.
5. In September 2021, the Corporate Leadership Team (CLT) requested the Head of Legal and Procurement to undertake a review of the council's contract management arrangements.
6. In November, when reviewing the corporate risk register, the Audit Committee requested a report on the arrangements in place to support contract management and the actions being taken to reduce the corporate risk.

Reviewing past arrangements

7. Contract management has traditionally been devolved to service areas within the Council, in that individual services are responsible for managing the contracts they have rather than centralised teams. This ensures those responsible for delivery have oversight of contractor performance.
8. Contract management guidance was made available to staff on the intranet. The Council's procurement shared folders include the contract register, listing all contracts, which is then linked to individual folders with key documentation such as copies of original tenders, contracts and any agreed variations.
9. Each contract was assigned a category – platinum, gold, silver and bronze. Every year, managers of higher value contracts have been required to produce assurance statements setting out how their contract has been managed over the year, and any issues arising.

10. In principle, this provided a reasonable framework for services to use to be able to manage their contracts. However, as highlighted by previous internal audit findings, this framework was not operating effectively to address organisational risk.
11. Alongside reviewing its arrangements, the Council had commissioned SPS consultancy to undertake a diagnostic review of its procurement and contract management arrangements. The headline findings of this survey were reported to Cabinet in March. This identified that whilst officers considered they had good relationships with their contractors, there were a number of areas which required attention. In particular:
- (a) One of the weakest scoring areas was contract management skills and knowledge, with nearly 70% of respondents considering they did not believe the right skills and knowledge had been deployed across the organisation.
 - (b) A similar volume of respondents also indicated that the Council has not deployed arrangements to monitor the stability of suppliers and manage potential supplier failure risk (it should be noted that SPS have confirmed this is a common area of development for authorities);
 - (c) The monitoring of how suppliers are delivering against sustainability and social value criteria in their contracts.
12. Taking this into account, the Corporate Leadership Team agreed to support a series of measures to improve contract management in the organisation, which are set out below.

Ensuring the right skills and knowledge are in place to manage contracts

13. Following the outcome of the SPS survey, developing skills and knowledge within the council has been the key focus area for development. Ultimately, if staff are equipped with the right insight and knowledge, it will support them in putting more effective contract management into practice.
14. Initially, the council approached the East of England Local Government Association (EELGA) and the government's own procurement service, Crown Commercial Services (CCS) regarding potential options for developing skills and knowledge.
15. The importance of developing a formal, traditional training programme was recognised. This was commissioned from SPS consultancy through EELGA. Training was provided to 40 staff during May and June, with a wide range of staff attending across two sessions – contract management basics and contract management in action. Feedback from the sessions has been very positive, and we have been reviewing other potential training needs identified through the sessions.
16. We also recognised the need for a more in-depth training offer for those responsible for managing some of the most significant contracts in the council, as well as staff within the council's procurement team. Initially, CCS were able to provide the council with access to the Government Procurement College's e-

learning programme, an accredited 3 day programme. The council will be able to continue to utilise this e-learning for new contract managers in future.

17. As a result of this offer, the council was then referred to the Department for Levelling Up, Housing and Communities (DLUHC) contract management pioneer programme. This was established by DLUHC, the Local Government Association and Cabinet Office as part of the Government's building back better programme, to encourage greater commercial skills within Local Government.
18. 9 members of staff came forward to take part in the programme, which provides formal training sessions complemented by networking opportunities; the council's individual places in the programme, which would usually cost £7,000 each, were fully funded. Staff enrolled will undertake a formal qualification as well as working with a peer network to develop their contract management approach and knowledge.
19. As a pioneer programme member, the council is encouraged to take part in participating authority events. This includes being part of network meetings to support DLUHC and access to briefings from contract leads working on major national programmes. At present, DLUHC are considering developing guidance to authorities on good practice, with the council having opportunity, through its participation, to input to this guidance.
20. Further specific guidance and training is also being provided on a case-by-case basis. Following the recent transfer of the repairs and maintenance service to Norwich City Services, staff involved in the management of the service were provided specific training sessions on the operation of the contract to ensure its effective management from the outset.

Ensuring staff have the right guidance and support to manage contracts

21. Good practice guidance in contract management was reviewed. Some of the most common approaches rely on a core framework, offering a set of principles for how contracts are managed. This is particularly effective given the variety of contracts that local authorities enter into – a very prescriptive approach can struggle to address this variety.
22. Two core frameworks were therefore reviewed to develop a contract management framework for Norwich; the National Audit Office, who developed a framework as good practice in light of various reviews they had undertaken; and Crown Commercial Services, the government's procurement practitioners who have provided advice to government authorities on monitoring contracts CCS have procured.
23. In reviewing comparative models, it was noted that sustainability and social value delivery did not feature strongly. Recognising this is a present area of weakness as identified by the SPS survey, yet an important part of our own procurement and contract management survey, this has been incorporated into the development of a draft framework for Norwich.

24. The Norwich Contract Management Framework is currently going through final review processes before its roll out to staff. The present draft is based on two key elements:

(a) Firstly, the framework sets out the assurance systems in place for contract management within the Council, and how concerns regarding management of a contract or performance of a contractor can be escalated;

(b) Secondly, the framework provides a set of criteria for officers to consider when managing their contracts. It is based on three core stages; deployment of the contract, as it is entered into; delivery of the contract during its term, and development of the contract and market to ensure the council is prepared for when it needs to re-commission the contract.

25. Further detailed guidance will be developed to supplement the framework. We are also establishing a contract management practitioner group within the council, which will meet periodically to share experience and practice, identify development needs, and support the development of guidance.

Effective assurance systems are in place to monitor contract management

26. The contract management framework, as set out above, provides the core mechanisms through which assurance over contract management and performance can be gained. This includes escalation of issues through Directorate Management teams; the council's resources and performance board, Corporate Leadership Team and at a member level. The work of internal audit provides a crucial independent assurance role.

27. A core component of the assurance framework is the introduction of contract management plans. The plans require each contract manager to set out the means they use to manage the performance levels and financial and non-financial risks in their contracts. These are retained alongside other key contract documentation and thus provide resilience in the event of staff departure or absence.

28. At this stage, contract management plans are being rolled out across highest risk contracts and for all new contracts. There is an expectation that each year, officers will be asked to provide evidence to demonstrate they are complying with the plan, as well as reviewing it to ensure it remains robust and accurate.

29. To address the concern highlighted through the SPS survey officers did not consider that supplier failure risk is being adequately addressed, the contract management plan requires officers to confirm that adequate arrangements are in place to manage business continuity risks, and for the supplier to provide copies of internal or external inspection reports related to the contract. The contract management framework prompts officers to consider potential continuity risks in relation to supplier failure and how this will be managed.

Further development

30. As this report highlights, much of the work to reinforce effective contract management practice across the organisation is still in progress; there will be

further work to do in terms of embedding practice and making effective contract management “business as usual” on a consistent basis across the organisation. As the report to cabinet in March highlighted, there is also further work to do to develop guidance on social value and sustainability, and the SPS survey highlights the potential to undertake further development in monitoring supplier viability. All of this will be taken account as part of the ongoing development of action plans within the procurement service.

31. We expect that the revised public contract regulations, which are expected to come into being in late 2022/early 2023 will include specific requirements relating to contract management, with the possibility of additional statutory guidance. Clearly, the council will need to keep a watching brief to identify areas for further development in accordance with good practice.

Implications

Financial and Resources

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

32. Whilst effective contract management supports the council in managing its financial resources, there are no proposals in this report that would require additional resources.

Legal

33. As set out above, the council is required to comply with PPN05/21, to ensure there are appropriate arrangements in place to manage its most significant contracts.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	No specific implications
Health, Social and Economic Impact	No specific implications
Crime and Disorder	No specific implications
Children and Adults Safeguarding	No specific implications
Environmental Impact	No specific implications

Risk Management

Risk	Consequence	Controls Required
Failure to manage contracts effectively leads to poor financial and non-financial performance and reputational risk to the Council	Services are not delivered to the people of Norwich as expected	This report sets out the measures that have been put in place to ensure that contracts are managed effectively within the organisation

Other Options Considered

34. Within councils, there are a range of options as to how contracts can be managed and the governance arrangements that need to be put in place to support effective contract management. At this stage, the tools implemented have intended to provide a mechanism to reduce the potential risks the Council could face from ineffective contract management.

Reasons for the decision/recommendation

35. This report is seeking to provide the audit committee, as requested, with an update on the arrangements put in place to support effective contract management.

Contact Officer:

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Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Consideration of Treasury Management

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of legal and procurement

Wards: All Wards

Purpose

In undertaking its self-assessment, the audit committee raised the subject of whether it should have a role in considering treasury management.

This report updates the committee on potential options for reviewing treasury management and seeks to make recommendations on how to progress.

Recommendation:

It is recommended that the audit committee asks the constitution working party develop proposals for a treasury management committee as outlined in paragraphs 12 and 13 of the report.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

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

Background

1. In undertaking its self-assessment, the committee recognised that treasury management can fall within the domain of audit committees and requested “that CLT and the constitution working party considers whether the treasury management framework should be reviewed by the audit committee.”
2. This was subject to provisional discussion with the constitution working party, which indicated it would be keen to understand the views of the audit committee what form such review would take and would consider proposals the committee made.
3. CIPFA's position statement: Audit Committee in Local Government and Police Authorities highlights that:

“An audit committee can also support its authority by undertaking a wider role in other areas including:

 - considering governance, risk or control matters at the request of other committees or statutory officers;
 - working with local standards and ethics committees to support ethical values;
 - reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017);
 - providing oversight of other public reports.
4. CIPFA also advocates that members undertaking treasury management review should receive specific training.
5. At present, the council's treasury management strategy is approved by council alongside the budget (and therefore subject to review by scrutiny committee and cabinet as it is developed). Treasury management reports are provided to council twice a year.
6. In reviewing treasury management, councillors will fundamentally be looking at:
 - (a) The council's policies, and how they are being complied with, in regard to investments and cash-flows;
 - (b) The council's banking and money market transactions;
 - (c) The effectiveness of the control environment in relation to these transactions;
 - (d) Ensuring the council is delivering optimum performance over its treasury management.
7. A review was undertaken of 5 similar authorities by type to Norwich, and also of 3 other local district councils. Of those 8 councils, 4 had delegated review of treasury management to their audit committees, and 4 had not. There were also variances in the extent of their delegation; for example, one council had delegated their audit committee to approve the treasury management strategy, whilst other councils asked the audit committee to make recommendations to cabinet or council.

8. In addition, officers are aware of other models that have been adopted. This includes a council where treasury management was considered by an audit committee sub-committee, and a council where it was undertaken by a sub-committee that reported to cabinet.

Proposal

9. Treasury management is one of the more challenging areas of examination within local government and can require careful and detailed consideration.
10. Whilst this work can be undertaken at committee level, in practice the agendas for the audit committee are becoming increasingly substantial and treasury management could only be incorporated with additional meetings.
11. Recognising the increasing complexity of treasury management, last year, CIPFA consulted on proposals to require councils to have separate treasury management committees consisting of senior and cross-party councillors. This allows a group of members to focus specifically on treasury activity, with dedicated support and training. These proposals have not yet been taken forward.
12. In this regard, it is suggested that the council looks to establish a dedicated treasury management committee in line with the proposals CIPFA has suggested. This would meet at least 3 times a year to consider the strategy, mid-year and annual treasury management reports in detail prior to their adoption by council.
13. Such a committee would clearly benefit from representation from the audit committee and scrutiny committee; but could also incorporate the leader and cabinet member with the portfolio holder for resources, linking together the accountability of the executive and the challenge from scrutiny.
14. Whilst this would be the recommended approach of officers, as set out above other alternatives include consideration by the audit committee directly, or by a sub-committee of audit committee members. The drawback of this latter approach is that it can lead to a lengthy review process, with items being reviewed by the sub-committee, the audit committee and then by the relevant decision maker.
15. The audit committee is asked to recommend a preferred approach. It is intended that officers will then use this to amend existing terms of reference or develop new terms of reference for consideration by the constitution working party, who will then recommend final proposals to council.

Implications

Financial and Resources

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

16. The creation of a new committee or sub-committee or increasing the number of meetings of an existing committee, will inevitably require additional staffing resources and member time in order to support it. Any training requirements for members will need to be met from the council's member training budgets.

Legal

17. The council's powers in relation to treasury investment lie in the Local Government Act 2003, which requires the Council to comply with any statutory guidance issued by the Secretary of State, which has in turn mandated the requirement to comply with relevant CIPFA codes of practice.
18. At this stage, neither CIPFA nor the Government have placed a formal requirement on local authorities for a dedicated committee or sub-committee to consider treasury management prior to council adoption.

Statutory Considerations

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

Risk Management

Risk	Consequence	Controls Required
The Council does not monitor its treasury investments effectively	Potential loss incurred through devaluation of council treasury investments and failure to take opportunities	The strengthening of member insight into the development of treasury management strategy and review of treasury management performance will enhance the control environment in support of effective management performance.

Other Options Considered

19. As set out in the report, there are several options as to how treasury management could be subject to additional monitoring at a member level with the committee asked to recommend a favoured proposal.

Reasons for the decision/recommendation

20. As set out above, the audit committee has asked officers to evaluate proposals for review of treasury management. This report seeks to recommend proposals to members which will then be developed by the constitution working party for consideration by council.

Background papers: None

Appendices: None

Contact Officer:

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Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Annual report of the Audit Committee 2021-22

Committee chair: Councillor Price

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

This report presents the draft Annual Report of the Audit Committee 2021-22 appended at Appendix A to the committee for comment.

Recommendation:

That the committee approves the content of the annual audit committee report and recommends that council adopts it.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

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

Report Details

1. On 11 March 2014, the audit committee resolved to approve new procedures for the audit committee in line with CIPFA guidance. In line with good practice the committee agreed to produce an annual report for council.
2. The attached annual report of the audit committee 2021-22 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council.
3. The report is set out under the headings for each of the main functions of the committee as set out in the council's constitution, adopted in March 2021.
4. The report sets out the work of the audit committee over the last financial year. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

Consultation

5. This report has been written in consultation with the chair and vice chair of the committee and based on discussions minuted at meetings of the committee. The report is subject to approval by the audit committee at its meeting on 13 July and comments from the committee will be reported to council.

Implications

Financial and Resources

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

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

Legal

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

Statutory Considerations

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

Risk Management

Risk	Consequence	Controls Required
Include operational, financial, compliance, security, legal, political or reputational risks to the council	Not applicable	Not applicable

Other Options Considered

8. This report is for information and consolidates information set out in minutes to the audit committee held during the civic year 2021-2022.

Reasons for the decision/recommendation

9. To provide an annual report to council.

Background papers: None

Appendices:

A Annual Report of the Audit Committee 2021-22

B Extract from the Council's Constitution – Audit committee terms of reference

Contact Officer:

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Annual Report of the Audit Committee 2021-22

Introduction

This is the annual report of the audit committee and advises the council of the work of the audit committee for the period of the civic year 2021-22.

Councillor Ben Price
Chair, audit committee

Councillor Keith Driver
Vice-chair, audit committee

Background

1. This report covers the work of the audit committee for the financial and civic year 2021-22. The production of an annual report by the committee is considered good practice.
2. The council established an audit committee in 2007. The terms of reference were considered and revised as part of the Constitution Review 2021. The committee exercises its powers, within the policy framework of the council and the corporate plan, as specified in the terms of reference.
3. The members of the audit committee in 2021-22 were:-

Councillor Ben Price (chair)
Councillor Keith Driver (vice chair)
Councillor Adam Giles
Councillor Ash Haynes
Councillor Martin Peek
Councillor Mike Sands
Councillor Ian Stutely
Councillor James Wright
4. Councillor Paul Kendrick, cabinet member for resources, attended all meetings of the committee.
5. The key officers who support the audit committee during this period were:

Annabel Scholes, executive director of corporate and commercial services (S151 officer) (chief finance officer)
Hannah Simpson, head of finance, audit and risk
Neville Murton, interim head of finance, audit and risk
Faye Haywood, internal audit manager
Leah Mickleborough, head of legal and procurement
6. The engagement team of the external auditors (Ernst & Young LLP) is led by Mark Hodgson, the external audit manager for the council. The external auditors have an open invitation to attend meetings of the audit committee to present their reports and answer members' questions. The external auditors attended meetings in July 2021 and May 2022.
7. The committee monitors the fees paid by the council to the external auditors to ensure value for money.
8. The committee met five times during the civic year 2021-22 as follows:
 - 13 July 2021
 - 21 September 2021
 - 18 January 2022
 - 8 March 2022
 - 17 May 2022 (extraordinary meeting)
9. The information contained in this report is drawn from the minutes and reports considered at committee meetings held during the year. Agendas, reports and minutes for the meetings are available on the council's website:

10. The committee last received training from an external facilitator in October 2020. Members will have an opportunity to attend an introductory training session for members of the audit committee on 11 July 2022.
11. This report sets out the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose, under the following headings:
 - (a) Corporate governance
 - (b) Internal and external audit
 - (c) Statement of accounts
 - (d) Referral powers and accountability arrangements

Corporate governance

12. The committee welcomes the changes that the corporate leadership team has made to strengthen governance arrangements within the council and in relation to its wholly owned companies.
13. The committee is advised by the chief finance officer, internal and external audit. In line with CIPFA/SOLACE good practice, the council's constitution adopted in March 2021, has provision for the council to appoint up to two independent non-voting co-opted members to the audit committee whose "skill, knowledge, qualification and experience relevant to the role of the committee" to assist members. The council is currently in the process of appointing an independent person to the committee.

Corporate risk management policy, strategy and register

14. The council's constitution adopted in March 2021, formalises the committee's request to receive a report on the council's risk management policy, strategy and register twice a year. This provides the committee assurance about the risk appetite of the council and an opportunity to ask questions on the application of scores to risks.
15. The committee considered changes to the Risk Management and Strategy at its September meeting, prior to its approval at cabinet in October 2021. The committee welcomed the opportunity to review the policy and strategy and appreciated the shift in the culture of the council that it represented, with risk management being considered at individual and service levels and risks being addressed before serious problems occurred. The relaunch of this strategy ensured that risk management is embedded throughout the organisation. Members commended the officers for the clarity of the document and the inclusion of the assessment of risk and scoring matrix.
16. The committee considered the risk register at its meetings in September 2021, where it was noted that the overall level of risk had not changed, and in March 2022. Following discussion at the September meeting, the committee asked for further consideration of the impact of Brexit, where the concern is that the

impact has not been fully realised, climate change as a separate risk on the risk register and inclusion of risks relating to the end of the furlough scheme and cuts in universal credit under the appropriate risk. Some members of the committee were disappointed that climate change remains an overarching rather than a separate risk on the register. The committee also expressed an interest for further information on the ASB team recruitment and training and looks forward to the risk level being reduced as actions are implemented in the coming year.

Anti-Fraud and Corruption policy and strategy - Application

17. An important function of the committee is to ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.
18. The committee receives an Annual report on Audit Risk and Fraud each year. The annual report for 2020-21 was considered at the July meeting. Members are updated on Anti-Fraud and Corruption measures as part of the quarterly internal audit reports. Significant issues are flagged up to the committee with every quarterly internal audit report. The committee monitors and questions progress on addressing the recommendations.
19. Work of internal audit including counter fraud activity was reported to every meeting throughout the year. Each time this included a schedule of significant issues with response and implementation dates for any required action. In addition, the committee receives the report on risk management and the risk register twice a year. This allows committee members to challenge the risk appetite of the authority for example, areas where fraud could potentially be a high risk.
20. During the pandemic, the council administered business support grants on behalf of the government. There is a national picture of these grants being open to fraud due to the timescales and lack of government guidance at the time to get grants out to support businesses. An internal audit of the revenues and benefits service has been conducted and the audit recommendations agreed. The council has a duty to ensure that checks are in place and £40,000 has been written off. Members appreciate the work of the team in supporting local businesses and ensuring that businesses had access to grants available. However, it has requested information on how the authority performed when benchmarked against other authorities and the outcome of the National Fraud Initiative in relation to the administration of business support grants.
21. Internal audit reviewed the council's whistleblowing policy and minor amendments relating to change of personnel were agreed by the committee at its meeting on 21 September 2021. The committee received assurance that the policy was fit for purpose.

Annual Governance Statement 2020-21

22. The Accounts and Audit Regulations 2015 requires the council to produce an Annual Governance Statement (AGS). It summarises the extent to which the council complies with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead.
23. In addition, as part of the Annual Governance Statement process key officers within the council are asked for a specific assurance as to the extent to which key policies and procedures have been complied within their area for 2020/21.
24. At its meeting on 13 July 2021, the audit committee agreed that the draft Annual Governance Statement was consistent with the committee's own perspective on internal control within the council, plus the governance issues and actions. Members welcomed the inclusion of the action plan which showed the council's performance and direction of travel and noted that it would continue to be updated during the year. The committee also noted that it was a front facing document that showed the council's direction of travel.
25. Since the original AGS was considered by the committee two further issues have arisen: the decision to self-refer to the Regulator of Social Housing, and the subsequent publication of a Regulatory Notice; and the identification and inclusion of statutory equalities objectives. Both these issues have now been added to the AGS. The committee voted unanimously to confirm that the Annual Governance Statement was consistent with the committee's own perspective on internal control within the council, plus governance issues and actions. It was prudent to amend the AGS and gratitude to the committee for raising concerns about contract management and the corporate leadership team for identifying the issue and taking the appropriate action was recorded. The AGS is a public document that shows the council's governance and risk management structure to be robust.

Internal and external audit

Internal audit

26. The council receives an annual audit opinion from the chief internal auditor on an annual basis which is timed to inform the Annual Governance Statement. The committee received the interim audit manager's annual audit opinion as reasonable in July 2021 and noted that this opinion was caveated by the ongoing work on risk management by the corporate leadership team across the council. Members noted that the council had identified a need to strengthen competencies and make improvements in the way in which contracts are managed effectively to drive out efficiencies and service improvements. This will continue to be an area of audit focus given recent limited assurance opinions for the management of a couple of large contracts. This reflects the committee's concerns about contract management and policies and procedures.
27. The council has entered a contract with South Norfolk District Council and a consortium for the provision of internal audit services. A report to the committee in July 2021 sets out the arrangements for the short term and long term provision of internal audit services for the council.

28. The committee receives regular reports from internal audit and monitors the internal audit plan. The council has moved to a risk based approach assessed against the council's risk management register and prioritised areas identified as a risk. The internal audit manager assured members that the internal audit coverage would be sufficient to provide an audit opinion. Members have an opportunity to monitor the progress against the work programme. Due to the new arrangements the internal audit plan for 2021-22 started later in the year and therefore greater prioritisation was required this year. Reasons for deferring audit work were considered at the January 2022 meeting. There is some concern from members that there has been an overall reduction in the number of audit "days". Members have been assured that future internal audit work plans will provide justification or reasons for audit work to be delivered or prioritised and will cover a 3 year rolling programme.
29. As well as receiving quarterly updates, the committee also receives updates which track internal audit recommendations that are either medium or high priority and have gone past the due date. This provides the committee with an opportunity to monitor the progress against actions or seek an explanation where implementation of recommendations has been delayed or why actions have not been agreed by management.

External Audit

30. External auditors attend meetings of the committee when presenting reports and participate in meetings to answer members' questions and provide assurance where appropriate.
31. Members have an opportunity to comment on the external audit plan. The committee agreed the external audit plan for the accounts for 2021-22 at its July meeting. An addendum to the plan relating to VFM risk assessment was received at the March 2022 meeting.
32. Before the pandemic external audit was facing challenges around timetabling audits, which has been exacerbated by the pandemic. The accounts for 2019-20 had finally been signed off on 21 January 2021.
33. Members have expressed their frustration on the further delay this year which meant that the accounts for 2020-21 were eventually signed off in May 2022 due to pressures on external audit. This situation does not appear to be resolved with a late audit planned for late 2022. This impacts on the council's resources so late in the financial cycle, particularly in relation to budget preparation and year end close down. This is a national problem for external auditors and was raised under the Redmond Review.
34. The committee made recommendations to council on the process for the appointment of external auditors for the five-year period 2023-28. Members noted that there were benefits from being part of a national scheme for the procurement, including economies of scale that would provide the best deal for the council.

Statement of accounts

35. The committee considers the draft financial statements before publication and submission to external audit. There is no requirement for the committee to approve the unaudited accounts but this gives an opportunity for members to understand the process.
36. The committee considered the draft Statement of Accounts (SoA) 2020-21 at its meeting on 13 July 2021. It is a credit to Hannah Simpson, head of finance, audit and risk, and the finance team that they worked tirelessly to produce the accounts to meet the statutory timeframe for the publication of the accounts in what had been a challenging year.
37. It was originally expected that the external audit of the accounts would be signed off at the committee's meeting in January 2022. The audited accounts were finally published on 17 May 2022.
38. The committee had an opportunity to attend an informal presentation on the audited accounts prior to the committee meeting in May 2022. This was a useful session for members and helps with their understanding, particularly given the delay in the completion of the external audit.

Referral Powers and Accountability Arrangements

39. The committee's discussions and recommendations relating to the effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit, are recorded in the minutes of the meetings. Where appropriate the committee's recommendations on any of these matters are referred to cabinet or the chief finance officer, as set out in the terms of reference. Meetings are attended by the key officers and other members of the corporate leadership team and senior managers, internal and external audit, who contribute to the discussions and are accountable for ensuring that the committee's recommendations are given due consideration. The cabinet member for resources also attends all meetings of the audit committee.
40. 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 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. The audit committee undertook its first self-assessment exercise, facilitated by the internal audit manager and as a result, actions have been identified to ensure full compliance with best practice. These actions were approved at the meeting in January 2022. It is intended that the committee will carry out the self-assessment exercise on an annual basis and monitor progress against actions as part of its work programme planning.
41. The committee has been effective in undertaking the functions set out in the terms of reference in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

Audit Committee

Membership of the Audit Committee shall comprise 8 members appointed by the Council (excluding Cabinet members). Additionally, up to two independent non-voting co-opted members may be appointed on the basis of their skill, knowledge, qualification and experience relevant to the role of the committee.

The chair of the committee is elected by the council and the vice-chair is appointed by the committee.

Within the policies laid down by the council and within the Corporate Plan to exercise the following powers of the council:

Corporate governance

1. Review the effectiveness of internal control across the council and the adequacy of actions taken to address any weaknesses or control failures.
2. Consider the adequacy and effectiveness of the council's arrangements for the identification and management of the organisation's business risks; including the risk management policy, strategy and risk register.
3. Receive and consider regular reports at least twice a year on the risk environment, corporate risk register and associated management actions.
4. Review and ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.
5. Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.
6. Review, consider and agree the Annual Governance Statement, including the adequacy of the corporate governance framework and improvement action plan contained within it.
7. Receive periodic updates on improvement actions taken.

Internal and external audit

8. Approve the internal audit charter.
9. Approve and monitor delivery of the internal audit strategy.
10. Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.
11. Ensure adequate resourcing of the internal audit function, approving any significant additional consulting services requested from internal audit not already included in the internal audit annual work programme.
12. Receive and consider the annual internal audit report and opinion on behalf of the council.
13. Oversee the annual review of the effectiveness of the system of internal audit, to include the performance of the internal audit function, compliance with standards and delivery of improvement actions.
14. Contribute to the external quality assessment of internal audit that takes place every five years.
15. Commission work from internal and external audit and consider the resulting reports.

16. Comment on the scope and depth of external audit work and ensure it gives value for money.
17. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
18. Seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit and inspection work.

Statement of accounts

19. Discuss the annual audit plan for the audit of the financial statements with external audit.
20. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
21. Review and approve the annual statement of accounts, including subsequent amendments on behalf of the council.

Referral powers

22. Make recommendations for due consideration on all matters described above. Recommendations relating to all paragraphs except 9-10 and 12-21 shall be made to the Cabinet and Chief Finance Officer. Recommendations relating to paragraphs 9-10 and 12-21 shall be made to the Chief Finance Officer.

Accountability arrangements

23. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
24. Report to full council on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.



Committee Name: Audit
Committee Date: 12/07/2022
Report Title: Work Programme

Portfolio: Councillor Kendrick, cabinet member for resources
Report from: Executive director of corporate and commercial services
Wards: All Wards

OPEN PUBLIC ITEM

Purpose

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

Recommendation:

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

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

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

Report Details

Introduction

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

Considerations

4. Members have asked for further information on the implementation of actions following internal audit reviews:
 - (a) Fraud investigations and business grants. Whilst this was originally suggested for the current meeting, for various reasons it is intended that the head of revenues and benefits, who has recently commenced in role, brings this report to the September committee meeting.
 - (b) The implementation date for the actions following the internal audit review of policies and procedures has been extended to August 2022. It is therefore proposed that once these have become established, the strategy manager reports to the committee in November.
5. The committee considers risk management at least twice a year. Members asked for further details on the controls in place to mitigate the risk of antisocial behaviour. It is proposed that this information should be provided as part of the Risk Management Update at the September meeting.
6. The committee's self-assessment action plan was approved in January 2022. It is proposed that the committee will conduct a self-assessment annually. The action plan has been attached to this report at Appendix A, updated to reflect completed actions, and for members to consider as part of the work planning for this committee.

Work Programme 2022-23

7. The proposed work programme for the remainder of 2022-23, is as follows:

20 September 2022

Executive director of corporate and commercial services:

- Draft Annual Governance Statement 2021-2022
- Draft Statement of Accounts 2021-2022
- External audit plan 2021-2022 accounts
- Internal Audit Q1 Update
- Internal Audit Recommendations Update – Fraud Investigations and Business grants
- Risk Management Update
- Work Programme

29 November 2022

Executive director of corporate and commercial services:

- Internal Audit Q2 Update
- Internal Audit Recommendations Update, to include Policies and Procedures (Executive director of community services)
- Work Programme

17 January 2023

Executive director of corporate and commercial services:

- Internal audit Q3 Update
- Internal audit Recommendations Update
- Audit Committee Self-Assessment
- Work Programme

21 March 2023

Executive director of corporate and commercial services:

- Annual Governance Statement 2021-2022
- Statement of Accounts and Audit Results Report 2021-2022
- Internal Audit Plan 2023-24
- Risk Register Update
- Work Plan

Training and informal sessions

8. The annual training session for members of the committee will be held on 11 July 2022. There was also a session for all members of the council on “Understanding Local Government finance” which members of the audit committee were encouraged to attend. Following discussion with the Chair, it has also been suggested to bring forward a training session as part of the autumn member development programme to focus on how to assist members to effectively bring forward concerns or governance matters
9. The committee agreed to hold an informal session in June/July on “Understanding Cyber Risk” and an interactive session is currently in the process of being arranged.

Consultation

10. The committee will review the work programme at each meeting.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget. [Do not remove]

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

Legal

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

Statutory Considerations

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

Risk Management

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

Other Options Considered

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

Reasons for the decision/recommendation

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

Background papers:

None

Appendices:

Appendix A – Self Assessment Action plan

Contact Officer:

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Appendix A – Self Assessment Action Plan

Question	Assessment	Action	Proposed Target Date	Comments
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.	July 2022	Committee training session arranged for members 11 July 2022
8	Partly	Following this initial assessment, it is recommended that an annual self-assessment is carried out by the Audit Committee.	Ongoing annually	
9	Partly	Treasury management is included within the list of wider areas of involvement for Audit Committees. The Committee requests that CLT and the Constitution Working Party considers whether the treasury management framework should be reviewed by the Audit Committee.	April 2022	Report to committee July 2022
12	Partly	To enhance knowledge skills and independence of the Committee, an independent member will be appointed using the appropriate process.	July 2022	Appointment of independent member in progress
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.	April 2022	Training needs can be discussed
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.	June 2022	Survey to be arranged
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.	October 2022	
20	Partly	It is recommended that the actions arising from this assessment are monitored to completion by the Committee.	October 2022	