



### Audit committee

**Date:** Tuesday, 19 March 2024

**Time:** 16:30

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

#### Committee members:

#### Councillors:

Price (chair)  
Driver (vice chair)  
Everett  
Francis  
Osborn  
Prinsley  
Sands (M)  
Thomas (Vi)  
Thomas (Va)  
Wright

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#### Independent person

David Harwood

### Information for members of the public

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For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



communication for all

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## Agenda

### Page nos

#### 1 Apologies

To receive apologies for absence

#### 2 Public questions/petitions

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

#### 3 Declarations of interest

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

#### 4 Minutes

5 - 10

To approve the accuracy of the minutes of the meeting held on 23 January 2024

#### 5 2023/24 Q3 Corporate Risk Register

11 - 48

**Purpose** - This report provides an update to the council's corporate risk register based on the position for quarter three (December 2023)

#### 6 Progress Report on Internal Audit Activity

49 - 74

**Purpose** - This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2023/24.

#### 7 Strategic and Annual Internal Audit Plans 2024/25 to 2026/27

75 - 110

**Purpose** - This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2024/25 to 2026/27 and the Annual Internal Audit Plan for 2024/25.

The Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services Contractor, TIAA Ltd.

It will also provide the basis for the annual audit opinion on the overall adequacy and effectiveness of Norwich City Council's framework of governance, risk management and internal control.

**8 DLUHC Consultation Response – Addressing the Local Audit Backlog in England 111 - 156**

**Purpose** - To provide members with details of the response submitted to the recent DLUHC Consultation entitled Addressing the Local Audit Backlog in England.

**9 Audit Committee Self-Assessment Exercise 157 - 180**

**Purpose** - This report outlines the results of the self-assessment review completed on 5th February 2024.

**10 Work Programme 181 - 192**

**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.

**11 Exclusion of the public**

Consideration of exclusion of the public.

## EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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### **12 2023/2024 Q3 Corporate Risk Register – Exempt Section**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

### **13 Fraud Briefing**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Date of publication: **Monday, 11 March 2024**



**Audit Committee**

**16:30 to 19:05**

**23 January 2024**

Present: Councillors Price (chair), Driver (vice chair), Osborn, Prinsley, Sands (M), Thomas (Va), Thomas (Vi) and Wright and David Harwood (Independent Person)

Also present: Councillor Kendrick, cabinet member for resources  
David Rigler, Ernst & Young (External Auditor)

Apologies: Councillors Everett and Francis

**1. Public questions and petitions**

There were no public questions or petitions.

**2. Declarations of interest**

None.

**3. Minutes**

**RESOLVED** to approve the accuracy of:

- (1) the minutes of the meeting held 21 November 2023;
- (2) the exempt minutes of the meeting held on 21 November 2023, subject to correcting an anomaly in a sum recorded in the minutes, to the amount agreed with members outside the meeting.

(The chair agreed to take the item on Cyber Assurance early on in the meeting to accommodate a request from officers.)

**4. Exclusion of the Public**

**RESOLVED** to exclude the public from the meeting during consideration of 5\* (below) on the grounds contained in the paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

**5. Cyber Assurance (paragraph 3)**

The Infrastructure Support Security Manager presented the report and gave a presentation (attached to the agenda papers at item 11).

A member asked for a copy of the "LGA's 10 questions a councillor could ask" and noted that this would be circulated to members outside the meeting.

During discussion members asked questions about patching of older IT software systems and commented that rather than seeking assurance from software providers during the procurement or contract renewal process, there should also be a planned cyclical review of security issues around the installation of patches. The Infrastructure Support Security Manager confirmed that this was a piece of work that was being undertaken which would supplement the ad hoc reviews as contracts came up for renewal.

Members noted that an exercise to ensure that officers were aware of phishing had been carried out. The purpose of this was not to embarrass officers but to identify where officers required further support or training.

Discussion ensued on network security and the specific needs of councillors. Members were advised that Outlook was not intended to store emails and that councillors' capacity had been increased to the same level as the executive directors. Members were advised that external devices should not be used to save council information. A member pointed out that some councillors accessed the network through their own laptops using CITRIX and an authenticator, and that this was an option for members who disliked the council's laptops.

The committee noted the dashboard and fluctuations in spam emails received.

The committee considered the frequency of the report and considered that an annual report would be sufficient. Cyber security was a corporate risk and therefore reported to committee twice yearly in the Risk Management report. Members agreed that the committee should be informed of major breaches to cyber security when they occurred. Councillor Price moved and Councillor Sands seconded that the committee should be updated of any major cyber security breaches as soon as practical, and on being put to the vote was agreed unanimously.

The committee noted that the council had received external validation by a global insurance brokerage and risk management service on its approach to cyber risk and continued improvements.

**RESOLVED to:**

- (1) note the report;
- (2) that the committee receives an annual report on Cyber Assurance;
- (3) that the Head of Customers, IT and Digital will report to the next available committee on any major breaches of Cyber Security.

**Actions:**

- (1) copies of the LGA's 10 questions will be circulated to members.

(The committee returned to public session at this point.)

**6. Progress Report on Internal Audit Activity 2023-2024**

The Interim Head of Finance, Audit and Risk presented the report. Progress against the internal audit plan was significantly behind where it was expected to be. This

was due in part to competing priorities as officers' focus was on the delivery of a major transformation programme across the council, as well as budget setting and closure of the accounts. Some actions arising from the Internal audit recommendations had been completed and were awaiting formal sign off.

The chair commented on the progress of the internal audit plan and whether completing 54 per cent of the plan at this stage in the year would be sufficient for the Head of Internal Audit to provide an audit opinion. The External Auditor commented that it was not unusual for items to be moved to the following year and that several items would be completed in the last quarter. External auditors did not rely on the work of internal audit, and would review the Annual Governance Statement (AGS) and consider whether the overall control environment of the council was adequate.

The Head of Finance explained the new process in place to sign off recommended actions. The senior leadership team (SLT) would consider progress at monthly meetings. The finance team now had access to the internal audit contractors software so could update the tracker to assist internal audit. Members noted that since the publication of the report, several managers had responded that actions had been completed and these were awaiting validation from the internal audit contractors. Whilst acknowledging the pressures officers were under, members considered that it would be useful if the tracker recorded the dates that managers were asked for an update, and when they had responded.

In reply to a member's question, the Interim Head of Finance confirmed the arrangements to ensure that there was a purchase order for every payment and said that this would be a more efficient process going forward.

The Interim Chief Finance Officer referred to paragraph 4.6 of the appended report, and said that there had been an investigation into potential fraud. The committee's chair had been kept informed throughout the process. The chair confirmed that he was satisfied that the incident had been dealt with in a robust and appropriate manner by the executive director.

Discussion ensued on the outstanding items and the need to ensure that actions that were over 12 months out of date were closed. The Head of Finance had escalated these to the Chief Executive and executive directors. The committee noted that there was a resource issue in the council, and whilst some actions were not so significant, there was concern about the actions relating to antisocial behaviour and the culmination of other outstanding actions which created a risk to the council. The chair suggested that by the end of the first quarter 2024/25, managers would be required to attend committee and explain why there were actions that had been outstanding for over 12 months. Members considered that 4 to 5 months was sufficient time to sort it out. The Independent Person said that he considered that by not implementing internal audit's recommendations, the council effectively accepted the risk and that reference to this should be made in Annual Governance Statement (AGS). The Interim Head of Finance pointed out that the Chief Executive and SLT reviewed the tracker monthly and would prioritise any outstanding actions that were a risk to the council.

The Independent Person referred to the five audits that had been deferred to 2024/25 and asked members whether they were satisfied with around a 20 per cent reduction in the number of "internal audit days", as this was the second year that the numbers of days had been reduced. The chair said that it was a case of identifying

the risk but that members wanted more audits rather than less to provide assurance in the AGS. The Interim Head of Finance said that it was not a case of reducing the audit plan by 20 per cent but that audits were taken on a priority basis. There had been a small reduction in days. The audit process was delayed because the council's officers did not have the resources to support the audits. This made it difficult for the internal audit contractors to do their part. There were different reasons to defer each of the five audits as set out in the table. Members noted that this was not due to a lack of focus from officers but was indicative of the pressure that local government resources were under.

In reply to a question from the Independent Person, the Head of Finance explained that the outstanding action in relation to Housing Benefits and reconciliation with the HFI rents system to the General Ledger (Appendix 6 – Outstanding Internal Audit Recommendations 2022/23) had now been completed. The statement that the system was still being developed was incorrect due to an administrative update error on the spreadsheet.

The Independent Person then referred to paragraph 4.6 of the report and said that he would like to see the details of the formal investigation in writing rather than being informed verbally at the meeting. The Interim Chief Finance Officer agreed to provide a report to the next meeting.

The chair referred to the minutes of the last meeting and asked why the outcomes of the internal audit reviews on Environmental Sustainability, Housing Repairs and Void Management (NCSL), and Contract Management were not included in the papers for this meeting. The Interim Head of Finance explained that the audits were close to completion but had not been ready to report to this committee meeting.

Discussion ensued on whether reports on internal audit reviews should be attached to the agenda papers. The chair considered that it was beneficial to view the whole reports. The summaries of outcomes focused on the key points and helped the committee understand where the weaknesses were. The Interim Chief Finance Officer said that he considered that the summaries got the balance right and that the committee should focus on the internal audit recommendations. The chair reiterated that he liked to see full reports and that these were provided to him on request. The reports provided him with assurance of the actions that were being undertaken by the executive leadership team (ELT). The Independent Person agreed that members wishing to see an internal report should email a request to the Head of Internal Audit.

The Independent Person referred to the Safeguarding internal review and said that there should be an internal audit review of mandatory training across the council, including the checks and balances regarding uptake and appropriateness to the role of the officer. He suggested that this would provide the committee with assurance that officers were aware of procedures.

**RESOLVED to:**

- (1) receive the report in relation to the completion of the Internal Audit Plan 2023/24 and the position in relation to the completion of agreed internal audit recommendations as at 31 December 2023;
- (2) note that the responsible officers for actions arising from internal audit reviews that have been outstanding for 12 months or more, will be required to attend

the July 2024 committee meeting and explain the reasons for the recommendations not being implemented;

- (3) note that the committee has asked for a written report on the outcome of the investigation into potential fraud, as outlined in paragraph 4.6 of the appended report;
- (4) note that the committee expects the next Internal Audit progress report to include executive summaries of the following internal audit reviews:
  - a) Environmental Sustainability;
  - b) Housing repairs and void management (NCSL);
  - c) Contract Management
- (5) that consideration is given to including an internal audit review of mandatory training across the council in the next year's audit plan.

(Councillor Prinsley and the Interim Chief Finance Officer left the meeting at this point.)

## **7. Statement of Accounting Policies and State of External Audit**

The Interim Head of Finance presented the report. He pointed out that the Treasury Management Committee had considered the proposed change to MRP which would be considered by full council (30 January 2024). No other changes to the accounting policies were recommended. The statutory deadline for submission of draft accounts was 31 May.

During discussion the Interim Head of Finance said that the council operated in a prudent manner and confirmed that this was in accordance with CIPFA practice. The change in the de minimus level for capital expenditure was £100,000, where decisions were made at senior level, did not require a change to the accounting policies.

The External Auditor addressed the committee and updated members on the sector wide situation regarding local government external audits slipping back and the need to get on track. The auditors had written to the select committee, S151 officers and chief executives with its proposals to achieve the position previously in place. They were proposing a consistent approach across all the councils that they audited for the 2023/24 accounts so that they could move forward, and were waiting for guidance from the Department for Levelling Up, Housing & Communities

Discussion ensued in which members considered that the council's accounts for 2022/2021 and 2022/2023 had not been audited but acknowledged that there were other councils that had not been audited for 8 years. The chair commented that this situation presented a risk to councils. The External Auditor agreed and said that this was why it was proposed to reset the system and provide the maximum assurance that it could. It was a significant policy decision to just provide a value for money statement on the accounts that had not been audited. The auditors would not be delving into the accounts. Members who commented were broadly in support of this approach noting that one member had recommended that the previous years' accounts were not audited to allow the external auditors to get back on track. The External Auditor confirmed that it was not a decision that was being taken lightly and would require changes to the regulations to be enacted on a once off basis.

A member commented that this council complied with the statutory deadlines and produced good accounts. Many councils were in financial difficulties and had not been audited for several years. The External Auditor said that in cases where the quality of the accounts was so poor that the auditors could not form a qualified opinion on the accounts by a certain date, or “backstop,” then the audit would not continue, and the auditors would move on to another authority’s accounts. The chair commented that the lack of external validation of the accounts was a concern and created a risk.

The External Auditor, the Interim Head of Finance and Head of Finance advised the committee of the process following the publication of the draft Statement of Accounts on 31 May 2024. Members were advised that the council’s new finance software would be installed in February and that this was the only risk to the council that the draft accounts would not be completed by the statutory deadline. External audit had met with officers in November to ensure that the council was aware of what was required. It was important that external audit did not come in until councils were ready and following workshops would gauge the level of support that councils needed.

In reply to a member’s question, the External Auditor pointed out that following the renewal of the contract, there had been a significant increase in the fees.

**RESOLVED** having reviewed the report to note it.

(Councillors Thomas (Va) and Thomas (Vi) left the meeting at this point.)

## **8. Work Programme**

Members noted that the work programme had been amended to include the reports on NCSL assurance mapping and governance requested by the committee at its last meeting. A draft work programme for the next civic year would be included in the work programme report at the March meeting.

The Interim Head of Finance said that there should be a paper on the new global Internal Audit Standards to a future meeting.

**RESOLVED** to:

- (1) agree the work programme;
- (2) note that the work programme will include the draft work programme for the next civic year;
- (3) add a report on Global Internal Audit Standards to a future meeting of the committee.

CHAIR



**Committee name:** Audit

**Committee date:** 19/03/2024

**Report title:** 2023/24 Quarter 3 Corporate Risk Register

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Interim Chief Finance Officer

**Wards:** All wards

**OPEN PUBLIC ITEM**

### **Purpose**

This report provides an update to the council's corporate risk register based on the position for quarter three (December 2023)

### **Recommendation:**

It is recommended that the Audit Committee notes the identified risks and the direction of travel.

### **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 Norwich City Council is in good shape to serve the city corporate aim.

## Introduction and background

1. Heads of Service and other risk owners were asked to update their directorate and corporate registers to reflect the position at the end of quarter three (December 2023) Directorate level risks continue to be reviewed by the relevant management team and are escalated to the Corporate Risk Register, for consideration by the Executive Leadership Team (ELT) where the residual risk exposure supports that action.
2. The Corporate Risk Register is shown at Appendix A with a report included on the exempt agenda detailing a further three risks. The position at the end of quarter 2 (up to 30 September) was reported to Cabinet in November. The quarter 3 position was reported to Cabinet at their meeting on 7 February 2024.
3. Significantly the risk associated with health and safety compliance in council homes and buildings has been removed from the Corporate Risk Register, moving to be managed at a Directorate level, following the formal notification from the Social Housing Regulator that they were satisfied with the progress made in addressing the issues which led to the council self-referring itself for breaches.
4. The environment in which the council operates remains relatively high risk as the financial environment is challenging both in terms of the economic and the funding position. In quarter 3 the council considered the provisional finance settlement provided in December and progressed its main budget and council tax setting reports for full council approval in February. The council was able to approve a balanced budget for 2024/25 without recourse to the use of reserves, reflecting the work done previously to identify future savings and with a high level of saving delivery in 2023/24 (93%).
5. Inflation has recently fallen from double digit levels but still remains significantly above the government's long term target rate placing demands on the council, its partners and residents. The absence of any spending review totals beyond the budget for 2024/25 makes longer term financial planning all but impossible. Further uncertainties also are apparent in relation to the timing and outcome of the general election.
6. Previous reports have highlighted the situation over nutrient neutrality. It was initially understood that the government would be seeking to amend the Levelling Up and Regeneration Bill to resolve the nutrient neutrality challenge. This amendment was defeated, and so was not included in the final Levelling Up and Regeneration Act. The risk related to nutrient neutrality therefore remains unchanged at this stage, although the council continues to consider the development of the Norfolk joint venture company.
7. Additional funding has been provided to Broadland District Council as lead authority for the Nutrient Mitigation Fund (NMF) following their bid for expression of interest, which was submitted in May 2023. The NMF seeks to help address nutrient neutrality across all the affected Norfolk local planning authorities and the council is engaged with the lead authority about establishing processes for the fund to be accessed by providers with appropriate governance and financial requirements met.
8. The relevant service leads have identified that progress is being made with corporate risks 3 and 6 and they are confident that there will be movement on

the risk scoring in the next quarter. The council continues to keep a watching brief on all key risk areas. In that same vein, the Council is also in the process of updating its approach to risk management to ensure that risks are properly managed and that there is adequate guidance. Initial work is being undertaken with the council's insurance and risk advisors (Gallagher).

9. Since the Quarter 3 report was finalised and considered by Cabinet further developments have taken place in relation to Anglia Square and in particular CORP 15 the risk that the HIF resource from Homes England might be lost if the scheme did not proceed as planned. This risk has materialised into an issue with the developer publicly withdrawing from the scheme. The audit committee should note that this risk will therefore be removed from the next risk report but remains here as it was a relevant Q3 risk.

### **Consultation**

10. There has been no specific consultation on these proposals.

### **Implications**

#### **Financial and resources**

11. 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.
12. There are no proposals in this report that would reduce or increase resources.

### **Legal**

13. Identification and consideration of its corporate risks is an important governance function to ensure that appropriate action is being taken to ensure the Council takes lawful decisions and mitigates exposure to risk. The audit committee exercises oversight and collectively this is designed to ensure that the council understands and is in a position to respond to risks as they arise.

### **Statutory considerations**

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	N/A
Health, Social and Economic Impact	N/A
Crime and Disorder	N/A
Children and Adults Safeguarding	N/A
Environmental Impact	N/A

## Risk management

Risk	Consequence	Controls required
The council is exposed to risks which need to be identified recorded and managed appropriately	Not managing risks appropriately exposes the council to a range of potential negative outcomes ranging from financial loss to impacts on its reputation.	The risk register provides a focus to consider risk management and in particular mitigations.  Other broader mitigations such as insurances also support the council's management of risk.

### Other options considered

14. As the report is primarily for information no other options have been included.

### Reasons for the decision/recommendation

15. It is important for the committee to understand the risks that the council is exposed to and the mitigations in place to minimise those risks to acceptable levels.

**Background papers:** None

### Appendices:

Appendix A Summary risk register  
Appendix B Risk mitigations

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## Appendix A

Risk (inc reference)	Q2 2023/24		Q3 2023/24		Current direction	Last Review Date
	Residual risk score	Target risk score	Residual risk score	Target risk score		
CORP01 Council Funding Medium - Long Term	12	8	12	8	Static	25/01/2024
CORP03 Health & safety in the workplace	12	8	12	8	Static	09/01/2024
CORP06 Failure to respond to a critical, business continuity or emergency planning event	12	6	12	6	Static	09/01/2024
CORP07 Cyber security	15	15	15	15	Static	08/11/2023
CORP09 Failure to fulfil statutory or legislative responsibilities - safeguarding	15	12	15	12	Static	20/01/2024
CORP12 Contract management - governance	9	4	6	4	Improving	08/01/2024
CORP15 Failure to draw down £15m of Housing Infrastructure Fund (HIF) money previously secured from Homes England (HE) to assist with the delivery of Anglia Square.	12	8	12	8	Static	09/01/2024
CORP17 Failure to deliver acceptable levels of performance in regulatory services	12	8	12	8	Static	09/01/2024
CORP18 Failure to address Natural England advice on Nutrient Neutrality (NN)	15	10	15	10	Static	09/01/2024
CORP20 Cost of living (COL) crisis has a negative impact on the city and the council	16	12	16	12	Static	13/12/2023
CORP21 Climate Change risk to Council and its residents	16	12	16	12	Static	22/01/2024
CORP23 Impact of economic downturn on key council suppliers	12	8	12	8	Static	01/01/2024
CORP24 Temporary and Supported Accommodation - Reducing the Housing Benefit Subsidy gap	15	12	15	12	Static	12/01/2024



# Appendix B

REF CORP01



## Council Funding Medium - Long Term

Current risk description
Continued reductions in the Council's sources of funding over the medium term

Date raised	01/06/2020
Last review date	25/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	3	12
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
4	2	8
4	2	8
4	2	8
4	2	8
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
Exec Dir - Corporate & Commercial Services
Service area
Finance, Audit & Risk

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
Following a period of austerity in excess of a decade, economic conditions are now increasing demand and costs and the level of government funding is uncertain

Triggers
Council fails to identify and plan for enough savings over the medium term
Non-delivery of identified savings
New national funding arrangements reduce government funding (Fairer Funding, Business Rates Retention, New Homes Bonus)
Economic uncertainty increase volatility on business rates and council tax
Risk of inflation on costs and pension deficit increases
Lack of capital resources to fund the council's asset base
National finances deteriorate adding to saving pressures to be met from government departments including for Local Government

Main impacts
Council's financial position goes into deficit, reducing confidence in financial strength and governance
Unplanned use of reserves reducing capacity and flexibility and compromising stability
Section 114 notice
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Failure to deliver Council Plan
Adverse comments by poorer perception of Council by stakeholders
Overspends arising from activity not in service plans


**Council Funding Medium - Long Term**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Financial performance and all budget proposals are monitored on a monthly basis; management action agreed by CLT in response to projected position	MONTHLY	G	Feb-24	Budget monitoring position reviewed by CLT with management action implemented to address variances	Exec Dir - Corporate & Commercial Services
Future Shape Norwich established as transformation vehicle for longer term budget proposals with initial reporting to Cabinet on high value projects	QUARTERLY	G	Complete	Programme of work agreed and being taken forward supported by Design Authority <b>Actions complete</b>	Exec Dir - Community Services
SLT budget sessions scheduled for June 2022 to identify additional proposals for savings	MONTHLY	G	Complete	Budget sessions held and information provided to inform 2023/24 budget setting and MTFS processes. <b>Actions complete</b>	Chief Executive
A cabinet report will be prepared identifying the impact of higher inflationary pressures to the Council's budget		G	Complete	Report prepared and considered in July 2022 as part of budget development. <b>Action complete</b>	Exec Dir - Corporate & Commercial Services
A wide-ranging asset review taking into account operational need, investment properties and disposals has commenced. Changes to the treasury, borrowing and Minimum Revenue Provision regulations will need to be considered			Feb-24	JLL commissioned to support this area of work. Report with recommendations received. Implementation phase to commence Feb 2024.	HoS - Property & Economic Development
Recruitment panel implemented to review all requests for new posts and extensions	MONTHLY	G	Complete	Panel met fortnightly. Panel ceased January 2023. <b>Action closed by CEO</b>	HoS - HR & Organisational Development
Identification of proposals to close any budget gaps	ANNUALLY	G	Complete	Saving proposals and/ or additional income proposals have been identified and agreed for consultation that, if all agreed and implemented will enable a balanced budget to be set for 2023/24 and the MTFS period to 2027. Budget agreed by Full council Feb. 2023. <b>Action closed</b>	HoS - Finance, Audit & Risk
Analysis of provisional/ Final LGFS and Autumn budget papers	ANNUALLY	G	Complete	Balanced budget and MTFS agreed in Feb. 2023. Significant uncertainty exists from April 2024. <b>Action Closed</b>	HoS - Finance, Audit & Risk


**Council Funding Medium - Long Term**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Analysis of provisional/ Final LGFS and Autumn budget papers	ANNUALLY	G	May-24	Balanced budget proposed for Feb. 2024. Significant uncertainty exists from April 2024 as it coincides with a possible general election. No extant spending review figures in place after 2024/25. 2024/25 budget proposals indicate balanced position	HoS - Finance, Audit & Risk

**Health & safety in the workplace**

Current risk description
Poor H&S management leads to risks to our employees, general public, buildings and spaces.

Date raised	01/05/2020
Last review date	09/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	3	12
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
4	2	8
4	2	8
4	2	8
4	2	8
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
Exec Dir - Development & City Services
Service area
Multiple Service Areas

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
The Council has a statutory to protect the H+S of its employees and the public in the discharge of its function. Poor H+S practice poses a considerable reputation and financial risk and can also ncrease risks to the staff and public (note risks in relation to Council buildings are covered separately in the risk registered)

Triggers
A health & safety breach occurs in respect of an employee, contractor or member of the public using a City Council owned asset

Main impacts
Serious injury or death to the person/people involved in the breach
Significant cost to the Council
HSE or other regulator investigation and potentially serious outcomes, e.g. corporate manslaughter
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines



Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Implementation of H&S Compliance Check Recommendations	QUARTERLY	<b>G</b>	<b>Apr-24</b>	<p>Action plan being progress and reported to H&amp;S Board regularly.</p> <p>Snr mgt training completed. IOSH training for managers being rolled out successfully. Sharepoint site live. RAs being completed.</p> <p>Second supporting post for 12 month fixed term being recruited to imminently.</p>	Environmental Health & Public Protection Manager

**Failure to respond to a critical, business continuity or emergency planning event**

Current risk description
Ability for services to get back up and running in the event of an emergency situation

Date raised	01/04/2020
Last review date	09/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	3	12
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
2	3	6
2	3	6
2	3	6
2	3	6
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
Chief Executive
Service area
Planning & Regulatory Services

Current risk direction
Static 

Progress	Publication Exempt?
SLIPPED	N

Background to this risk
Norwich City Council is a member of Norfolk Resilience Forum and has a statutory to respond in the evnt of civil emergency

Triggers
Occurrence of a significant event: - Loss City Hall                      - Denial of access to City Hall - ICT failure temporary              - Cyber attack - Contractor collapse                 - Supply chain failure - Severe weather events               - Loss of power - Sea level rise                         - Fuel shortages - Communications failure              - Pandemic
Insufficient staff representation across strategic, tactical and operational levels to ensure resilience, effective response and enable full engagement within Norfolk Resilience Forum (NRF) structures

Main impacts
Loss of service delivery across the Council


**Failure to respond to a critical, business continuity or emergency planning event**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Non-compliance with Payment	Update on progress of control / mitigation	Control / Mitigation Owner
Review of all Emergency planning documentation and Business Continuity Planning to be undertaken by new Emergency Planning manager and action plan for improvement drawn up.	QUARTERLY	G	Apr-24	BC paperwork reviewd and new template being rolled out to HofS for completion by managers. Action plan for wider EP and BC improvements endorsed at SLT	HoS - Planning & Regulatory Services

**Cyber security**

Current risk description
Cyber risk is the likelihood of suffering negative disruptions to sensitive data, finances, or council operations. Common cyber risks are ransomware, phishing, malware, data leak, insider threat, supply chain and nation state cyber attack and all are associated with

Date raised	01/06/2020
Last review date	08/11/2023

Residual Risk			
	Impact	Likelihood	Score
Q4	5	3	15
Q1	5	3	15
Q2	5	3	15
Q3	5	3	15
Q4			0

Target Risk		
Impact	Likelihood	Score
5	3	15
5	3	15
5	3	15
5	3	15
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
Exec Dir - Community Services
Service area
Customers, IT & Digital

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
With the rise in cyber attacks on the public sector and the substantial fallout from successful attacks (loss of services for months, ICO penalties, reputational damage, loss of residents information) this risk has been raised to become visible on the corporate register

Triggers
Email containing ransomware
A website delivers malware or redirects to an infected website
A weakness (vulnerability) in the IT environment is exploited by an attacker e.g. user credentials have been obtained, remote access to the network, malicious software installed, unpatched software in operation, misconfigured IT assets
The supply chain service connecting to the council is poorly managed/configured and becomes the weak spot allowing the attack
A disgruntled employee
Lack of staff awareness and training in relation to cyber security
Physical access gained to the network switches, devices (USB / bluetooth)
Failure to address the recommendations of IT Health assessments in a timely fashion
Procurement of a hosted solution that doesn't protect the council's information or systems or introduces vulnerabilities.

Main impacts
The cyber attack on a local authority in NE of England is estimated to have cost £10m
Customer services severely disrupted
Loss of IT systems (such as web services, email, payments, public access, corporate information etc) for several days, weeks, months or for ever
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Political & reputational risk
ICO fines
Financial impact of prolonged IT shutdown
Non-compliance with Public Sector Network (PSN) which results in possible loss of DWP information affecting the Benefits Service
May lead to loss of data, corruption of data, loss of service, ICO fines, reputational risk



Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Review the need to insure against cyber security attacks	QUARTERLY	G	Complete	To engage with Cyber Assist for a risk review of the Council's IT/Cyber integrity and preparation of a report that provides the Council with a baseline and recommendations for improvements to its cyber security. Once the report has been completed the brokers will then, subject to the output of the review being positive, prepare a marketing prospectus to enable the cyber risk to be marketed and insurance terms to be obtained. <b>Action complete - Insurance tender completed</b>	HoS - Customers, IT & Digital
Address the vulnerabilities identified from the IT Health Assessment	QUARTERLY	A	N/A	On-going activity	HoS - Customers, IT & Digital
Monitor the security products to ensure they are fit for purpose	ANNUALLY	G	N/A	On-going activity	HoS - Customers, IT & Digital
Technical solutions have been deployed. Firewalls, Web Application	ANNUALLY	G		On-going activity	HoS - Customers, IT & Digital
Independent assessment of IT environment	ANNUALLY	G	Complete	As part of the PSN assessment a third party will perform an IT Health Check. Remedial activities will take place to address weaknesses. <b>Actions Complete</b>	HoS - Customers, IT & Digital
Address any vulnerabilities identified from new IT Health Assessment	ANNUALLY	G	Jan-24	Working on the items that have been flagged in the ITHC assessment.	HoS - Customers, IT & Digital
Membership of NCSC, CiSP, Cyber Sharing platforms & tools deployed	ANNUALLY	G	N/A	Ongoing membership for early warnings	HoS - Customers, IT & Digital
Staff awareness and training	ANNUALLY	G	N/A	Mandatory training has been supplied. Ongoing awareness campaigns periodically	HoS - Customers, IT & Digital
Ensure before procurements are made for hosted solutions that suppliers provide suitable responses to the NCSC 14 Cloud Principles.	ANNUALLY	G	N/A	NCSC Cloud Principle responses obtained at the earliest point of tenders.	HoS - Customers, IT & Digital


**Failure to fulfil statutory or legislative responsibilities - safeguarding**

Current risk description		Date raised
Norwich City Council has a duty to promote the welfare of and to safeguard all children and vulnerable adults from harm		01/04/2020
		Last review date
		20/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	5	3	15
Q1	5	3	15
Q2	5	3	15
Q3	5	3	15
Q4			0

Target Risk		
Impact	Likelihood	Score
4	3	12
4	3	12
4	3	12
4	3	12
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
Exec Dir - Community Services
Service area
Housing & Community Safety

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
Norwich City Council considers that all children and adults, whatever their age, culture, gender, origin, sexual orientation, skills, ability and beliefs have the right to protection from abuse. We have a duty to promote the welfare of all and safeguard them from harm as far as reasonably possible. It is the council's responsibility to do this by raising awareness to all employees and providing training to relevant officers across the organisation and council members on safeguarding children and vulnerable adults so they understand their safeguarding responsibilities

Triggers
Lack of understanding the statutory and legislative responsibilities
Lack of awareness of legislative changes and new legislation
Failure to implement statutory duties and responsibilities
Lack of required skills knowledge and experience of key officers tasked to fulfil statutory or legislative responsibilities
Insufficient organisational capacity
Ineffective procedures and processes
Lack of clarity of roles and ownership of legislative responsibilities (H&S, safeguarding, equality etc)
Delegation of responsibilities where services are with a contractor

Main impacts
Financial costs in compensation & fines
Intervention if complete failure
Acting illegally
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Wrong decision being made
Negative impact on the council's reputation
Being held to account by overseeing organisations (eg children safeguarding) maybe included in reputation


**Failure to fulfil statutory or legislative responsibilities - safeguarding**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Undertake Safeguarding Audit	ANNUALLY	G	Complete	<b>Complete</b> - two main findings were DBS policy review and assurance that checks are carried out. Safeguarding training to be completed by all relevant staff and evidenced on Learning Room.	Early Intervention and Community Safety Manager
Embed learning across council teams	ANNUALLY	G	Mar-24	Safeguarding training to be completed by all relevant staff and evidenced on Learning Room.	Early Intervention and Community Safety Manager
Review corporate processes and role requirements regarding organisational DBS checks	ANNUALLY	G	Mar-24	January 2024 – corporate policy re: DBS checks and roles requiring them, to be shared with SLT and internal safeguarding group asap. Data re: compliance with policy (ie numbers of roles requiring DBS that have successfully obtained them) to also be shared with SLT and internal safeguarding group on a 6 monthly basis.	HoS - HR and Organisational Development

**Contract management - governance**

Current risk description
Ineffective management of contracts leads to poor service delivery

Date raised	01/08/2020
Last review date	08/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	3	3	9
Q1	3	3	9
Q2	3	3	9
Q3	3	2	6
Q4			0

Target Risk		
Impact	Likelihood	Score
2	3	6
2	3	6
2	2	4
2	2	4
		0

Primary Corporate Priority
1 - People live well and independently in a diverse and safe city

Risk owner
Exec Dir - Corporate & Commercial Services
Service area
Legal & Procurement

Current risk direction	
Improving	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
This risk grew in prominence during 2021 following the identification of concerns relating to the management of specific contracts. Additional mitigating actions have been undertaken to reduce the risk scoring, with further actions identified. Following the outcomes of the Local Partnerships governance work and a recent internal audit report we are reducing the likelihood of this risk.

Triggers
Resourcing of contract management and training inadequate
Clarity of service area accountability & roles and responsibilities poor
Contract managers not fully aware of the risks to service delivery in their contracts
Inadequate SLA / KPIs / MI identified in tender / contracts documents with lack of escalation of contract issues

Main impacts
Third party relationships and contracts not managed appropriately causing:
- contract value not realised / obligations not carried out
- poor performance
- financial loss / poor value for money
- legislative requirements not met / regulatory / legal fine or censure
- reputational impact
- lack of visibility of supplier performance


**Contract management - governance**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Implementation of the contract accounting module of the new ERP system to help improve management of contract spend	QUARTERLY	A	Sep-24	This has been delayed whilst the ERP system go live is the focus. We will need to consider this carefully alongside the emerging new procurement regulations.	HoS - Legal & Procurement
Implement outcomes of local partnerships report	QUARTERLY	G	Mar-24	The final report has been produced and an action plan agreed by the shareholder panel.	HoS - Legal & Procurement
Evaluate outcome of internal audit review of procurement and contract management	QUARTERLY	G	Mar-24	The draft internal audit outcomes have been received and do not raise any significant concerns in respect of contract management	HoS - Legal & Procurement
Establishment of contract management practitioner group to support dissemination of best practice within the organisation	QUARTERLY	G	Complete	Completed	HoS - Legal & Procurement

**Failure to draw down £15m of Housing Infrastructure Fund (HIF) money previously secured from Homes England (HE) to assist with the delivery of Anglia Square.**

Current risk description
Loss of public subsidy to enable the development of this significant regeneration site

Date raised	Q4 21/22
Last review date	09/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	3	12
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
4	2	8
4	2	8
4	2	8
4	2	8
		0

Primary Corporate Priority
3 - Norwich has the infrastructure and housing it needs to be a successful city

Risk owner
Exec Dir - Development & City Services
Service area
Planning & Regulatory Services

Current risk direction
Static 

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
Norwich City Council secured £15m on Housing Infrastructure Funding to assist with delivery of the Anglia Square regeneration. Following the Secretary of State's decision to call-in the application for his own determination, and his subsequent decision to refuse it contrary to his inspector's recommendation, the scheme cannot be built in accordance with the timetable agreed in the HIF contract. There is therefore a risk that the

Triggers
Failure to be able to draw down £15m of funding previously secured from HE in order to assist delivery of Anglia Square redevelopment
HIF funding needs to be spent by March 2024 at latest. Current HE advice is this means not only being drawn down by the Council from HE but also being able to evidence delivery of eligible infrastructure before payments are drawn down
Following refusal of previous planning application for the site timetable is challenging insofar as a revised application is due to be submitted in March 2022. Earliest possible planning decision issued likely to be Autumn 2022. Start on site prior to 2023 unlikely
Failure to report on HIF milestones, submit claims and complete all HE reporting and recording required may lead to HIF being withdrawn. Advice from HE is to recruit a specific role to carry out the monitoring.
Lack of monitoring data to enable release of credits to mitigate NN to enable commencement

Main impacts
Threat to the redevelopment of Anglia Square – continued blight on northern city centre
New housing and commercial development not delivered – needs remain unmet
Loss of future council tax and business rates income to council
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines

**Failure to draw down £15m of Housing Infrastructure Fund (HIF) money previously secured from Homes England (HE) to assist with the delivery of Anglia Square.**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Discussions being held between housing and P&RS re monitoring data to enable release of NN mitigation credits	QUARTERLY	<b>R</b>	<b>Apr-24</b>	Mitigation measures not being fitted into our stock by NCSL, Gasway and CSC. Mitigation delivery behind target. Potential to impact on ability to release scheme to start.	HoS - Planning & Regulatory Services
CIL ECR Application expected October 2023. Determination dates to be confirmed once received	QUARTERLY	<b>G</b>	<b>COMPLETED</b>	Application expected later this month thereafter determination dates can be arranged.	HoS - Planning & Regulatory Services
Contract drafting	QUARTERLY	<b>G</b>	<b>Apr-24</b>	Contract with HE and backing-off contract due to be signed 10/01/2024.	HoS - Planning & Regulatory Services

**Failure to deliver acceptable levels of performance in regulatory services**

Current risk description
Failure to provide statutory services to an adequate standard resulting in harm to residents/visitors and businesses in Norwich

Date raised	26/01/2022
Last review date	09/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	3	12
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
4	2	8
4	2	8
4	2	8
4	2	8
		0

Primary Corporate Priority
3 - Norwich has the infrastructure and housing it needs to be a successful city

Risk owner
Exec Dir - Development & City Services
Service area
Planning & Regulatory Services

Current risk direction
Static 

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
There are a number of backlogs and outdated processes in regulatory services that are in need of addressing. Following a peer review the head of service is working to deliver an improvement plan

Triggers
Large backlogs of applications needing to be addressed
Failure to avert avoidable harm to public
Increased challenge/complaint re: decisions made
Failure to comply with Private Hire vehicle compliance standards

Main impacts
Reputational harm - restricted ability to charge
Reputational harm - potential legal risks
Failure to maximise income
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines

## Failure to deliver acceptable levels of performance in regulatory services

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Backlogs being monitored for improvement	QUARTERLY	A	Jan-24	<b>FOOD:</b> The team has achieved the Food Standards Agency (FSA) targets set out in the Covid Recovery Plan. An estimated 1356 inspections are due for inspection in 2023-24 (made up of 283 higher risk premises; 645 lower risk premises and 430 newly registered premises). The food and safety team has now been restructured and 2 additional food competent inspectors will be employed shortly. The inspection backlogs in Norwich are consistent with the National picture.	HoS - Planning & Regulatory Services
Backlogs being monitored for improvement	QUARTERLY	A	Jan-24	<b>TAXI LICENSING:</b> The dedicated officer to deal with the backlog has left the Council and other resources have been directed to HMO Licensing backlogs as these are more of a priority. After widening the permitted medical providers, there remain some 'hangover' drivers who, despite the changes, have not provided their medicals – some are also without DBS applications. There are 16 that can be revoked under delegated powers. That will leave 3 drivers that need to go to licensing sub-committee for a decision as they are for reasons that do not have delegated authority. These will be programmed for next month's meeting. This service is priority 2 for review of use of IT to streamline processes.	HoS - Planning & Regulatory Services


**Failure to deliver acceptable levels of performance in regulatory services**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Project delivery	QUARTERLY	G	Apr-24	<p>HMO LICENSING: Draft licenses issued/Inspections booked - 2 x licensing officers working for 3 days on processing complete applications, issuing draft licenses, and booking in inspections visits. Due for completion by End of March 2024. PM recruited and full project plan to be drafted by 31/01/2024.</p> <p>Team in place. Delivery of process mapping underway. Contracts all signed. Regular reporting to DACs Board to ensure progress. Financial tracker developed. ON track.</p>	HoS - Planning & Regulatory Services

**Failure to address Natural England advice on Nutrient Neutrality (NN)**

Current risk description
The determination of planning applications continues to be held up with resulting negative impacts on economy of Norwich and housing delivery.

Date raised	13/06/2022
Last review date	09/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	5	3	15
Q1	5	3	15
Q2	5	3	15
Q3	5	3	15
Q4			0

Target Risk		
Impact	Likelihood	Score
2	5	10
2	5	10
2	5	10
2	5	10
		0

Primary Corporate Priority
3 - Norwich has the infrastructure and housing it needs to be a successful city

Risk owner
Exec Dir - Development & City Services
Service area
Planning & Regulatory Services

Current risk direction
Static 

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
Natural England introduced new guidance in March 2022 which requires most development in Norwich to be able to demonstrate it is nutrient neutral in order for planning approval to be issued. The result of this has been the inability of the Council to grant and new planning permissions for homes and other forms of overnight accommodation since this date.

Triggers
Sustained period when planning decisions cannot be issued due to lack of identified mitigation
Large backlogs of applications needing to be determined once mitigation strategy identified
Loss of staff due to uncertainty over decision making ability
Failure to join JV

Main impacts
Impact on deliverability of large strategic schemes: Anglia Square / East Norwich
Failure to maximise income. Planning income and CIL income now down. Should be recoverable in time.
Staff morale drops
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Potential impact on Government performance indicators if developers do not agree Extension Of Time (EOT) – special measures
Failure to deliver housing growth if we don't join the JV as insufficient mitigation headroom in City Council own scheme.


**Failure to address Natural England advice on Nutrient Neutrality (NN)**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Provision of our own mitigation scheme through retrofitting of housing stock.	QUARTERLY	<b>R</b>	<b>Apr-24</b>	Mitigation measures delayed going into properties. Scheme now delivering but resource/finance needed to expedite or sufficient mitigation will not be produced.	HoS - Planning & Regulatory Services
Join Joint Venture or await Natural England Scheme.	QUARTERLY	<b>R</b>	<b>Apr-24</b>	Decision to join JV refused in March 2023. Awaiting report from PWC on risks and mitigations before further Cabinet report can be taken. Report expected 18 Jan 24. Expected March cabinet decision. Decision on housing applications remain delayed.	HoS - Planning & Regulatory Services

## Cost of living (COL) crisis has a negative impact on the city and the council

Current risk description
The cost of living crisis: increases financial, social and health inequalities for Norwich residents; reduces the effectiveness of council services as demand increases; and reduces council income, so further limiting our ability to deliver for the city

Date raised	18/07/2022
Last review date	13/12/2023

Residual Risk			
	Impact	Likelihood	Score
Q4	4	4	16
Q1	4	4	16
Q2	4	4	16
Q3	4	4	16
Q4			0

Target Risk		
Impact	Likelihood	Score
3	4	12
3	4	12
3	4	12
3	4	12
		0

Primary Corporate Priority
1 - People live well and independently in a diverse and safe city

Risk owner
Exec Dir - Community Services
Service area
Strategy, Engagement & Culture

Current risk direction
Static 

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
The cost of living crisis will continue to affect Norwich residents, particularly those already struggling financially. We know inflation and energy costs will continue to be a problem, so the impact will become more widespread and more extreme over the winter. Although energy costs are beginning to fall, inflation is still high and persistent hardship is a problem.

Triggers
Rising cost of living
Increasing rents and mortgage
Inflation level
PRS rental costs

Main impacts
Increased debt, hunger, health problems and homelessness for city residents
Increased demand on services (council and voluntary, community & social enterprise (VCSE) led), leading to reduced effectiveness/speed as teams have to deal with greater volumes
Reduced income to the council, as people are unable to pay what they owe
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Increased pressure on council and VCSE staff, including emotional pressures where we cannot provide all the help that people need


**Cost of living (COL) crisis has a negative impact on the city and the council**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Cost of Living officer group developing joined-up response to COL crisis	QUARTERLY	A	Mar-24	Household Support Fund 4 is now open - will run for 12 months - promoted via the working group to ensure that eligible residents are referred by officers. Ongoing Comms in place to ensure residents and employees are aware of what support is currently available. Household support fund extended in budget but only for 6 months	HoS - Strategy, Engagement and Culture
Grant-funding for Social Welfare Advice (SWA) service from Financial Inclusion Consortium (FIC). Quarterly FIC meetings with partners to discuss current issues relating to debt, welfare benefits and housing, sharing knowledge and working to maximise income / reduce debt	QUARTERLY	A	Mar-24	Quarterly FIC meetings and Bi-monthly NCAN meetings - standing item on City Vision Partnership agenda. FIC meeting on January 24 will continue to look at resourcing and risk. Clarity required re continuation or ceasing of Household Support Fund which could result in greater emergency provision risk.	HoS - Strategy, Engagement and Culture
Joined-up approach to debt including non-commercial debt policy, multi-service area debt meetings to review policies and identify opportunities; vulnerability meetings and debt-management flags; specialist money advice team in place; regular reporting on levels of debt; keeping debt collection practices under review	QUARTERLY	G	Mar-24	Regular meeting with CA debt team. Multi service area approach through regular debt meetings and concerns flagged at other key meetings meetings. NCAN referrals and budget and money advice support from internal teams. Finance will be leading a review of the non-commercial debt policy. Work continues with Salford university and other LAs to look at solutions for supporting deficit budgets.	HoS - Strategy, Engagement and Culture


**Cost of living (COL) crisis has a negative impact on the city and the council**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Sustainable warmth programme	QUARTERLY	G	Mar-24	The council is delivering a range of measures to make Norwich's least energy efficient households warmer including capital energy efficiency projects and access to government funding and advice. The Sustainable Warmth Strategy identifies the need for widescale retrofitting of housing across the city as the ultimate strategic solution to fuel poverty. We are expecting funding for HSF to stop at the end of March '24 and are working through the impact of this which will likely be felt most in the autumn / winter of 24/25.	HoS - Strategy, Engagement and Culture
Existing funding streams	QUARTERLY	A	Mar-24	Funding has been provided through a partnership with Norfolk Community Foundation, and there are now social supermarkets established in Lakenham, Russell Street, Mile Cross and Earlham. The Soul Foundation also operate one in Catton Grove and St. Giles Trust on Magdalen Street. In 23/24 we anticipate providing £370k to vulnerable households through the same fund. Client Hardship Service (formerly Norfolk Assistance Scheme) continues but some eligibility criteria has changed in regard to discretionary housing payments and homeless prevention fund applications. Discretionary housing payment pot for 2023/24 has launched with a revised policy for 2023/24 to ensure funds are allocated in such a way that as many as people as possible can be helped.	HoS - Strategy, Engagement and Culture


**Climate Change risk to Council and its residents**

Current risk description
Climate change means council buildings and commercial buildings will not meet health and safety requirements and maintenance costs may also increase. People affected by inequality are likely to suffer disproportionately from the adverse effects of climate change and inequality is likely to increase (similar to COVID 19) Flooding and other environmental impact risks will also increase.

Date raised	01/06/2022
Last review date	22/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	4	16
Q1	4	4	16
Q2	4	4	16
Q3	4	4	16
Q4			0

Target Risk		
Impact	Likelihood	Score
3	4	12
3	4	12
3	4	12
3	4	12
		0

Primary Corporate Priority
1 - People live well and independently in a diverse and safe city

Risk owner
Exec Dir - Community Services
Service area
Strategy, Engagement & Culture

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
The Council will need to spend significant amounts of resources to adapt operational buildings and commercial properties will need modernising to maximise rents. Equally, many services may see significant cost increases. Disadvantaged groups are likely to have an increased exposure to the adverse effects of climate change, largely due to their lower fiscal resilience. The Council will also face associated costs due to health and wellbeing risks supporting vulnerable residents.

Triggers
Extreme hot and cold weather, flooding, high winds and infestation leading to a range of events affecting our communities and council operations.

Main impacts
Financial impact on vulnerable residents - increased costs on already stretched finances due to increased use of energy and water (fans, showers, heating, dehumidifiers etc) and increased reliance on benefits and foodbanks if unable to work due to extreme weather
Financial Impact on council housing and temporary accommodation - property repair, decant costs, insurance costs.
Financial impact of commercial properties needing to meet new requirements to maintain lettings
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
Additional costs in tarmac melting, replacement of other council assets damaged by heat, flooding or other environmentally driven conditions.
Land has increased flooding risk, making development more challenging to deliver


**Climate Change risk to Council and its residents**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
<b>Policy/strategy</b> - Develop and implement the new Equality diversity and inclusion (EDI) strategy, ensuring recognition of climate change	QUARTERLY	G	Mar-24	The EDI strategy was agreed at Cabinet in January 2024. Work will now commence on the development of an action plan, which will be heavily informed by the consultation already undertaken and by information gathered via our corporate plan engagement exercise in and in discussion with other partners. Timelines for the work will be confirmed via the upcoming business planning process.	Head of Strategy, engagement & culture
<b>Policy/strategy</b> - Develop and implement the new affordable warmth strategy, ensuring recognition of inequalities	QUARTERLY	G	Mar-24	Since the adoption of the sustainable warmth strategy the council has been delivering a range of measures to make our least energy efficient households warmer. The Council continues to award emergency fuel payments to vulnerable residents to help with energy and fuel costs. The groundwork East 'green doctors' project will support the city's most vulnerable residents, with advice on paying bills and managing debt, signposting to energy efficiency funding, and improving their living conditions. The scheme will be integrated with other support offers so that support is targeted where it is most needed.	Head of Strategy, engagement & culture
<b>Policy/strategy</b> - Develop and implement the new environmental statement, ensuring recognition of inequalities	QUARTERLY	A	Mar-24	The Environmental Statement has been incorporated into a comprehensive Environmental Programme document which recognises inequalities and the necessity to integrate with other council strategies. The Programme document is a 'high level' and overarching document which sets out the context and need for a new citywide climate action strategy and plan, reiterates the need for a council climate action strategy and plan including housing and integrates the existing biodiversity strategy. The draft programme document will be consulted on internally <del>and adopted during 2024</del> .	Head of Strategy, engagement & culture
<b>Policy/strategy</b> - Develop and implement the new biodiversity strategy ensuring recognition of inequalities	QUARTERLY	A	Mar-24	The Biodiversity Strategy was adopted by Cabinet in November 2022. With the implementation of Biodiversity Net Gain (BNG) (January 2024) there will be a significant opportunity to increase access to green space for and within vulnerable communities. The Council's BNG Steering Group is overseeing this work to ensure that maximum beneficial outcomes are achieved. The Council has supported the 7000+ project with the Greenhouse Trust to plant 7000 new trees in Norwich by 2030 are also supporting the newly formed Sustainable Food Norwich Partnership which is looking at sustainable and affordable food provision in and around Norwich.	Head of Strategy, engagement & culture


**Climate Change risk to Council and its residents**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
<b>Policy/strategy</b> - Develop and implement a new retrofitting strategy for council owned assets ensuring recognition of inequalities	QUARTERLY	A	Mar-24	A carbon reduction plan for housing has been produced, which sets out estimated carbon emissions and principles for improvements to council owned homes. Further work has identified specific opportunities and technologies to retrofit council-owned assets. A Scrunity Committee appointed Task and Finish focused on HRA retrofitting during 2023. The council is estimating emissions from non-housing council owned buildings, and these will be included in the Council's Climate Action Plan which will be further developed on during 2024.	Head of Asset Management
<b>Financial</b> - Grant funding secured to improve the energy efficiency of properties across the city etc Cosy City	QUARTERLY	A	Mar-24	The work to secure external funding to improve the energy efficiency of housing stock across the city (of all tenures) is ongoing. The Norfolk Warm Homes Partnership have recently been awarded £3.9million of funding to retrofit properties across Norfolk that are not connected to the gas grid and have poor energy performance. A bid for Social Housing Decarbonisation Fund Wave 2.2 is currently being prepared which will allow for some of our least energy efficient homes to receive measures to improve their energy efficiency.	Head of Strategy, engagement & culture
<b>Awareness/Engagement</b> - consider how we best educate people on how they can plan for climate change throughout the year, in partnership with Norwich Climate Commission	QUARTERLY	G	Mar-24	The Council has drafted a city-wide Climate Action Strategy and Plan and is developing the document with the assistance of the Climate Commission. An 'early' public consultation will take place at Norwich Science Festival in February 24. The Strategy will position the Council as a leader/coordinator of action in the city. The plan will enable effective and coordinated action amongst residents, businesses and other organisations to ensure emissions reductions and apaption planning.	Head of Strategy, engagement & culture
<b>Working practices</b> - Cost of living crisis (COLC) group established	QUARTERLY	G	Mar-24	Relevant teams are involved in the COLC, EDI officer working groups, and NHWP, and working together with external partners. Development of EDI policy and finalisation of strategy will bring additional clarity on requirements.	Head of Strategy, engagement & culture
<b>Working practices</b> Ensuring effective focus and join up across relevant teams working with those who are marginalised by socio economic and environmental issues	QUARTERLY	A	Mar-24	Relevant teams are involved in the COLC, EDI officer working groups, and NHWP, and working together with external partners. Development of EDI policy and action plan A programme of environmental briefings is currently underway for officers of the council.	Head of Strategy, engagement & culture


**Climate Change risk to Council and its residents**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
<b>Working practices</b> - Work with Norwich Climate Commission to address climate justice issues	QUARTERLY	G	<b>Mar-24</b>	The Council has requested the assistance of Norwich Climate Commission to develop a citywide Climate Action Strategy and Plan. Specific to this strategy is the need to ensure Norwich's transition to a net zero city is 'fair and just'.	Head of Strategy, engagement & culture
<b>Working practices</b> - Work with health and wellbeing partners to identify measures that can be put in place in cases of climate change events for those most affected, especially by extreme heat and cold weather conditions	QUARTERLY	G	<b>Mar-24</b>	Norwich Health and Wellbeing Partnership strategy being developed. Action groups are in place leading on the three themes: physical and mental health and wellbeing; social and economic wellbeing; and community resilience and voice. By aligning health and wellbeing work to the City Vision, the Council's Corporate Plan, and Environmental and Biodiversity work, we will seek to maximise opportunities to work with those most affected by climate change events.	Head of Strategy, engagement & culture

**Impact of economic downturn on key council suppliers**

Current risk description
The current economic conditions increases the risk of a key supplier to the Council failing, or suppliers experiencing financial difficulties and therefore seeking to vary contracts to change their inherent risk profile

Date raised	18/10/2022
Last review date	01/01/2024

Residual Risk			
	Impact	Likelihood	Score
Q4	4	4	16
Q1	4	3	12
Q2	4	3	12
Q3	4	3	12
Q4			0

Target Risk		
Impact	Likelihood	Score
4	2	8
4	2	8
4	2	8
4	2	8
		0

Primary Corporate Priority
5 - Norwich City Council is in good shape to serve the city

Risk owner
HoS - Legal & Procurement
Service area
Legal & Procurement

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

Background to this risk
The economic environment remains challenging for suppliers, which will not be assisted by further increases in interest rates. This risk occurred in February 2023 where a supplier gave notice they were withdrawing from a market, albeit the Council was able to take swift action to rectify. We have also seen suppliers indicating moves that may be suggestive of changing risk profiles such as levels of insurance cover.

Triggers
Supplier failure - key supplier enters administration
Supplier seeks to exit market or amend terms of contract
Supplier experiences problems in their own supply chain delaying delivery of Council projects or deteriorating quality of service

Main impacts
Inadequate or poor service to residents as a result of problems with suppliers leading to dissatisfaction
Pressure on the organisation as a result of needing to focus on finding new suppliers or amending contract terms
Potential increased risks to organisation of suppliers wishing to change risk profile of contracts or look for up-front expenditure
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines


**Impact of economic downturn on key council suppliers**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Regular checks on key suppliers to identify their financial resilience and potential areas of risk to the Council	QUARTERLY	G	Mar-24	This process continues to be undertaken on an ongoing basis to highlight potential significant risks.	HoS - Legal & Procurement
Specific action taken with services where supplier is identified at risk	QUARTERLY	G	Mar-24	Following the quarterly checks, those areas where suppliers were identified as significant risk are having meetings to identify steps to be taken	HoS - Legal & Procurement
Awareness and identification with staff of steps that need to be taken to manage supplier risk	QUARTERLY	G	Mar-24	We continue to communicate information regarding suppliers at risk to key officers	HoS - Legal & Procurement
Contract managers to update business continuity plans with respect the risks of supplier failure	QUARTERLY	G	Mar-24	We have discussed this with the new Emergency Planning Manager to ensure they are aware. The emergency planning manager will be included on quarterly checks moving forwards.	HoS - Legal & Procurement
Monitoring of supplier behaviour and requests	QUARTERLY	G	Mar-24	We have established a process for any concerns related to supplier activity to be reported. No specific or significant concerns at the date of update	HoS - Legal & Procurement

**Temporary and Supported Accommodation - Reducing the Housing Benefit Subsidy gap**

**Current risk description**  
The ability to claim 100% Housing Benefit subsidy is dependant on a number of relevant criteria depending on the type of housing and support provided. The gap between Housing Benefit we can claim back is growing due to the type of provision in the Temporary/Exempt Supported sector and also TA/Private Sector leasing, which is expensive.

<b>Date raised</b>	16/05/2023
<b>Last review date</b>	12/01/2024

Residual Risk			
	Impact	Likelihood	Score
<b>Q4</b>	N/A	N/A	N/A
<b>Q1</b>	5	3	15
<b>Q2</b>	5	3	15
<b>Q3</b>	5	3	15
<b>Q4</b>			0

Target Risk		
Impact	Likelihood	Score
N/A	N/A	N/A
4	3	12
4	3	12
4	3	12
4	3	12

**Primary Corporate Priority**  
5 - Norwich City Council is in good shape to serve the city

Risk owner
Exec Dir - Housing & Community Safety
Service area
Multiple Service Areas

Current risk direction	
Static	

Progress	Publication Exempt?
ON TRACK	N

**Background to this risk**  
During 2022/23 it became very visible that the gap in Housing Benefit subsidy for temporary and exempt supported accommodation and TA/Private Sector leasing was growing. A Housing provider changed its operating method without informing the Council. This led to a large number of claims having to be amended and also a claw back of overrepaid subsidy by the DWP. Housing and Benefits services are now working together on a project to develop a strategy for this type of accommodation, looking to bridge any gap in loss of subsidy by utilising other funding opportunities and working with providers to deliver services where maximum subsidy can be obtained, be it 100% or less.

Triggers
Monthly monitoring of the subsidy claim
New/Existing provision of this type of accommodation
Failure to consider the cost of any HB subsidy shortfall when commissioning provision
DWP review of provision- requirement to place an indicator on every claim by 31/3/24

Main impacts
Cost- budget
If not budgetted for this currently impacts on the Revs and Bens service budget
If not monitored monthly but treated as a risk until the end of the FY, the subsidy gap could be greater than expected
Non-compliance with Payment Card Industry (PCI) standards which results in financial fines
On hold pending new legislation and input into consultation

**Temporary and Supported Accommodation - Reducing the Housing Benefit Subsidy gap**

Control / mitigation (action required)	Control update frequency	Control status (RAG)	Date of next update	Update on progress of control / mitigation	Control / Mitigation Owner
Steering group formed to work through the issues	MONTHLY	<b>G</b>	<b>Completed</b>	In place and meeting fortnightly	HoS - Housing & Community Safety
Action Plan developed	MONTHLY	<b>G</b>	<b>Mar-24</b>	In place and monitored at steering group	HoS - Revenues & Benefits
Housing strategy for this type of accommodation developed	QUARTERLY	<b>G</b>	<b>Completed</b>	Working with Birmingham who are slightly ahead of us	HoS - Housing & Community Safety
Benchmarking undertaken	QUARTERLY	<b>G</b>	<b>Completed</b>	First meeting 9th June 23. Widening to other cities	HoS - Revenues & Benefits
Draft strategy completed	QUARTERLY	<b>G</b>	<b>Completed</b>	On hold now pending new legislation	HoS - Revenues and Benefits





**Committee name:** Audit

**Committee date:** 19/03/2024

**Report title:** Progress Report on Internal Audit Activity

**Portfolio:** Councillor Kendrick, Cabinet member for resources

**Report from:** Head of Internal Audit

**Wards:** All Wards

**OPEN PUBLIC ITEM**

**Purpose**

This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2023/24.

**Recommendations:**

It is recommended that members review progress with delivery of the 2023/24 Internal Audit Plan.

**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 helps to meet all above corporate priorities.

## 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;
  - Provides an update on outstanding internal audit recommendations.

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

## Legal

6. There are no specific legal implications from this report.

## Statutory considerations

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
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.	Insufficient 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.

## 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:

## Appendices:

Appended Report: Progress Report on Internal Audit Activity

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**Audit Committee 19 March 2024**  
**Appended Report**

**Eastern Internal Audit Services**



**Norwich City Council**

**Progress Report on Internal Audit Activity**

**Period Covered: 1 January to 31 March 2024**

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## 1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires 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.
- 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 audits; and
  - Performance Indicator outcomes to date.

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 In accordance with the PSIAS, the annual internal audit plan should be reviewed on a regular basis and adjusted, when necessary, in response to changes on the organisation's business risks, operations, programmes, systems and controls.
- 2.2 Since the approval of the plan in March 2023, six audits have been deferred as detailed in the table below.

Audit description	Nature of the change
Risk Management - NC2402	Deferred to 24/25 to allow for a refresh of the Risk Register and a staff resource to be appointed to oversee risk management.
Staff Wellbeing - NC2312	Deferred to 24/25 due to the appointment of the Senior Internal Auditor at the Consortium who will be doing this audit and to manage the large number of audits which are outstanding.
Accountancy Services - NC2406	Deferred to 24/25 as the Key Controls audit coverage will duplicate some of these areas and there is sufficient finance control audit coverage in other finance areas as well.
Equalities - NC2422	Deferred to 24/25 to manage the large number of audits which are outstanding.
Application Audit – CRM NC2425	Deferred to 24/25 due to the system not yet fully implemented and live.
Non-Housing Capital Programme Management - NC 2412	Deferred to 24/25 due to coincide with the new Asset Management Framework and the audit of this in 24/25.

### 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 200 days of programmed work have now been completed, equating to 69% of the Internal Audit Plan for 2023/24.

### 4. THE OUTCOMES ARISING FROM OUR WORK

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

**Substantial Assurance:** Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

**Reasonable Assurance:** Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

**Limited Assurance:** Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

**No Assurance:** Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

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

**Urgent (priority one):** Fundamental control issue on which action to implement should be taken within 1 month.

**Important (priority two):** Control issue on which action to implement should be taken within 3 months.

**Needs attention (priority three):** Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report, Internal Audit has issued three final reports:

Audit	Assurance	P1	P2	P3
Planned Maintenance - Investigation	N/a	0	0	0
Procurement and Contract Management	Reasonable	0	3	1
Council Tax and NNDR	Reasonable	0	1	0

The Executive Summaries of these reports are attached at **Appendix 2**.

4.5 As can be seen in the table above, as a result of this audit five recommendations have been raised. Six Operational Effectiveness Matter has been proposed to management for consideration.

4.6 In addition to the audits above, a position statement on Environmental Sustainability. has been issued. The position statement has concluded with the following 12 suggested actions/improvements: -

- Prepare and agree a Carbon Reduction Plan for the council, including its social housing stock, investment assets, procurement (i.e. scope 3 emissions) that attaches specific measurable reductions to specific actions.
- Promote further awareness of climate change and sustainability issues amongst report writers and decision makers across the Council. Devote further resources to assist staff in understanding the climate emergency.
- Embrace the work of the Norwich Climate Commission and continue to draw on its resources, together with public consultation, to identify the actions that will be most needed and most effective in reducing carbon emissions and fuel poverty across the city
- Promote the creation of a LAEP for the city and including key development areas, such as East Norwich and Anglia Square.
- When the new Environmental Programme (2024-2030) is published, take the opportunity to update web pages with links on the home page and encourage feedback from residents.
- Prioritise action and resources in the areas of on-road transport and residential housing, including the Council's own HRA stock.
- Within the proposed Environmental Programme, select and maintain a consistent baseline for evaluating historic achievements and targeting future reductions in CO2e emissions.
- Identify and evaluate KPIs covering CO2e related activity across the Council and set meaningful targets that can be consistently measured and monitored.
- Continue with the strong focus on both environmental and biodiversity sustainability. Update net-zero action plans with clear measurable targets, matched with funded actions and timelines to achieve specific emissions reductions.
- Summarise actions within the Carbon Reduction Plan, to make it accessible and meaningful as a communications tool and a set of targets against which its actions can be measured and evaluated over the coming years.

- Review the structure of the Environmental Strategy Team, to help ensure the effective delivery of the service, and help the Council realise additional benefits, including financial savings, economic development and greater compliance with UK government requirements.
- Consider further consultation and engagement with senior managers within the Council to embed the philosophy of sustainability across all services and to identify foreseeable issues that may delay the Council's plans.

## 5. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS

- 5.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 5.2 To comply with the above this report includes the status of agreed actions.
- 5.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 5.4 **Appendix 3** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of 55 (six urgent, 30 important and 19 needs attention) recommendations are currently outstanding. A further 10 recommendations are not yet due for completion.
- 5.5 **Appendices 4, 5, 6 and 7** provide the committee with details of all outstanding urgent priority recommendations, and important recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each where possible.

## 6. PROPOSAL

- 6.1 The Audit Committee are requested to receive the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.
- 6.2 The Audit Committee are asked to receive the position in relation to the completion of agreed audit recommendations.

## 7. RECOMMENDATIONS

- 7.1 That the Audit Committee receive the final report on progress in relation to the completion of the Internal Audit Plan for 2023/24.
- 7.2 That Audit Committee discuss the position in relation to the completion of agreed internal audit recommendations as at 31 March 2024.

## 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
							Urgent	Important	Needs Attention	Op Matters	
<b>Quarter 1</b>											
Housing Benefits	NC2310	15	15	15	Final report issued on 22 September 2023.	Reasonable	1	0	3	1	Oct-23
Planned Maintenance - Investigation	NC2414	10	15	15	Final report issued 30 January 2024	N/a	0	0	0	0	Mar-24
Anti-Social Behaviour	NC2416	12	12	12	Final report issued on 3 August 2023.	Reasonable	0	8	0	0	Oct-23
<b>TOTAL</b>		<b>37</b>	<b>42</b>	<b>42</b>							
<b>Quarter 2</b>											
Information Security and Data Compliance	NC2403	12	12	12	Final report issued on 25 September 2023.	Reasonable	0	2	6	4	Oct-23
Procurement and Contract Management	NC2405	15	15	15	Final report issued 24 January 2024	Reasonable	0	3	1	2	Mar-24
Income - cash and bank	NC2408	10	10	10	Final report issued 10 January 2024	Substantial	0	3	4	1	Jan-24
Business Continuity and Emergency Planning	NC2410	10	10	10	Final report issued 7 November 2023.	Reasonable	0	2	3	0	Jan-24
Housing Repairs and Void Management - NCSL	NC2415	15	15	5	APM issued on 30 January 2024, audit started on 11 March 2024.						
Disabled Facilities Grants	NC2418	10	10	8	Draft report issued on 6 February, awaiting client responses.						
Parking and Civil Enforcement	NC2420	12	12	8	Report being drafted.						
Environmental Sustainability	NC2421	10	10	10	Final report issued 5 February 2024	Position Statement	N/a	N/a	N/a	N/a	Mar-24
<b>TOTAL</b>		<b>94</b>	<b>94</b>	<b>78</b>							

<b>Quarter 3</b>												
Risk Management	NC2402	10	0	0	Deferred to 2024/25							
Council Tax and NNDR	NC2409	15	15	15	Final report issued 1 March 2024	Reasonable	0	1	0	4	Mar-24	
Housing Compliance	NC2413	20	20	13	APM issued on 21 February 2024, fieldwork in progress.							
Housing Needs, Allocations, Homelessness and Housing Register	NC2417	12	12	2	APM issued on 15 February 2024, audit started on 15 March 2024.							
Customer Contact Team	NC2423	12	12	7	APM issued 19 October 2023. Fieldwork in progress.							
<b>TOTAL</b>		<b>69</b>	<b>59</b>	<b>37</b>								
<b>Quarter 4</b>												
Staff Wellbeing	NC2312	12	0	0	Deferred to 2024/25							
Corporate Governance	NC2401	10	10	2	Audit being scoped.							
Key Controls and Assurance	NC2404	15	15	2	Audit being scoped.							
Accountancy Services	NC2406	16	0	0	Deferred to 2024/25							
Accounts Receivable	NC2407	10	10	2	APM issued March 24, audit to start 15 April 2024.							
Private Sector Housing Enforcement	NC2411	12	12	6	APM issued on 6 February 2024., Fieldwork in progress.							
Non-Housing Capital Programme Management	NC2412	12	12	2	Deferred to 2024/25							
Equalities	NC2422	10	0	0	Deferred to 2024/25							
Waste Management - Biffa Contract	NC2419	10	10	5	APM issued on 22 January 2024. Fieldwork in progress.							
<b>TOTAL</b>		<b>107</b>	<b>69</b>	<b>19</b>								
<b>IT Audits</b>												
Starters, Movers, Leavers	NC2424	10	10	8	APM issued 5 October 2023. Fieldwork in progress.							
Application Audit - CRM	NC2425	10	0	0	Deferred to 2024/25							
<b>TOTAL</b>		<b>20</b>	<b>10</b>	<b>8</b>								
<b>Follow Up</b>												
Follow Up	N/A	16	16	16								
<b>TOTAL</b>		<b>16</b>	<b>16</b>	<b>16</b>								
<b>TOTAL</b>		<b>343</b>	<b>290</b>	<b>200</b>			1	19	17	12		
<b>Percentage of plan completed</b>				<b>69%</b>								

## APPENDIX 2 – EXECUTIVE SUMMARIES 2023/24

### NC2414 Investigation – Planned Maintenance Contracts Procurement (Eastern Procurement Limited Contracts)

#### Conclusion

This review has not found any evidence to support the allegations that have been made or to show that the Council has not followed their own Contract Standing Orders when procuring contracts through EPL frameworks.

- Of the 19 contract procurement files tested, appropriate and complete information was provided in all cases to demonstrate that the Council's procurement rules, and Contract Standing Orders had been complied with.
- There was no evidence noted of contract award procedures being amended in the tender process that subsequently precluded certain contractors from being awarded works.
- Where relevant, there was evidence of EPL providing a report setting out the most suitable contractor following their evaluation against the framework. However, there was not always details of the analysis carried out by EPL against the framework, so no opinion has been provided on this process.
- There was evidence to show the Framework contractor selection being challenged by the Contract Team / approving officer and there was evidence on all files of a submission of a report to the Cabinet that gave an estimate of the expense and seeking approval to award or there was a delegated authority to award a contract evident.
- Analysis of the complete contracts register did not identify any matters that suggest wider concerns regarding the more frequent use of specific (named) suppliers could be substantiated.

#### Further Action Required

The review did not identify any additional matters which did not form part of the original scope.

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

The audit has sought to provide assurance over the following key risk:  
 “Financial loss and reputational risks due to not achieving value for money and not complying with procurement legislations”.

**SCOPE**

Strategic risks have been raised relating to contract failure and poor procurement. An assurance audit in this area has not been carried out since 2019/20. This audit has evaluated compliance with the Council's Contract Standing Orders and the Public Contract Regulations.

**KEY STRATEGIC FINDINGS**

- The Contracts Register is published on the Council's website but without a date to evidence it is published on a quarterly basis. There is also a need to ensure that it fully complies to the Transparency Code 2015.
- The Council completes a periodic sample review of purchase orders against contracts registers and Procurement Notification Forms against their procurement processes. A regular review of aggregated spend would further improve controls over compliance with Contract Procedure Rules and the requirement to publish all contracts with a value greater than £5k.
- The Contract Management Framework in place is currently not enforced. Until the national guidance is updated and the Framework amended as necessary, the Framework should be reviewed regarding the expectations contract managers need to follow now and how it will be enforced on a corporate basis.
- One further recommendation has been raised relating to the review of active users on the procurement system.

**GOOD PRACTICE IDENTIFIED**

- The exemption register lists all requested exemptions and if they were granted or not. This enables the analysis of trends and possible training needs.
- Social value and environmental sections have been implemented into business cases and various templates including procurement reports, specifications and invitations to tender.

**ACTION POINTS**

Urgent	Important	Needs attention	Operational
0	3	1	2

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

Assurance was provided over risk to Council Tax and NNDR maximum recovery

**KEY STRATEGIC FINDINGS**

-  There is a high number of individuals with access to the Revenues system and applications do not go through the Revenues Department.
-  There is no official review process for procedure document updates but these are completed when there is a procedural or legislation change.
-  There is a high number of Council Tax (CTAX) credit balances (8,876 totalling £1,048,133) and low resources to resolve them.
-  Compliance testing identified that controls are working effectively.

**GOOD PRACTICE IDENTIFIED**

-  New staff members are subject to 100% QA checks.
-  All staff members are trained in all aspects of the Revenues process to ensure that all job roles can be completed during staff absence.

**SCOPE**

These key financial systems feed into the Head of Internal Audit Opinion and Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls.

**ACTION POINTS**

Urgent	Important	Needs Attention	Operational
1	0	0	4

### APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Year	Audit Name	1	2	3
2020/21	TPR-Equality Duties			1
	TPR-Payroll		1	
	<b>Total</b>		<b>1</b>	<b>1</b>
2021/22	TPR-Accounts Payable		2	
	TPR-Environmental Services Audit of NCSL Contract 21/22		2	
	TPR-Health & Safety		4	1
	TPR-Off Payroll Working Compliance			2
	TPR-Risk Maturity Assessment		2	
	<b>Total</b>		<b>10</b>	<b>3</b>
2022/23	Anti Fraud and Corruption			1
	Buildings at Risk		1	
	Garden Waste Service		1	
	Housing Benefits	1		1
	Key Controls and Assurance	4		2
	Leasehold Management		1	2
	Leisure			1
	Markets		4	1
	Payroll			2
	Safeguarding	1	1	1
	Trees and Playground Equipment		2	1
	<b>Total</b>	<b>6</b>	<b>10</b>	<b>12</b>
2023/24	Anti Social Behaviour		6	
	Income - cash and bank		3	3
	<b>Total</b>		<b>9</b>	<b>3</b>
<b>Total</b>	<b>6</b>	<b>30</b>	<b>19</b>	

The following audits in the table above had a 'limited' assurance opinion: -

- Environmental Services 2021/22
- Health and Safety 2021/22
- Safeguarding 2022/23
- All the other audits had a 'reasonable' assurance opinion.

#### APPENDIX 4 – OUTSTANDING ‘URGENT’ INTERNAL AUDIT RECOMMENDATIONS – ALL YEARS

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Safeguarding 22/23	<p>1. It is suggested that a review of roles requiring a DBS check is carried out as a priority, with referral to the DBS for advice, if required, to determine legal eligibility, with non-responsive services escalated to SLT. Results of the review to inform a formally agreed Corporate Policy for initial and renewal checks.</p> <p>2. Assurance to be provided to SLT that all checks required are completed or brought up to date, with evidence of completion retained.</p>	Urgent	Dawn Bradshaw, Head of HR and OD	31/07/2023	N/A	Outstanding	<p>Internal Audit have confirmed No.1 of the recommendation.</p> <p>5 Mar 24 -A report on the position of DBS checks has been run from the HR system and is due to be circulated to SLT. Once implemented and evidence received, will require auditor confirmation and closure.</p>
Key Controls and Assurance 22/23	Ensure the one-off reconciliation between the housing rent system and the general ledger is completed, procedure notes are developed, and the reconciliation is carried out monthly going forward.	Urgent	Senior Finance Business Partner	31/12/2023	01/03/2024	Outstanding	10 Jan 24 - A new reconciliation has been designed to reconcile the HFI rents system output to the General Ledger. The reconciliation has been used to reconcile the first two quarters of FY 2023/24. The procedure notes for the new reconciliation process are in the process of being developed.
Key Controls and Assurance 22/23	Develop a corporate approach on the collection of debt for the Council to strengthen it and ensure processes align, especially where customers have debt in multiple areas of the Council. The policy should include the processes for write-offs and provide clarification regarding how delegated limits are to be applied to multiple concurrent write-offs for the same debtor. Once developed, provide training for relevant officers. The Council to review, update and approve financial procedures making all relevant staff aware of requirements included within. In addition, any Council Tax cases which are paused on request of Council members need to be	Urgent	Head of Finance, Audit & Risk	31/12/2023	30/06/2024	Outstanding	12 Feb 24 - The Debt Management project commenced with the discovery phase in mid-September. One of the project deliverables is to produce a Council-wide Debt Recovery policy which will include authorisation limits and a write-off policy. This will be delivered in Phase 2 of the project, which will commence after most of the as-is and to be processes are mapped. This has taken longer than anticipated and process mapping has highlighted areas where procedures had not been reviewed or updated in some service areas, and it has been imperative to ensure all debt is accounted for through the new ERP system. This has allowed the project to delve deeply into service areas, cleanse data and

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
	regularly reviewed with the reasons for continuing the pause documented.						<p>move forward with the requirements of this action. Additional resource is currently in place to help with data cleansing and debt collection and the council is starting to see the benefits. The council will also be looking to use a single contract where possible for the enforcement of all debt types. The project reports into the Corporate and Commercial Services Board and regularly updates the Senior Leadership Team. Savings have been identified and included in the MTFP. It is anticipated phase 2 will run alongside phase 1 and is likely to commence no later than June 2024. Now that the new ERP system is fully up and running, new process maps will be completed to complement the system training notes/videos prepared. The new Civica system has a single view of debt capability, however the development of this will not take place until phase 2 of that implementation, therefore there is little this action project can do to accelerate that part of the implementation plan, and the project will consider alternatives.</p> <p>A corporate approach to debt collection is now being undertaken and is monitored through the council's governance process at both operational and senior level therefore this action can be closed.</p> <p>The council has requested an audit on debt recovery once the project completes.</p>
Housing Benefits 22/23	Ensure a one-off reconciliation between the housing benefits system and the general ledger is completed, procedure notes are developed, and the reconciliation is carried out monthly going forward.	Urgent	Finance Manager (revenue) with delivery by service accountants responsible for their specific area.	31/12/2023	01/04/2024	Outstanding	12 Feb 24 - Work is in progress to design a reconciliation pulling together existing reconciliations, data sources and resourcing.

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Key Controls and Assurance 22/23	Implement system controls for supplier amendments until the new finance system goes live. For the new system, implement a monitoring control to develop and run regular reports of all supplier amendments on the system and ensure that all amendments are legitimate and have been independently checked. Risk: Weak supplier mandate controls increases the Council's risk of processing fraudulent payments.	Urgent	Exchequer Manager	31/03/2024	30/06/2024	Outstanding	12 Feb 24 - The New Financial system went live on 5th February. Processes will be embedded to mitigate the risk from supplier details being updated or added to Unit 4 that have not been verified
Key Controls and Assurance 22/23	Remove the ability to manually override authorisations on the housing system. Risk: Inappropriate approval of write offs.	Urgent	Housing Income and Rents Manager	31/03/2024	N/A	Outstanding	14 Feb 24 - Checked with IT service requests, to see if they could confirm Sarah's request has been actioned. They have not found a copy of the original one. Matthew Cushion has agreed to review a new service request with an estimated turnaround time of 10 days. Should be on track for end of March 2024

**APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21**

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Payroll	Complete the signing of the co-operation agreement with Sefton.	Important	Head of HR and learning	31/07/2022	30.09/2022	Outstanding	The Schedule of Variations from the agreement has been provided, which includes "Addition of requirement to provide assurance statement to evidence robust controls over payroll IT systems and processes".

## APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Risk Maturity Assessment	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.	Important	Neville Murton, Interim Head of Finance, Audit and Risk	30/09/2022	31/1/2024	Outstanding	10 Jan 24 - New Head of Finance and Head of Internal Audit to meet January 2024 to discuss and agree way forward.  This will be addressed once the new Head of Internal Audit is in post by the end of December 2023.
Risk Maturity Assessment	The Risk Management Policy and Strategy to be reviewed to clarify the following points: 4.5.1 Review the wording of the updated Risk Management Policy & Strategy and ensure that it includes details about when risks should be de-escalated. 4.5.2 The council should specify responsibilities for risk control action owners.	Important	Neville Murton, Interim Head of Finance, Audit and Risk	30/09/2022	31/3/2024	Outstanding	6 Feb 24 - Policy updated but approval for SLT not expected till June 28th, hence revised target date of end July. The suite of policies the Council uses to support its approach to reducing the risk and incidence of fraud in the organisation, including whistleblowing and money laundering, will be subject to review during the year.
Accounts Payable	The council's 'No PO, no Pay' policy to be formally documented and re-launched with staff and suppliers.	Important	Neville Murton, Interim Head of Finance, Audit and Risk	31/10/2022	1/09/2024	Outstanding	6 Feb 24 - The New Financial system went live on 5th February. Processes to commence No PO policy no underway.
Accounts Payable	As part of formalising the 'No Purchase Order No Pay' policy, an 'Exceptions' List be created, listing the instances in which a PO is not required prior to purchasing.	Important	Neville Murton, Interim Head of Finance, Audit and Risk	31/10/2022	2/09/2024	Outstanding	6 Feb 24 - The New Financial system went live on 5th February. Processes to commence No PO policy no underway.
Environmental Services	An annual timetable is prepared and shared with NCSL, so that contract requirements that require reviews and documentation by either party are visible and monitored.	Important	Andy Summers, Head of Environment Services	31/07/2023	N/A	Implemented awaiting review and closure	10 Jan 24 - Implemented, awaiting auditor confirmation and closure.
Environmental Services	The Corporate Health & Safety Board to receive a Health and Safety report from NCSL and include a set of metrics for agreement. In future years to be presented and agreed in line with the provisions of the contract, which is "the Parties shall agree a set of such Metrics not more than four (4) weeks before the anniversary of the Service Commencement Date".	Important	Andy Summers, Head of Environment Services	30/04/2023	31/7/2023	Implemented awaiting review and closure	10 Jan 24 - Implemented, awaiting auditor confirmation and closure.

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Health and Safety	The Council to ensure that all reportable Health and Safety incidents/accidents and near misses from other areas of the business such as the Norman Centre and the Halls are provided to the Health and Safety Officer so that these can be included within the Council's overall statistics and reported to the H&S boards and JCNC.	Important	Sarah Ashurst, Head of Planning and Regulatory Services	30/04/2023	30/04/2024	Outstanding	06 Feb 24 - IT are developing a new reporting system which will be live on the SharePoint site. IT delays are meaning this has been delayed. Comms will be ongoing out that this is available and encourage people and train people to actually use the new system.
Health and Safety	Develop a system to ensure that the office inspections are regularly undertaken and supported by a Health and Safety trained individual. A log should be kept of outcomes and identified actions should be followed up. Consider whether to reinstate annual walkarounds with a member of Unison around City Hall. Ensure that:- A log is kept of the findings and resulting actions- Outcomes are reported to the H&S Board.	Important	Environmental Health & Public Protection Manager & Corporate Health & Safety Team Leader)	31/03/2023	31/03/2024	Outstanding	06 Feb 24 - A series of metrics for reporting to H&S Board, ELT and each Directorate is being developed which will encompass risk assessment actions and incidents. Additional resource is being recruited following the budget setting process which will release capacity for this to be undertaken.
Health and Safety	The Health and Safety officer to quarterly 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 H&S quarterly and CLT annually 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.	Important	Sarah Ashurst, Head of Planning and Regulatory Services	31/03/2023	31/03/2024	Outstanding	06 Feb 24 - A series of metrics for reporting to H&S Board, ELT and each Directorate is being developed which will encompass training uptake. CH&S manager is working up a programme of e-learning with the HR L&D Officer. Once rolled out reporting will be undertaken
Health and Safety	Develop measurable objectives for improvement of H&S at the council. Such as: <ul style="list-style-type: none"> <li>• number of reported accidents and incidents per employee</li> <li>• Lost time injury incidence rate</li> <li>• Actions taken to address/reduce in future</li> </ul>	Important	Sarah Ashurst, Head of Planning and Regulatory Services	31/03/2023	31/03/2024	Outstanding	06 Feb 24 - H&S Action plan in place and delivering against the requirements.

## APPENDIX 7 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2022/23

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Buildings at Risk	To produce internal procedures that complement and expand upon the external policies produced by Historic England. Consideration given to the following: - Standard means of applying and documenting rationale for allocated risk level and priority- Outline process for inspections/outreach with owners, including risk-based timescales, and reference to the Heritage England guide for enforcement actions - Requirements for evidence retention and file management	Important	Sarah Ashurst, Head of Planning and Regulatory Services	31/05/2023	31/12/2023	Outstanding	6 Feb 24 - Having reviewed what any internal procedures would contain, we do not consider that they would add anything to the procedures set out by the national governing body Historic England.  We are in the process of setting up a SharePoint site to hold monitoring and file information on our heritage at risk portfolio and to set out the protocol for contacting owners.
Leasehold Management	Review the method of calculating the horticultural maintenance charges to ensure full costs applicable are included in the leasehold service charges in the future.	Important	Gemma Mitchell – Housing Outcomes Manager	01/09/2023	31/08/2024	Outstanding	15/02/2024: The calculation was reviewed in advance of the 22-23 service charges and a decision made not to go for full cost recovery by increasing charges for that financial period. A review of the options will be undertaken in advance of the 23-24 service charges as to whether or not to increase leaseholder recharges and if so, to what level.
Safeguarding	When the mandatory safeguarding adults and safeguarding children courses have been updated, management to implement monitoring controls going forward to ensure mandatory e-learning courses and renewals at defined intervals are completed by relevant staff.	Important	Dawn Bradshaw, Head of HR and OD	31/07/2023	N/A	Outstanding	Communication to workforce to complete mandatory e-learning by 31 July 2023. Report to be provided to share with SLT re last stats of those completed/outstanding.  Comment audit: Requested report to CLT and date to determine if recs is completed or not. No response as 29/08.
Trees and Playground Equipment	Management should discuss with NCSL the adoption of the dedicated Ezetreev module to manage tree work orders.	Important	Andy Summers, Head of Environment Services	31/07/2023	31/03/2024	Outstanding	12 Jan 24 – Incomplete. Work still ongoing with Ezytreev and NCSL.  Aim to have complete by 31.3.24
Trees and Playground Equipment	Management to clarify and confirm the responsibility for undertaking tree inspections in council owned residential and commercial properties and ensure that appropriate risk assessments are undertaken.	Important	Andy Summers, Head of Environment Services	31/03/2023	31/03/2024	Outstanding	15 Feb 24 - To be concluded in new policy currently being reviewed by external consultant.

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Markets	Formalise the debt recovery process, including creating a written procedure, to ensure a consistent process is followed.	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	15 Feb 24 - The service has been working with the debt recovery panel to establish the required process. In the meantime, a more robust approach to debt management has resulted in 3 stalls being repossessed and approximately £0.04m in aged debt being recovered. This action will be complete by 31st March 2024.
Markets	Maintain a record of gas and electrical safety checks for stalls	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	15 Feb 24 - Fire risk assessments complete and about to be reviewed. Gas and electrical assessments have been requested from stallholders and programme of approval in place as part of refreshed approach to management of leases. Control of contractors procedure in place for external contractors carrying out work on behalf of stall holders. Internal risk assessments being developed by markets team for all health and safety hazards on the market.
Markets	Create a Norwich City Council Market risk register to capture all the risks that are facing the service, which includes associated mitigations.	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	15 Feb 24 – An initial risk register has been developed as part of an Outline Business Case for the Market Strategy. Final, complete version to be in place for 31 March 2024.
Markets	Review the action taken on current arrears and consider whether future action could be taken to improve recovery of historic debts.	Important	Head of Environment Services	31/03/2024	N/A	Outstanding	15 Feb 24 - The service has been working with the debt recovery panel to establish the required process. In the meantime, a more robust approach to debt management has resulted in 3 stalls being repossessed and approximately £0.04m in aged debt being recovered. This action will be complete by 31st March 2024.
Garden Waste	The Council to ensure that contractually required joint inspections are taking place weekly.	Important	Head of Environment Services	31/12/2023	N/A	Implemented awaiting review and closure	10 Jan 24 - Complete 12.1.24.  Implemented, awaiting auditor review or evidence and closure.

## APPENDIX 8 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2023/24

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Anti-Social Behaviour	Management to promptly analyse the results of Post-Closure Complainant Satisfaction Surveys and develop an Action Plan to address the key concerns identified.	Important	Bob Granville, Interim Head of Housing & Community Safety	30/09/2023	30/06/2024	Outstanding	11 Jan 24 – Action Plan remains under review by Director of Housing.
Anti-Social Behaviour	Management to develop an Action Plan to facilitate delivery of key supporting elements to the revised Anti-Social Behaviour Policy in a controlled and effective manner.	Important	Bob Granville, Interim Head of Housing & Community Safety	31/08/2023	30/06/2024	Outstanding	11 Jan 24 – Action Plan remains under review by Director of Housing.
Anti-Social Behaviour	Management to review the appropriateness of current key performance measures, ensuring they are aligned with the revised Anti-Social Behaviour Policy.	Important	ASB Manager	30/11/2023	30/09/2024	Outstanding	11 Jan 24 - Civica D360 has been delayed by at least a further 6 months which has impacted these plans. Over 8- day report is being produced and checked. Suggest revised due date 31.08.2024 for remainder of reporting, however KS is investigating what can be easily implemented in meantime.
Anti-Social Behaviour	Management to promptly issue the revised the Anti-Social Behaviour Policy, including appropriate reference to the requirements of The Charter for Social Housing Residents (Social Housing White Paper), and ensure that supporting process documentation reflects the revised Policy	Important	Community safety manager	31/10/2023	30/06/2024	Outstanding	11 Jan 24 - ASB Policy not yet approved. Consultation completed, with few suggestions for improvement and will now go to Cabinet in June.
Anti-Social Behaviour	Management to introduce a formal, monthly, quality checking process with results documented and fed back to team members for development purposes	Important	ASB Manager.	31/10/2023	30/03/2024	Outstanding	11 Jan 24 - Team Leaders are piloting quality checks across team. Period extended to allow for sufficient numbers to ensure fit for purpose
Anti-Social Behaviour	Management to develop appropriate management reports, and introduce evidence, monthly checking of such reports.	Important	ASB Manager	31/01/2024	30/09/2024	Outstanding	14 Feb 24 - Civica D360 has been delayed by at least a further 6 months which has impacted these plans. Over 8- day report is being produced and checked. Suggest revised due date 31.08.2024 for remainder of reporting, however KS is investigating what can be easily implemented in meantime.

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
Income – cash and bank	Complete the BIA and BCP and get it signed off. Ensure relevant cash and cheque handling/storage is included.	Important	Head of Finance	31/03/2024	N/A	Outstanding	No response received yet.
Income – cash and bank	Management to escalate the timeliness of delivery to the Royal Mail, in accordance with existing agreements in place.	Important	Chief Finance Officer	31/03/2024	N/A	Outstanding	No response received yet.
Income – cash and bank	Complete an immediate review of staff access to restricted rooms and implement a process to regularly review staff access to restricted rooms to ensure only appropriate staff have access.	Important	Head of Finance	31/03/2024	N/A	Outstanding	No response received yet.





**Committee name:** Audit

**Committee date:** 19/03/2024

**Report title:** Strategic and Annual Internal Audit Plans 2024/25 to 2026/27

**Portfolio:** Councillor Kendrick, Cabinet member for Resources

**Report from:** Teresa Sharman, Head of Internal Audit for Norwich City Council

**Wards:** All Wards

**OPEN PUBLIC ITEM**

**Purpose**

This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2024/25 to 2026/27 and the Annual Internal Audit Plan for 2024/25.

The Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services Contractor, TIAA Ltd.

It will also provide the basis for the annual audit opinion on the overall adequacy and effectiveness of Norwich City Council's framework of governance, risk management and internal control.

**Recommendation:**

It is recommended that the Audit Committee approves:

- a) the Internal Audit Charter;
- b) the Internal Audit Strategy;
- c) the Strategic Internal Audit Plans 2024/25 to 2026/27; and
- d) the Annual Internal Audit Plan 2024/25

**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 is relevant for all five corporate aims.

## Report details

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”.
2. Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) updated 2017.
3. The attached report contains:
  - the Internal Audit Charter, outlining Internal Audit purpose, authority, and responsibilities of Internal Audit.
  - the Internal Audit Strategy, which is a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities.
  - the Strategic Internal Audit Plan, which details the plan of work for the next three financial years; and
  - the Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2024/25.

## Consultation

4. The audit planning approach has been developed through consultation with Heads of Services within the Council, the Council’s Senior Management Team and the Council’s Chief Financial (S151) Officer.

## Implications

### Financial and resources

5. The Internal Audit plan for 2024/25 will be delivered in accordance with the agreed budget.

### Legal

6. The maintenance of an adequate and effective internal audit service is a statutory requirement. The provision of an audit plan covering the principal risk areas of the Council is an important part of assuring that the Council is achieving value for money.

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
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.

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Children and adults safeguarding	Not applicable for this report.
Environmental impact	Not applicable for this report.

### **Risk management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls required</b>
If an annual internal audit plan is not agreed, an annual audit opinion will not be able to be provided by the HOIA.	This will affect the assurances that are detailed within the AGS in these areas.	Approval of strategic and annual internal audit plans on right Audit Committee agenda and on the work plan.

### **Other options considered**

7. Not applicable for this report.

### **Reasons for the decision/recommendation**

8. To ensure adequate levels of coverage are provided to enable an opinion to be given on the governance, risk management and internal control.

### **Background papers:**

**None**

### **Contact officer:**

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	<p>If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.</p>
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## **Eastern Internal Audit Services**



### **NORWICH CITY COUNCIL**

#### **Strategic and Annual Internal Audit Plans 2024/25**

**Responsible Officer: 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 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities; this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also considered when developing the internal audit plan:
  - The risk profile and maturity of the Council;
  - Previous assurance gradings given in each area;
  - Any declarations to avoid conflicts of interest;
  - The requirements of the use of specialists e.g., IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example, systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Audit Committee should '*review and assess the annual internal audit work plan*'.

## 2. INTERNAL AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, senior management and the Audit Committee annually for approval. The Charter can be found at **Appendix 1**. Please note that no significant changes have been made to the Charter.

2.2 As part of the review of the Charter, the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit and Senior Internal Auditor adhere to these, specifically regarding integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Eastern Internal Audit Services.

### 3. INTERNAL AUDIT STRATEGY

3.1 The purpose of the Internal Audit Strategy (**see Appendix 2**) is to confirm:

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit Charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed and how they will be enhanced.

### 4. STRATEGIC INTERNAL AUDIT PLAN

4.1 The overarching objective of the Strategic Internal Audit Plan (**see Appendix 3**) is to provide a comprehensive programme of review work over the next three-year period following 2024/25. Each year provides sufficient audit coverage to give an annual opinion, which can be used to inform the organisation's Annual Governance Statement.

4.2 The coverage over the subsequent three-year period has been discussed with the Executive Leadership Team to ensure audits are undertaken at the right time, at a time where value can be added, as well as ensuring sufficient coverage for an annual opinion on the framework of governance, risk management and control.

### 5. ANNUAL INTERNAL AUDIT PLAN

5.1 Having developed the Strategic Internal Audit Plan, the annual Internal Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 4**). The plan includes the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a summary and purpose of the review.

5.2 The annual Internal Audit Plan for 2024/25 totals 320 audit days, encompassing 23 internal audit reviews, three of which cover IT processes, and three advisory pieces of work.

5.3 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

5.4 Depending on any changes to the control environment over the year, the annual Internal Audit Plan may need to be revised to respond to emerging risks. The Head of Internal Audit will regularly review the Corporate Risk Register and report through to the Committee any necessary changes to the plan of work.

## 6. ASSURANCE MAPPING

- 6.1 The 2022/23 External Quality Assessment of the Internal Audit function concluded that the internal audit service is delivered in conformance with the Public Sector Internal Audit Standards. Assurance Mapping was highlighted as an area requiring development.
- 6.2 Assurance mapping is an emerging area of internal audit practice which involves mapping a visual representation of assurance activities as they apply to a specific set of risks or compliance requirements facing an organisation.
- 6.3 This exercise is particularly useful to undertake as part of internal audit planning as it allows the function to determine to what extent it can rely on and co-ordinate its activities with other assurance providers to enhance value and prevent duplication.
- 6.4 Following discussions with management during the 2023/24 audit planning process, the Internal Audit Team mapped the types of assurance available for the top four corporate risks facing the Council at this time in each of the three assurance categories listed below.

### 6.5 Three lines of assurance

The first line of assurance (functions that own and manage risks)	The second line of assurance (functions that oversee or who specialise in compliance or the management of risk)	The third line of assurance (functions that provide independent assurance)
Assurances in this area are provided by managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives.	Assurances in this area are provided by those that monitor frameworks, enable risk and compliance to be managed in the first line. Second line assurance functions are often involved in monitoring the effectiveness in the first line ensuring risks are managed consistently.	Assurances at this level are typically provided by internal audit. Sitting outside the risk management processes of the first two lines of defence. The main role of this defence line is to provide an evaluation of the effectiveness of the organisations approach to governance, risk management and control.

- 6.6 The assurance map provided at **Appendix 5** of this report highlights what assurances were available in each of the three lines for the then top three corporate risks in 2023/24. This was used to provide justification to the areas included within the strategic and annual internal audit plans for 2023/24. This exercise has not been repeated for audit planning purposes this year.
- 6.7 The top three corporate risks have changed, with only COPR20, 'cost of living crisis has a negative impact on the city and the Council' being one of the top three corporate risks as at February 2024. The other two are COPR21, 'climate change risk to Council and its residents', and COPR 22, 'failure to meet performance and service improvement requirements (repairs and maintenance)'.
- 6.8 It is proposed that all or some of the top three corporate risks are developed further during 2024/25 into more detailed assurance maps.

## APPENDIX 1 – INTERNAL AUDIT CHARTER



### EASTERN INTERNAL AUDIT SERVICES INTERNAL AUDIT CHARTER FOR 2024/25

#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The Charter also displays a formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e., the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
  - Breckland District Council;
  - Broadland District Council;
  - Great Yarmouth Borough Council;
  - North Norfolk District Council;
  - Norwich City Council;
  - South Norfolk Council; and
  - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter and the Chief Audit Executive is the Head of Internal Audit.

#### 1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

*“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”*

- 1.7 This charter:

- Establishes the position and reporting lines of internal audit;
- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;
- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

1.8 The Charter is to be periodically reviewed and presented to Senior Management and the Board for approval annually. The Charter will be reviewed by the Chief Audit Executive to confirm its ongoing completeness and validity and presented to senior management and the Board.

## **2 Purpose, Authority and Responsibility**

### **2.1 Purpose**

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

### **2.2 Authority**

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

### **2.3 Responsibility**

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive being responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards for all consortium members.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept

and implement the recommendations, or formally reject them. Any advice that is rejected will be formally reported to senior management and the respective Audit Committee.

### **3 Key Relationships and Position in the Organisation**

3.1 The Standards require the terms 'Chief Audit Executive', 'Board' and 'Senior Management' to be defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

#### **3.2 Chief Audit Executive**

3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members. At South Norfolk Council, the Chief Audit Executive reports to the Chief of Staff who reports to the Managing Director of South Norfolk and Broadland.

3.2.2 The Head of Internal Audit also report functionally to each Section 151 Officer or Section 17 Officer at all other members of the Consortium.

3.2.3 The Head of Internal Audit has a direct line of reporting and unfettered access to each Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority.

3.2.4 The delivery of the Annual Audit Plans for all consortium members and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2022. The Head of Internal Audit manages this contract.

#### **3.3 Board**

3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.

3.3.2 This functional reporting includes: -

- Approving the audit charter, audit strategy and risk based annual plans on an annual basis;
- Receiving regular reports on the outcomes of internal audit activity and performance;
- Receiving regular reports on management action in relation to agreed internal audit recommendations;
- Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
- Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.

3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

#### **3.4 Senior Management**

3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains and provides for a critical challenge.

3.4.2 The Head of Internal Audit meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and responds as required.

### 3.5 External Audit

3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

### 3.6 Other Internal Audit Service Providers

3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach and enable reliance on each other's outcomes. Where formal arrangements are entered into, a protocol will be determined and agreed by both Chief Audit Executives.

3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

## **4 Rights of Access**

4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.

4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## **5 Objective and Scope**

5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.
- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management; however, this scope will not be unduly bias nor shall it be restricted.
- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk-based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however, internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit is either responsible for, or is consulted on, related policy and strategy. These include for example, Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd, there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

## **6 Independence and Objectivity**

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 The Internal Audit Team at South Norfolk Council, consisting of the Head of Internal Audit and the Senior Internal Auditor, do not have any responsibility or authority over any activities outside of Internal Audit.
- 6.3 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to senior management. The nature of the disclosure will depend upon the impairment.

## **7 Professional Standards**

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

## **8 Internal Audit Resources**

- 8.1 The Head of Internal Audit is professionally qualified (CMIIA, CCAB or equivalent) and has wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by a Senior Internal Auditor in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

## **9 Audit Planning**

- 9.1 The Head of Internal Audit develops a strategy, alongside a strategic and annual internal audit plan, using a risk-based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk-based approach, discussed with Senior Management and approved by the Audit Committee. The Head of Internal Audit is responsible for the delivery of the Internal Audit Plan, which will be kept under regular review and reported to the Audit Committee.

## **10 Audit Reporting**

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to Senior Management and the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.
- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.

- 10.7 The annual opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

## **11 Quality Assurance and Improvement Programme**

- 11.1 The Standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit, including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Head of Internal Audit will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

### **11.3 Internal Assessment**

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Head of Internal Audit for review.
- 11.3.2 On conclusion of audit reviews, a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The Standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the Internal Audit Service is operating in accordance with best practice.

### **11.4 External Assessment**

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

#### **11.4.2 An external assessment will:**

- Provide an assessment on the internal audit function's conformance to the standards;
  - Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
  - Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation;
- and

- Benchmark the activities of the internal audit function against best practice.

11.4.3 In October 2022, Eastern Internal Audit Services was fully assessed by the Chartered Institute of Internal Auditors. The conclusion of the review was:

*“EIAS conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing”.*

11.4.4 The next External Quality Assessment is scheduled for October 2027.

## APPENDIX 2 – INTERNAL AUDIT STRATEGY



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT STRATEGY FOR 2024/25

#### 1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
  - How the internal audit service will be delivered;
  - How internal audit services will be developed in accordance with the Internal Audit Charter;
  - How internal audit services links to the organisational objectives and priorities; and
  - How the internal audit resource requirements have been assessed.
- 1.2 The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the Standards).
- 1.3 The purpose of the strategy is to define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.4 Throughout this strategy the term 'The Council' or 'Council' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Council's Audit Committee or equivalent.

#### 2. How the internal audit service will be delivered

- 2.1 The role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, and South Norfolk District Councils, Great Yarmouth Borough Council, the Broads Authority and from April 2022, Norwich City Council. All Councils are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Council is provided by an external audit contractor, who reports directly to the Head of Internal Audit at South Norfolk Council. Following a successful procurement exercise the new contract with TIAA Ltd commenced from 1 April 2022 and ends on 31 March 2027, with the option to extend for a further term of two plus two.

#### 3. How internal audit services will be developed in accordance with the Internal Audit Charter

##### 3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by

bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.1.2 The outcomes of the Internal Audit Service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk-based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit Committee and the Section 17 Officer also receive: -

- The annual Internal Audit Plan, which is risk based and forms the next financial year's plan of work; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

## 3.2 Internal Audit Planning

3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.

3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering: -

- Stakeholder expectations, and feedback from senior and operational managers;
- Objectives set in the strategic plan and business plans;
- Risk maturity in the organisation to provide an indication of the reliability of risk registers;
- Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
- Legal and regulatory requirements;
- The audit universe – all the audits that could be performed; and
- Previous internal audit plans and the results of audit engagements.

3.2.3 In order to ensure that the internal audit service adds value to the Council, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.

3.2.4 Risk based internal audit planning starts with the Council's Corporate Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Council.

3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Council's priorities; an opportunity to engage with stakeholders; the Audit Committee and senior management better understand how the Internal Audit Service helps to accomplish its objectives; and this ensures that best practice is followed.

3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.

3.2.7 Consultation with the Section 151 Officer and senior management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.

3.2.8 The outcome of this populates the annual Internal Audit Plan, which is discussed with and approved by senior management prior to these being endorsed by the Audit Committee. In addition, External Audit is also provided with details of the plans.

### 3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides senior management and the Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon: -

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the effectiveness of Internal Audit, which includes: -
  - A statement on conformance with the Public Sector Internal Audit standards and the results of any quality assurance and improvement programme,
  - The outcomes of the performance indicators and
  - The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above, Internal Audit operates within the Standards and uses a risk-based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

## **4. How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the Council's objectives and priorities and thereby through the risk-based approach adds value, Internal Audit also ensures an awareness is maintained of local and national issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Council in respect of risks and issue logs and registers, reports that are taken through the Council Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular

focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Chartered Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

- 4.4 The Council's risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will be suggested for approval to ensure that internal audit coverage continues to focus on providing assurance over key risks.
- 4.5 Coverage and testing plans for each audit are determined using the following principles: -
- The number of days allocated to each review is considered based on the complexity of the area being audited factoring in audit scoping, testing time and quality assurance processes.
  - Key management assurance controls will be prioritised during testing to confirm that risks identified by the service area and internal audit during scoping are being monitored and managed.
  - Ordinarily, samples for each control tested will be selected to cover a 12-month period to ensure that internal audit coverage supports the annual internal audit opinion.
  - Testing sample sizes will ordinarily be based on the frequency of the control. By way of example; for each key financial control carried out weekly, a sample of four, one in each quarter across the year will be selected.
  - Testing samples will be selected randomly and objectively to provide a balanced view on the strength of the controls in place.
  - Where applicable, data analytics will be used to test 100% of the available sample. The Internal Audit team will aim to increase the opportunities to adopt data analytics in their work to provide greater levels of assurance.

## **5. How internal audit resource requirements have been assessed**

- 5.1 The in-house Internal Audit Team at Eastern Internal Audit Service (EIAS) Consortium consists of a Head of Internal Audit who is a Chartered internal audit professional and a Senior Internal Auditor, currently training to become a Certified Internal Auditor.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The Team also provides internal audit management support to one other Council outside of the Consortium.
- 5.3 The Senior Internal Auditor is a recent appointment to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 Through utilising a contractor, the risk-based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Council's needs and not tied to a particular resource.
- 5.5 A core team of staff is provided by the contractor to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g., information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

- 5.6 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract, the contractor needs to ensure that each member of staff completes a day's training per quarter.
- 5.7 The External Quality Assessment in 2022/23 highlighted that that the Internal Audit Service needs to invest in skills relating to data analytics to ensure audits are carried out to take full advantage of the benefits that can be realised from this audit technique.
- 5.8 The new Head of Internal Audit and Senior Internal Auditor are both trained in data analytics using MS PowerBi. The contractor has also been developing data analytic capabilities within its auditing of financial key controls audits. A commitment has been made to ensure that by 2025/26 each internal audit review regardless of area will incorporate some data analytics testing. Where systems data is not available to support such tests, a recommendation will be highlighted with the aim of encouraging the development of data maturity. A Data Analytics Strategy will be developed in 2024/25.
- 5.9 In addition to the above, in order to support the internal audit function to deliver the service using the latest best practice from the internal auditing profession, subject matter leads have been assigned to each new subject area such as climate and sustainability, culture and AI data analytics. Each subject matter lead will proactively seek training and guidance for their assigned area and will be responsible for upskilling the rest of the team.
- 5.10 The above-mentioned arrangements ensure that the Internal Audit Service is able to respond effectively to the assurance needs of the Council whilst ensuring that the core team used are sufficiently qualified and experience.

**APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN 2024/25 to 2026/27**

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
<b>Governance &amp; Risk Management</b>						
Corporate Governance	2019/20 - Scheme of delegation - Control environment - good, Compliance - substantial. 2023/24 (Follow up - Local Partnerships' review of the strategic and governance arrangements for NCSL) - TBC	Critical to annual internal audit opinion. Audit carried out bi-annually due to significant inherent reputational and legal risks.				
Democratic Services		No specific strategic or operational risks identified by the Council.	10			Assurance that the systems for pricing Members' expenses is adequate and will include a review of the policy for this area.
Annual Governance Statement	2022/23 - Substantial	No specific strategic or operational risks identified by the Council.	8			Annual assurance provided on evidence to support statements in AGS and in-depth review every 3 years.
Risk Management	2021/22 - Reasonable 2023/24 - Deferred	No specific strategic or operational risks identified by the Council.	10			Assurance on the new risk management framework.
<b>Legal Services &amp; Procurement</b>						
Procurement	2018/19 - Procurement Compliance - Satisfactory Compliance - good. 2023/24 - Reasonable	Medium Risk CORP23 Impact of economic downturn on key council suppliers (the current economic conditions increases the risk of a key supplier to the Council failing, or suppliers experiencing financial difficulties and therefore seeking to vary contracts to change their inherent risk profile).		15		
Contract Management	2019/20 - Contract extensions Control environment - satisfactory; Compliance - good. 2023/24 - Reasonable	Medium Risk CORP12 Contract management - governance (ineffective management of contracts leads to poor service delivery).		15		
Legal Services Arrangements and Insurance	New area	No specific strategic or operational risks identified by the Council.		12		
<b>Corporate Areas</b>						

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Elections	2022/23 - Position Statement	No specific strategic or operational risks identified by the Council.		10		
FOI and Complaints	2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			12	
Corporate Strategy and Performance	2019/20 - KPIs Control Environment - good, Compliance - satisfactory 2020/21 - Annual Key Policies & Procedures - Limited		5	10		Days have been allocated to advise on the development of the new performance framework. An audit will follow in 2025/26.
Programme and Project Management Future Shape Norwich	2018/19 - Control Environment - good, Compliance - satisfactory	No specific strategic or operational risks identified by the Council.				
Corporate Health and Safety	2021/22 - Limited	Medium Risk CORP03 Health & Safety in the workplace (a health & safety breach occurs in respect of an employee, contractor or member of the public using a City Council owned asset).	10			Assurance on the Council's health and safety processes.
Counter Fraud and Corruption Arrangements	2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			10	
<b>Financial Systems</b>						
Key Controls and Assurance	2022/23 - Limited 2023/24 - TBC	No specific strategic or operational risks identified by the Council.	10	15	15	Assurance that the key controls within the Council's systems (payroll, housing (rents and benefits) are working in practice.
Financial Sustainability		Medium risk CORP01 Council Funding Medium – Long Term (continued reductions in the Council's sources of funding over the medium term).				
Accountancy Services includes control accounts, banking, bank reconciliation, asset register, budgetary control and treasury management	2020/21 - Banking reconciliation and cash controls - Substantial 2021/22 - Treasury - Reasonable 2023/24 - Deferred	No specific strategic or operational risks identified by the Council.	30			Assurance that the controls in place within these modules in the new finance system are appropriate. This will be followed up in Q4 with some sample testing to confirm that controls are operating in practice.
Accounts Payable	2020/21 - Substantial 2020/21 - Purchase cards - Reasonable	No specific strategic or operational risks identified by the Council.			12	

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Accounts Receivable	2018/19 - Debt Recovery Control environment - good; Compliance - good. 2020/21 - Accounts Receivable - Reasonable 2023/24 - TBC	No specific strategic or operational risks identified by the Council.		10		
Income	Previously included within other areas 2023/24 (Cash and banking) - Substantial	No specific strategic or operational risks identified by the Council.			10	
<b>Human Resources and Organisation Development</b>						
Staff Wellbeing	2022/23 - Deferred 2023/24 - Deferred	No specific strategic or operational risks identified by the Council.	5			Some days have been included in the Plan to analysis data collected and draw conclusions for improvements.
Payroll and officer expenses (In-house from 2024/25, Unit 4)	2020/21 - Payroll - Reasonable 2022/23 - Payroll and HR Reasonable	No specific strategic or operational risks identified by the Council.	5	15		Some days have been included in the Plan to advise on controls for the new system. This will be followed by a full audit in 2025/26.
Human Resources (includes officer expenses & DBS checks)	2022/23 - HR Reasonable	No specific strategic or operational risks identified by the Council.	10			Assurance that the recommendations in the NC2324 audit report for the completion, recording and monitoring of DBS checks, in accordance with the Council's policy are now in place and operating.
IR35 Compliance	2021/22 - Reasonable	No specific strategic or operational risks identified by the Council.			10	
Performance and Training Needs	Not recently reviewed	No specific strategic or operational risks identified by the Council.				
<b>Planning and Regulatory Services</b>						
Business Continuity and Emergency Planning	2017/18 - Business continuity policy and management Adequacy of system - satisfactory; Compliance - Satisfactory 2023/24 - Reasonable	Medium Risk CORP06 Failure to respond to a critical, business continuity or emergency planning event (unexpected events may occur that either impact the Council directly or require a corporate response across the city area or wider).			12	

	Last Review & Opinion	Risk Level	2024/25	2025/26	2026/27	Rationale
Development Management - Planning and Enforcement	2013/14 - Planning Income - Moderate	No specific strategic or operational risks identified by the Council.	12			Assurance that the Council is undertaking its enforcement action in accordance with statutory timescales, and assurance on the governance arrangements and management oversight of cases, and the systems for recording and managing cases.
Community Infrastructure Levy (CIL) & S106 agreements	CIL income, Apr 2015 - Substantial.	No specific strategic or operational risks identified by the Council.	10			Assurance on the processes regarding the applying for, receipt of and spend of monies in relation to S106 agreements and CIL.
Hertiage Buildings at Risk	2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			10	
Building Control (Contract with CNC)	Not reviewed recently	No specific strategic or operational risks identified by the Council.		12		Assurance that the contract with CNC for building control is being managed and monitored effectively, thereby providing the Council with assurance that the contracted service is being undertaken timely and in accordance with regulations.
Private Sector Housing - Enforcement HMOs and private sector rentals.	2023/24 - TBC	Medium Risk CORP17 Failure to deliver acceptable levels of performance in regulatory services (failure to provide statutory services to an adequate standard resulting in harm to residents/visitors and businesses in Norwich).				Private Sector Housing Enforcment covering damp and mould management to be covered in 2023/24.
Food Health and Safety (food premises' inspections)	2022/23 - Reasonable			12		
Environmental Health - Contaminated Land and Air Quality	2022/23 - Reasonable				12	
Licensing (HMOs, taxis, alcohol etc)	2020/21 Reasonable			15		

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Landscaping Service (main clients are NCC's Capital Project Team & Norfolk County Council)		No specific strategic or operational risks identified by the Council.		10		Assurance that services provided are adequately managed, the service itself has management oversight and monitoring, and that charges for work are calculated in accordance with the CIPFA guidance, promptly invoiced and collected.
<b>Non-Housing Property and Economic Development</b>						
Non-Housing Commercial Property (covering asset mgmt strategy, property services (rents and tenancies), capital works and repairs and maintenance (planned and responsive) (NCSL))	2018/19 - Commercial rents Control environment - satisfactory; compliance - satisfactory	Medium Risk CORP26 Failure to effectively manage commercial property portfolio (to ensure income is maximised and liabilities are minimised and substantial risks of holding commercial property are appropriately mitigated. [transferred from directorate risk register 29/6/2023]).	10			Assurance on the implementation of the Asset Management Framework, following the asset review, and action plan, including the new governance arrangements for asset mgmt.
	2019/20 - Commercial property and Investment Strategy Control environment - good; Compliance - good.		15			Assurance that capital works programmes are being actioned timely and appropriately monitored and managed, and contracts for works procured appropriately, achieving value for money.
2021/22 Capital Programme Audit - Limited						
2023/24 - Deferred						
Externally funded projects & economic development	2022/23 (Towns Deal Fund) - Substantial	No specific strategic or operational risks identified by the Council.		10		Covers use of funds from Towns Deal, £25m for various initiatives and the Levelling Up, £7.5m for Sloughbottom Park.
<b>Revenues and Benefits</b>						
Council Tax and National Non-Domestic Rates	2020/21 - Council Tax - Reasonable 2020/21 - National Non-Domestic Rates - Reasonable 2023/24 - Reasonable	No specific strategic or operational risks identified by the Council.		15		

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Housing Benefits and Council Tax Reduction Scheme	2020/21 - Reasonable 2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.	18		15	Assurance that applications are being assessed and actioned in a timely manner, including a review of overpayments, arrears and debt recovery and write offs, discretionary housing payments, reconciliations and the QA process. The audit will also look at the council tax discounts and whether these are being applied and backdated where the rules allow.
Debt Management and Recovery		No specific strategic or operational risks identified by the Council.		15		Assurance on how debts are managed at the Council following the project in this area covering governance and procedures to ensure that debt is recovered timely.
<b>Housing Delivery</b>						
Lion Homes	2022/23 - Position Statement (Review against the Local Partnerships' LA Company Review Guidance)	Medium Risk CORP18 Failure to address Natural England advice on Nutrient Neutrality (NN) (the determination of planning applications continues to be held up with resulting negative impacts on economy of Norwich and housing delivery).		12		
Social Housing Delivery (HRA)	Elements covered during Capital Programme Audit 2021/22		12			Assurance on the controls in place for capital projects to manage the build of houses to time and within budget. (Threescore Phase 3 will be project to review in this audit)
<b>Building Safety &amp; Compliance</b>						
Housing Compliance	2023/24 - TBC	High Risk CORP14 Health and safety and compliance in council homes and buildings (Norwich City Council has identified a series of weaknesses in its management of health and safety compliance in its Council homes and Buildings).	10	10	10	Assurance that health and safety statutory compliance checks (gas, electrical, asbestos, water safety, fire) are being completed on time and appropriately managed now that the Regulator's Notice has been lifted.

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Planned Housing Maintenance (5-7 year programme of works, £20m pa.)	2022/23 - Position Statement 2023/24 - specific work investigated	No specific strategic or operational risks identified by the Council.	15		15	Assurance that a programme of planned works has been established, procured and contracts are in place and being adequately monitored and managed for completion on time and to budget, and in terms of quality of work.
Housing Repairs and Void Management - NCSL	Contract mgmt NNBL - 2019-20 (Feb 2020), control environment - Limited, compliance - limited. 2023/24 - TBC	No specific strategic or operational risks identified by the Council.	15		15	Assurance that repairs for voids (revenue expenditure) and urgent, emergency and routine repairs are being actioned timely and appropriately managed.
<b>Housing and Community Safety</b>						
Housing Rents and Arrears	2020/21 - Reasonable 2021/22 - Substantial	No specific strategic or operational risks identified by the Council.			15	
Housing Services incl. Housing & Tenancy Mgmt Services, Community Safety and Anti Social Behaviour.	2022/23 - Deferred 2023/24 (ASB) - Reasonable	No specific strategic or operational risks identified by the Council.	12			Assurance that the controls in place for Housing and Tenancy Management Services are adequate and effective.
Safeguarding	Audit of annual key policies and procedures review - safeguarding policy, 2018-19 (Mar 2019), control env - substantial. 2022/23 - Limited	Medium Risk CORP09 Failure to fulfil statutory or legislative responsibilities – safeguarding (Norwich City Council has a duty to promote the welfare of and to safeguard all children and vulnerable adults from harm).	10			Assurance that the Council has adequate and effective processes in place to promote the welfare of and to safeguard all children and vulnerable adults from harm.
Right to Buy Scheme		No specific strategic or operational risks identified by the Council.			10	
Leasehold Management	2016/17 - Leasehold properties Control environment - moderate; compliance - moderate 2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			12	

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Housing Needs, Allocations, Homelessness & Housing Register	2013/14 - Homelessness, use of temporary accommodation - Substantial 2023/24 - TBC	Medium Risk CORP24 Temporary and Supported Accommodation - Reducing the Housing Benefit Subsidy gap (the ability to claim 100% Housing Benefit subsidy is dependant on a number of relevant criteria depending on the type of housing and support provided. The gap between Housing Benefit we can claim back is growing due to the type of provision in the Temporary/Exempt Supported sector and also TA/Private Sector leasing).			12	
Disabled Facilities Grants & discretionary loans	2023/24 - Limited	No specific strategic or operational risks identified by the Council.				The grant certification work for Norfolk County Council will have extended coverage to pick up on the recommendations made in the 2023/24 report.
<b>Environmental Services</b>						
Waste Management (incl Garden Waste Service) (Biffa)	Contract Management – Waste, Refuse & Recycling service 2020-21 (Jan 21) - limited. NCSL 2021/22 - Limited 2022/23 - (Garden Waste Service) - Reasonable 2023/24 (Biffa & NEWS Contracts) - TBC	No specific strategic or operational risks identified by the Council.				
Environmental Services (grds maint. (grass cutting, leaf clearance etc, incl play areas, street cleaning, pest control services, graffiti & fly tipping) & arboriculture) (NSCL)	2022/23 (Tree Mgmt, playgrd equipment, open spaces - inspection and maint.) - Reasonable	No specific strategic or operational risks identified by the Council.		12		
Markets	2014/15 - Provisions Market - Moderate 2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			12	
Bereavement Services	2015/16 - Moderate	No specific strategic or operational risks identified by the Council.		10		Assurance that the controls in place for the bereavement service are adequate and effective.

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Parking and Civil Enforcement	2015/16 - Substantial 2023/24 - TBC	No specific strategic or operational risks identified by the Council.	10			Assurance on the operation of off-street parking (11 off street car parks and the Council's three owned multi-storey car parks) and parking permits.
<b>Strategy Engagement and Culture</b>						
Emissions Reduction Grants	New area	No specific strategic or operational risks identified by the Council.		12		Assurance that grant requirements have been followed as per Grant Determination Letters.
Event Management and Tourism	Not reviewed recently	No specific strategic or operational risks identified by the Council.			10	
Environmental Sustainability	2023/24 - Position Statement	High Risk CORP21 Climate Change risk to Council and its residents (climate change means council buildings and commercial buildings will not meet health and safety requirements and maintenance costs may also increase. People affected by inequality are likely to suffer disproportionately from the adverse effects of climate change and inequality is likely to increase (similar to COVID 19). Flooding and environmental impact risks will also increase).		10		Future assurance on this risk and progress with mitigating actions.
Leisure	2022/23 (Riverside) - Reasonable	No specific strategic or operational risks identified by the Council.		12		Future assurance on the Norman Centre.
Equalities	2020/21 - Limited 2023/24 - Deferred	High Risk CORP20 Cost of living (COL) crisis has a negative impact on the city and the council (The cost of living crisis: increases financial, social and health inequalities for Norwich residents; reduces the effectiveness of council services as demand increases; and reduces council income, so further limiting our ability to deliver for the city).	10			Assurance on progress with delivering the EDI Action Plan and whether the outcomes are being achieved.
<b>Customer, IT and Digital</b>						

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Information Security & Data Protection Compliance	2017/18 - Information Security Adequacy of system - good; Compliance - good 2018/19 Information Security and GDPR Control environment - satisfactory; Compliance - limited 2023/24 (Data Protection) - Reasonable	No specific strategic or operational risks identified by the Council.	12			Assurance on the migration of data to Sharepoint to ensure that once in Sharepoint, data is held and retained in accordance with data protection regulations.
Website Refresh Project		No specific strategic or operational risks identified by the Council.	10			Assurance on the replacement website project Phase 1.
Customer Contact Team	2023/24 - TBC	No specific strategic or operational risks identified by the Council.				
Disaster Recovery	2022/23 - Reasonable	No specific strategic or operational risks identified by the Council.			10	
Software Licensing inc Cloud applications	Not reviewed recently	No specific strategic or operational risks identified by the Council.			10	
Starters, Movers, Leavers	2023/24 - TBC	No specific strategic or operational risks identified by the Council.				
Network Infrastructure	Not reviewed recently	No specific strategic or operational risks identified by the Council.		10		Assurance on the management of the network systems covering network admin, support, monitoring and topology and resilience, routers and virus detection and prevention.
Service Desk		No specific strategic or operational risks identified by the Council.		10		
IT Strategy and Governance	2021/22 Substantial	No specific strategic or operational risks identified by the Council.			10	

Last Review & Opinion		Risk Level	2024/25	2025/26	2026/27	Rationale
Cyber Security	2020/21 - Cyber Security - Reasonable 2022/23 - Reasonable	Medium Risk CORP07 Cyber Security (Cyber risk is the likelihood of suffering negative disruptions to sensitive data, finances, or council operations. Common cyber risks are ransomware, phishing, malware, data leak, insider threat, supply chain and nation state cyber attack and all are associated with events that could result in a data breach.)		12		
Application Audits - CRM & ERP	2019/20 - e5 finance system IT controls Control environment - satisfactory; compliance - satisfactory 2020/21 - Northgate pre-implementation (Core Phase) - Reasonable 2022/23 - Housing System Implementation Phase 2 - TBC 2023/24 (CRM) - Deferred	No specific strategic or operational risks identified by the Council.	20		10	Assurance on the governance of applications (user access and sign on, role set up, Admin role, connections to the network, user account mgmt etc)
<b>Follow Up of audit recommendations</b>						
All previous audits Norwich City Council			16	16	16	
<b>Total Audit Days</b>						
			<b>320</b>	<b>317</b>	<b>285</b>	
<b>Internal Audit Management</b>						
Audit Committee attendance, reporting, quality assurance, contract management, advice and guidance.			40	40	40	
<b>Total Internal Audit Provision</b>			<b>360</b>	<b>357</b>	<b>325</b>	

**Appendix 4 - Annual Internal Audit Plan 2024/25**

<b>Audit Area</b>	<b>No of Days</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Notes</b>
<b>Governance &amp; Risk Management</b>						
Democratic Services	10	10				Assurance that the systems for pricing Members' expenses is adequate and will include a review of the policy for this area.
Risk Management	10			10		Assurance on the new risk management framework.
Annual Governance Statement	8		8			Annual assurance provided on evidence to support statements in AGS and in-depth review every 3 years.
<b>Corporate Areas</b>						
Corporate Strategy and Performance	5					Days have been allocated to advise on the development of the new performance framework. An audit will follow in 2025/26.
Corporate Health and Safety	10		10			Assurance on the Council's health and safety processes.
<b>Financial Systems</b>						
Key Controls and Assurance	10				10	Assurance that the key controls within the Council's systems (payroll, housing (rents and benefits) are working in practice.
ERP controls for accounts payable, receivables, accountancy services and income	30	20			10	Assurance that the controls in place within these modules in the new finance system are appropriate. This will be followed up in Q4 with some sample testing to confirm that controls are operating in practice.
<b>Human Resources and Organisation Development</b>						
Staff Wellbeing	5					Some days have been included in the Plan to analysis data collected and draw conclusions for improvements.
Payroll and officer expenses (In-house from 2024/25, Unit 4)	5					Some days have been included in the Plan to advise on controls for the new system. This will be followed by a full audit in 2025/26.
Human Resources (includes officer expenses & DBS checks)	10		10			Assurance that the recommendations in the NC2324 audit report for mandatory safeguarding e-learning and the completion, recording and monitoring of DBS checks, in accordance with the Council's policy are now in place and operating.
<b>Planning and Regulatory Services</b>						

<b>Audit Area</b>	<b>No of Days</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Notes</b>
Development Management - Planning and Enforcement	12		12			Assurance that the Council is undertaking its enforcement action in accordance with statutory timescales, and assurance on the governance arrangements and management oversight of cases, and the systems for recording and managing cases.
Community Infrastructure Levy (CIL) & S106 agreements	10				10	Assurance on the processes regarding the applying for, receipt of and spend of monies in relation to S106 agreements and CIL.
<b>Non-Housing Property and Economic Development</b>						
Non-Housing Commercial Property (covering asset mgmt strategy, property services (rents and tenancies), capital works and repairs and maintenance (planned and responsive) (NCSL))	10			10		Assurance on the implementation of the Asset Management Framework, following the asset review, and action plan, including the new governance arrangements for asset mgmt.
	15		15			Assurance that capital works programmes are being actioned timely and appropriately monitored and managed, and contracts for works procured appropriately, achieving value for money.
<b>Revenues and Benefits</b>						
Housing Benefits and Council Tax Reduction Scheme	18			18		Assurance that applications are being assessed and actioned in a timely manner, including a review of overpayments, arrears and debt recovery and write offs, discretionary housing payments, reconciliations and the QA process. The audit will also look at the council tax discounts and whether these are being applied and backdated where the rules allow.
<b>Housing Delivery</b>						
Social Housing Delivery (HRA)	12				12	Assurance on the controls in place for capital projects to manage the build of houses to time and within budget. (Threescore Phase 3 will be project to review in this audit)
<b>Building Safety &amp; Compliance</b>						
Housing Compliance	10				10	Assurance that health and safety statutory compliance checks (gas, electrical, asbestos, water safety, fire) are being completed on time and appropriately managed now that the Regulator's Notice has been lifted.
Planned Housing Maintenance (5-7 year programme of works, £20m pa.)	15		15			Assurance that a programme of planned works has been established, procured and contracts are in place and being adequately monitored and managed for completion on time and to budget, and in terms of quality of work.

<b>Audit Area</b>	<b>No of Days</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Notes</b>
Housing Repairs and Void Management - NCSL	15			15		Assurance that repairs for voids (revenue expenditure) and urgent, emergency and routine repairs are being actioned timely and appropriately managed.
<b>Housing and Community Safety</b>						
Housing Services incl. Housing & Tenancy Mgmt Services, Community Safety and Anti Social Behaviour.	12			12		Assurance that the controls in place for Housing and Tenancy Management Services are adequate and effective.
Safeguarding	10	10				Assurance that the Council has adequate and effective processes in place to promote the welfare of and to safeguard all children and vulnerable adults from harm.
<b>Environmental Services</b>						
Parking and Civil Enforcement	10	10				Assurance on the operation of off-street parking (11 off street car parks and the Council's three owned multi-storey car parks) and parking permits.
<b>Strategy Engagement and Culture</b>						
Equalities	10				10	Assurance on progress with delivering the EDI Action Plan and whether the outcomes are being achieved.
<b>Customer, IT and Digital</b>						
Information Security & Data Protection Compliance	12				12	Assurance on the migration of data to Sharepoint to ensure that once in Sharepoint, data is held and retained in accordance with data protection regulations.
Website Refresh Project	10			10		Assurance on the replacement website project Phase 1.
Application Audits - ERP	10		10			Assurance on the governance of applications (user access and sign on, role set up, Admin role, connections to the network, user account mgmt etc)
Application Audits - CRM	10		10			
<b>Follow Up of Audit Recommendations</b>						
All audit recommendations	16	4	4	4	4	Bi-monthly follow up of agreed audit recommendations
<b>Internal Audit Management Days</b>						
Audit Committee attendance, reporting, quality assurance, contract management, advice and guidance.	40	10	10	10	10	
<b>Total Number of Days</b>	<b>360</b>	<b>64</b>	<b>104</b>	<b>89</b>	<b>88</b>	

## APPENDIX 5 – NORWICH CITY COUNCIL ASSURANCE MAP TOP 3 SCORING CORPORATE RISKS 2023/24

Risk	First Line Assurance	Second Line Assurance	Third Line Assurance
<p><b>Risk CORP14 - Non compliance with Health and Safety requirements in Council Homes and Buildings resulting in serious detriment to tenants and Social Housing Regulator enforcement action.</b></p>	<p>Regular reporting to Cabinet on performance in relation to dwellings with compliant gas safety certificate. Performance relating to Health and Safety safety requirements such as Fire Safety Assessments, electrical safety reported at management level.</p>	<p>Senior management regularly liaises with the social housing regulator on progress of recovery plan following self referral of non compliance.</p> <p>Independent 3rd party review has been carried out by Campbell Tickell on Phase 1 of the compliance recovery plan. Phase two is scheduled for Q2 2023/24.</p>	<p><b>Internal audit review planned for Quarter 3 2023/24 to provide assurance over sustained and improved performance in housing compliance.</b></p>
<p><b>Risk CORP20 - Cost of Living Crisis increases financial social and health inequalities for Norwich residents, increasing demand for services.</b></p>	<p>Regular reporting at Cabinet level covering work undertaken by the Council and various key performance indicators covering housing and information regarding income and debt levels.</p> <p>Cross council officer working group continues to look for opportunities for solutions.</p>	<p>Strategic risk and mitigation progress monitored at senior management level at Cabinet and Audit Committee level.</p>	<p><b>An audit of housing needs, housing register and homelessness is planned for 2023/24. In addition, Council Tax and NNDR collection rates will be covered during our review of this area and debt management as part of key controls in 2023/24.</b></p>
<p><b>Risk CORP18 - Failing to address Natural England advice on Nutrient Neutrality - resulting in a sustained period of time when planning applications cannot be progressed.</b></p>	<p>Short term mitigation actions have been designed.</p> <p>The Council is working on longer term larger scale mitigation with local planning authorities. A partnership has been set up to explore the options of a joint venture.</p> <p>Regular updates to members and portfolio holder.</p> <p>Options paper to be presented to Council for decision.</p>	<p>Regular updates on progress to mitigate the nutrient neutrality risk are discussed with Natural England through the partnership.</p> <p>Strategic risk and mitigation progress monitored at senior management level at Cabinet and Audit Committee level.</p>	<p><b>EIAS will work with Director of Place at South Norfolk Council to provide a position statement in 2023/24 covering joint venture set up and governance arrangements. Observations will be provided to the Council and Audit Committee.</b></p>



**Committee name:** Audit

**Committee date:** 19/03/2024

**Report title:** **DLUHC Consultation Response – Addressing the Local Audit Backlog in England**

**Portfolio:** Councillor Kendrick, Cabinet member for resources

**Report from:** Interim Chief Finance Officer (S151 officer)

**Wards:** All wards

**OPEN PUBLIC ITEM**

**Purpose**

To provide members with details of the response submitted to the recent DLUHC Consultation entitled Addressing the Local Audit Backlog in England.

**Recommendation:**

It is recommended that the Audit Committee notes:

- (1) the details of the proposed approach to addressing the local audit backlog in England;
- (2) the response submitted by Norwich City Council.

**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 Norwich City Council is in good shape to serve the city priority.

## Report Details

1. Over a number of years, a backlog of incomplete statements of accounts and audit opinion has been emerging across the whole of local government in England. The reasons behind this backlog are complex and reflective of circumstances both nationally and locally, but in summary they fall within two broad categories:
  - a) Local authorities being unable to publish their Statements of Account.
  - b) External auditors having insufficient resources to complete the required audit work.
2. This backlog has impacted local authorities of all sizes and types, including Norwich City Council, where two years Statements of Account have yet to receive an audit opinion, as a consequence of external auditors having insufficient resources to complete the audits.
3. The Council has responded to all audit queries relating to 2021/22 and 2022/23 with which it has been provided by Ernst & Young (EY). The items primarily relate to the Value for Money elements of the audit process, as the Government is keen that the financial resilience of authorities remains a priority.
4. The majority of external auditors in local government are now appointed by the Public Sector Audit Appointments (PSAA) on behalf of local authorities that sign-up to their service. The PSAA was appointed by the Government as “an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the [Local Audit and Accountability Act 2014](#) and the [Local Audit \(Appointing Person\) Regulations 2015](#).”<sup>1</sup> in 2016 and as such the PSAA “...is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.”<sup>2</sup>
5. The PSAA website sets out its role in the following manner<sup>3</sup>,

PSAA has a responsibility to deliver the following objectives:

  - appointing auditors to all relevant authorities;
  - setting scales of fees, and charging fees, for the audit of accounts of relevant authorities and consulting with relevant parties in relation to those scales of fees;
  - ensuring effective management of contracts with audit firms for the delivery of consistent, quality and effective audit services to relevant authorities;
  - ensuring that public money continues to be properly accounted for and protected;
  - being financially responsible having regard to the efficiency of operating costs and transparently safeguarding fees charged to audited bodies; and
  - leading its people as a good employer, ensuring that it continues to be fit-for-purpose; motivating and supporting its staff; and communicating with them in an open, honest and timely way.

6. Norwich City Council, along with the majority of other local authorities in England, signed up to the PSAA service in the expectation of achieving value for money and effective control over the delivery and cost of external audit services. To that end, Norwich City Council have continued to publish draft Statements of Accounts in line with the statutory deadlines set by the Government and prepared working papers to support the audit process. Unfortunately, the audits of financial years 2021/22 and 2022/23 remain outstanding through no fault of Norwich City Council.
7. It has been well reported that local authorities are experiencing financial challenges and difficulties, as reflected by the number of Section 114 notices served and the range of contributory factors that have contributed to these circumstances, ranging from increasing demand for services, through the impact of changes in local government funding, through to poor investment decisions.
8. Norwich City Council has documented the financial management challenges it has faced as part of the development of its Medium-Term Financial Strategy, but regardless of these challenges it has prepared draft statements in a timely manner, recognising the importance of public accountability and the demonstration of effective financial control and the achievement of value for money.
9. Over time it has become apparent that audit firms have been struggling to resource audits, reflective of a range of factors including funding, skills, capacity and the increasing complexity of the statements and the underlying accounting standards that need to be adhered to.
10. The volume of outstanding audits combined with the increasing incidence of local authorities seeking additional financial support from Government resulted in a [Cross-system Statement](#) being published in July 2023 (Appendix A), reflecting plans to address the situation, which has now been followed by a [Joint Statement](#) (Appendix B) about the proposed resolution of the issues and the publication of an associated [consultation](#) (Appendix C).

### **Key Elements of the Proposed Way Forward**

11. The proposed way to address the backlog comprises three phases, as follows,
  - a) Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024;
  - b) Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles;
  - c) Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

#### **Phase 1**

12. Phase 1 requires local authorities to ensure that by 30 September 2024 they have published audited accounts for financial years 2015/16 through to 2022/23, however since the 30 September is also the deadline for auditors to issue their opinions, it is clear that there is a critical dependency and need

for joint working to achieve a productive outcome. This in turn presumes that the resources and capacity required to meet this deadline are made available, whether by the local authority or the auditors.

13. If it proves impossible to complete these tasks by 30 September, it is proposed that a “disclaimer” opinion will be the default outcome. A disclaimer opinion means that there is insufficient assurance and/or evidence for a definitive opinion to be determined. In such an event, it is proposed that the disclaimer opinion would set out the reasons why a definitive opinion cannot be made.
14. The Joint Statement document (Appendix B) makes clear that communication of a disclaimer opinion should explain the meaning and clarify that local authorities should not be unfairly judged if the opinion is a result of factors outside of their control.
15. In this context, Norwich City Council have completed their responsibilities by preparing Statements of Account for both 2021/22 and 2022/23 but to date EY, the council’s external auditors, have not been able to devote the necessary resources to undertake or complete the audits to date. Currently there is no indication that EY will have these resources available to complete the audits by 30 September. There is therefore a significant risk that Norwich City Council will receive a disclaimer opinion for both of these financial years due to circumstances outside of their control.

## **Phase 2**

16. Further provision of backstop dates has been proposed for the publication of future years audited accounts, as a means of preventing a reoccurrence of the backlog. The Joint Statement makes it clear that this is to enable auditors to rebuild assurance over several audit cycles, meaning that there will continue to be a risk of modified or disclaimed audit opinions for several years.
17. There is a good working relationship between Norwich City Council and EY, but it remains unclear whether EY will be able identify the appropriate resources to meet these revised timelines. Officers remain committed to meeting the deadlines set for the production of draft statements ready for the audit process, as has been achieved in the past, but have indicated that by extending the timescale for production of the draft statements there could be a benefit to the whole process, i.e. if the timescale was extended from the current two months to three months, the quality of the statements and associated working papers could also be enhanced, which in turn would make the audit process more straightforward.

## **Phase 3**

18. Phase 3 recognises that further work is required to update the system to ensure that it is sustainable going forwards. However, that work has yet to be completed and consequently the consultation did not cover this aspect of the recovery process.

## **Consultation**

19. The consultation was open for a period of 4 weeks, closing on 7<sup>th</sup> March

2024. A draft response was compiled reflecting the professional views of officers and subsequently shared with the Director of Finance/S151 Officer and the Chair of the Audit Committee, prior to being submitted on behalf of the council. The responses submitted are attached at Appendix D.

**Implications**

**Financial and Resources**

20. There are no specific financial implications from this report.

**Legal**

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

**Statutory Considerations**

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
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**

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Possible reputational damage should the council receive a modified or disclaimed opinion due to circumstances outside of its control.	Public confidence in the accountability, transparency and good governance of the council could be reduced.	The council will need to ensure that the published audit opinion is clear about where responsibility for a modified or disclaimed opinion rests.

**Other Options Considered**

Not applicable for this report.

**Reasons for the decision/recommendation**

The committee is duty bound to discharge its duties.

**Background papers:**

None

## References:

- <sup>1</sup> [About us - PSAA](#)
- <sup>2</sup> [About us - PSAA](#)
- <sup>3</sup> [What we do - PSAA](#)

## Appendices:

Appendix A – Cross System Statement

Appendix B – Joint Statement

Appendix C – Consultation

Appendix D – Consultation Response

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## Appendix A – Cross System Statement



Department for Levelling Up,  
Housing & Communities

**Lee Rowley MP**

*Parliamentary Under-Secretary of State for Local  
Government and Building Safety*

Clive Betts MP

Chair, Levelling Up, Housing and Communities  
Committee

***Department for Levelling Up, Housing and  
Communities***

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

14 July 2023

Dear Clive,

Thank you for inviting me to give evidence on 17 July to the Levelling Up, Housing and Communities Committee inquiry into Financial Reporting and Audit in Local Authorities. A strong, well-functioning local audit system is essential to maintain public confidence in transparent and accountable local democracy. Local bodies must be able to plan, manage their services and base their decision-making on accurate, reliable, up-to-date and timely financial information.

In advance of the evidence session, I would like to update you on work since Spring this year that my department, along with Financial Reporting Council colleagues, has undertaken on proposals to address the significant backlog of local government audits in England and develop a sustainable solution to the timeliness challenges which the local audit sector has faced in recent years. The attached paper derives from this work and outlines clear proposals to resolving these issues, which have been agreed in principle with key partners in the local audit system.

While the proposals will be subject to further work and engagement across the system over the Summer, this constitutes significant further progress. The intention is that, subject to the conclusion of the appropriate details, agreed changes will be implemented by the end of this year.

This letter supplements the written evidence submitted to the Committee in April on our broader programme of reform across the local audit system.

I look forward to discussing these issues further with you and the Committee next week. This letter and the accompanying statement will also be deposited in the House library.

Yours sincerely,

**LEE ROWLEY MP**

**Parliamentary Under-Secretary of State for  
Local Government and Building Safety**

## **LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS**

### **Introduction**

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.<sup>1</sup> In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,<sup>2</sup> in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

### **Context**

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

### **ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION**

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

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<sup>1</sup> [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

<sup>2</sup> Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

### **Commitments by system partners**

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
  - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits<sup>3</sup> (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.<sup>4</sup> The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

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<sup>3</sup> An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

<sup>4</sup> ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

### **LONGER TERM CHANGE**

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

## Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC<sup>5</sup> board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

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<sup>5</sup> Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FRM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

## **Conclusion**

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023



### Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit

Published 8 February 2024

#### Executive summary

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](#) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VfM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

### **Introduction**

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#) setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the

local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

### **Phase 1: Reset**

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.
6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.
7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.
8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.
9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.
10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.
11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work, including NHS external audit work, most of which will take place between April and June 2024.
12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.
13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example,

if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

## **Phase 2: Recovery**

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

#### **Consultations to deliver Phase 1 and Phase 2**

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

### **Commitments by the FRC to support delivery of Phase 1 and Phase 2**

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits](#). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

#### **Commitments by ICAEW**

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

#### **Commitments by PSAA**

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

#### **Expectations of auditors and local bodies to deliver Phase 1 and Phase 2**

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

### **Phase 3: Reform**

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review](#), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

### **Conclusion**

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

## Appendix C - Joint Statement

### Addressing the local audit backlog in England: Consultation

Published 8 February 2024

#### **Topic of this consultation:**

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level.

This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing.

This document should be read in conjunction with the [Joint Statement](#) from system partners, including the Department for Levelling Up, Housing and Communities.

#### **Scope of this consultation:**

The proposals covered by this consultation relate specifically to 'Category 1' Authorities. Category 1 bodies encompass local authorities, but also police and fire bodies, as well as bodies such as National Parks Authorities, waste authorities and Passenger Transport Authorities.

More specifically, in accordance with the [Accounts and Audit Regulations 2015](#), a "Category 1 authority" means a relevant authority that either—

(a) is not a smaller authority; or

(b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with the Local Audit (Small Authorities) Regulations 2015.

For the definition of "relevant authority", see [section 2 of the Local Audit and Accountability Act 2014](#).

For the definition of a "smaller authority", see [section 6 of the Local Audit and Accountability Act 2014](#).

#### **Geographical scope:**

The questions in this consultation relate to local bodies in England, as defined above.

#### **Basic information**

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities (as defined above), audit firms, and other organisations which form part of the local audit framework.

#### **Body/bodies responsible for the consultation:**

The Local Government Performance Division in the Department for Levelling-Up Housing and Communities is responsible for conducting this consultation.

**Duration:**

This consultation will be open from 8 February. It will be open for 4 weeks for public participation and will close on 7 March 2024.

**Enquiries:**

For enquiries about the consultation please contact: [localaudit@levellingup.gov.uk](mailto:localaudit@levellingup.gov.uk)

**How to respond:**

You can respond to this consultation through our [online consultation platform](#). We strongly encourage responses via the online survey. Using the online survey greatly assists our analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

Alternatively you can email your response to the questions in this consultation to [localaudit@levellingup.gov.uk](mailto:localaudit@levellingup.gov.uk)

If you are responding in writing, please make it clear which questions you are responding to.

Written responses should be sent to:

Consultation on Addressing the Local Audit Backlog  
FAO Elizabeth Parckar/Local Audit Team  
Department for Levelling Up, Housing and Communities  
Local Government Performance Division  
Fry Building  
2 Marsham Street  
London, SW1P 4DF

When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an address (including postcode)
- an email address
- a contact telephone number

**Introduction**

Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework.

A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

This consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). These are central to cross-system proposals agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This [Joint Statement](#) provides vital context for this consultation and should be reviewed before responding to the questions below.

As the Joint Statement explains, the wider package of measures consists of 3 stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

These are not proposals we take lightly, but these are exceptional times. All system partners, including the government, share the conviction that bold steps are necessary to reset the system.

The [NAO is also consulting](#), in parallel to this consultation, on related changes to the Code of Audit Practice. Further detail on the NAO's proposals can also be found in the [Joint Statement](#).

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors. Further detail on CIPFA LASAAC's proposals can also be found in the [Joint Statement](#).

The government has published a [draft statutory instrument](#) (PDF, 179 KB) alongside this consultation. As explained further below, this covers the core elements of the proposed amendments to the 2015 Regulations.

### **Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023**

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply – see below) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

Regulation 10(2) currently imposes a duty on authorities to publish a delay notice if an audit of accounts has not been concluded before the date specified. We propose to disapply this duty for accounts with outstanding audits for financial years 2015/2016 to 2022/2023. This is because, under these proposals, authorities would be required to publish audited accounts by the backstop date.

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the 30 September 2024 backstop date.

Our intention is to publish a list of Category 1 authorities and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Under these proposals, the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 5 to 14 and 25 to 46) as well as the [draft regulations](#) (PDF, 179 KB).

## Questions

Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)

Do you have any comments on this issue?

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Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)

Do you have any comments on this issue?

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Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

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Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

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Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

### **Phase 2: 'Backstop' proposals for the recovery period, financial years 2023/2024 to 2027/2028**

The proposed changes to the 2015 Regulations would require (subject to consideration of potential exceptions – see below) Category 1 authorities to publish audited accounts by the following dates for financial years 2023/2024 to 2027/2028:

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

As per the Phase 1 backstop proposals, the NAO is proposing that the Code of Audit Practice would require auditors (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified dates.

As per the Phase 1 backstop proposals, we propose to disapply regulation 10(2), which requires authorities to publish a delay notice if the audit of accounts has not been concluded before the date specified.

Also to maintain consistency with the proposals for phase 1, the NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadlines for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Where there is an outstanding objection of this nature, we consider it may be desirable to create an equivalent exemption for Category 1 authorities. This consultation also seeks views on other exceptional circumstances in which Category 1 authorities might be exempted from the backstop dates for this period.

Our intention is to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not, making it clear any instances where unaudited accounts had also not been published by the required date.

Questions 10 and 11 below seek views on whether, in light of the proposed deadlines for the publication of audited accounts, the existing 31 May deadline for the publication of unaudited accounts (see regulation 15(1)(a)) remains appropriate for financial years 2024/2025 to 2027/2028. (Note that the deadline of 31 May 2024 for the publication of unaudited accounts for the current financial year is not under consideration.)

Under these proposals, the existing requirements in the 2015 regulations relating to public inspection periods would continue to apply in their current form (see 'Part 5' of the Regulations).

Under these proposals, the published, audited accounts must also be approved in accordance with regulation 9(2) and therefore the approval must be given before the backstop date.

Further context on these aspects of the proposals can be found in the [Joint Statement](#) (especially paragraphs 15 to 46), as well as the [draft regulations](#) (PDF, 179 KB).

### Questions

Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?

- 2023/24: 31 May 2025
- 2024/25: 31 March 2026
- 2025/26: 31 January 2027
- 2026/27: 30 November 2027
- 2027/28: 30 November 2028

Do you have any comments on these dates?

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Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)

Please explain your response.

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Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)

Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.

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Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)

Please explain your response and, where relevant, include any suggested consequences.

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Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)

Please explain your response.

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Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)

Please explain your response.

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Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the [Joint Statement](#), do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?

### **Publication of an audit letter**

Regulation 20 of the 2015 Regulations places a duty on Category 1 authorities to consider and then publish any audit letter received from the auditor “following completion of an audit.”

The NAO’s Code of Audit Practice currently specifies that an auditor’s annual report meets the definition of an ‘audit letter’ in the 2015 Regulations. In practice, therefore, Category 1 authorities have a duty to consider and publish annual audit reports in accordance with Regulation 20.

The 2020 Code of Audit Practice states that an auditor’s annual report brings together all of the auditor’s work over the year. This should be presented at an appropriate forum at the body (e.g. Audit Committee or Full Council) and be made available on the authority’s website.

A core element of the auditor’s annual report is a commentary on the organisation’s arrangements to secure value for money through the economic, efficient and effective use of its resources. The commentary should be clear, readily understandable and highlight any issues that the auditor wishes

to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

These arrangements previously allowed for timely and reasonably predictable public reporting of local auditors' audit letters. The recent backlog issues have, however, resulted in both delays to this public reporting and much less predictability in terms of when the auditors' letters would be published.

Under the proposed changes to the NAO's Code of Audit Practice, aimed at helping with clearing the backlog of local audit opinions and restoring more timely reporting of auditors' work on arrangements to secure value for money, the NAO plans to consult on a fixed annual deadline of 30 November for production and subsequent publication of the auditor's annual report.

A fixed cycle may mean that, due to the proposed deadlines for publication of audited accounts for financial years 2023/2024 to 2027/2028, the auditor would issue their annual report before they have completed all of their work. However, it is hoped that these changes will enable the auditor to report the outcome of the majority of their work on financial sustainability and governance in a more timely and predictable way.

It may therefore be helpful for the 2015 Regulations to require reports categorised as 'audit letters' to be considered and published by Category 1 authorities whenever they are issued, rather than limiting this to circumstances in which an audit has been completed.

Further context on these proposals can be found in the [NAO's consultation](#).

### **Question**

Q13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)

Do you have any comments on this issue?

### **Equality impacts**

In considering new legislation, under section 149 of the Equality Act 2010 (the Act), the government is required to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share protected characteristics and those who do not.

Under the Act, protected characteristics refer to:

- age
- disability

- sex
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sexual orientation.

#### **Question**

Q14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?

#### **Further feedback**

#### **Question**

Q15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?

(Where possible, please limit your response to 500 words)

#### **About this consultation**

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Levelling Up, Housing and Communities will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

## **Personal data**

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Department for Levelling Up, Housing and Communities (DLUHC) is the data controller. The Data Protection Officer can be contacted at [dataprotection@levellingup.gov.uk](mailto:dataprotection@levellingup.gov.uk) or by writing to the following address:

Data Protection Officer  
Department for Levelling Up, Housing and Communities  
Fry Building  
2 Marsham Street  
London SW1P 4DF

### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

### **Sensitive types of personal data**

Please do not share [special category](#) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By 'special category personal data', we mean information about a living individual's:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics

- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

### **3. Our legal basis for processing your personal data**

In accordance with section 32 of the Local Audit and Accountability Act 2014, there is a statutory duty to consult the following entities in relation to amendments to the Accounts and Audit Regulations 2015:

- the Comptroller and Auditor General,
- such representatives of relevant authorities as the Secretary of State thinks appropriate, and
- the recognised supervisory bodies

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by DLUHC of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or ‘criminal offence’ data (terms explained under ‘Sensitive Types of Data’) which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR (‘substantial public interest’), and Schedule 1 paragraph 6 of the Data Protection Act 2018 (‘statutory etc and government purposes’). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

### **4. With whom we will be sharing your personal data**

The data collected may be shared with other government departments and arms length bodies.

For any other bodies all data shared will be anonymised.

DLUHC may appoint a ‘data processor’, acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

### **5. For how long we will keep your personal data, or criteria used to determine the retention period**

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

### **6. Your rights, e.g. access, rectification, restriction, objection**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have your data corrected if it is incorrect or incomplete
- d. to object to our use of your personal data in certain circumstances
- e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: [dataprotection@levellingup.gov.uk](mailto:dataprotection@levellingup.gov.uk) or

Knowledge and Information Access Team  
Department for Levelling Up, Housing and Communities  
Fry Building  
2 Marsham Street  
London SW1P 4DF

**7. Your personal data will not be sent overseas**

**8. Your personal data will not be used for any automated decision making**

**9. Your personal data will be stored in a secure government IT system**

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

## Appendix D - Consultation Response

### Addressing the local audit backlog in England: Consultation

The consultation is being conducted online, so I have pasted the questions and draft answers into a table below, once agreed the responses can then be pasted into the online response.

Ref:	Question	Draft Response
Q1	Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)	Unsure
Q1	Do you have any comments on this issue?	<p>Whilst it is recognised that there is a need to remedy the current backlog of audit opinions, it is not clear that the backstop date of 30/09/24 has been set with due regard to the risk of reputational damage and/or on-going audit difficulties e.g. establishing reliable opening balances for future years if it emerges that there are insufficient audit resources available to meet this backstop deadline.</p> <p>For those local authorities that have met their statutory responsibilities and published SoA on time, this proposal represents a risk of reputational damage if auditors are unable or unwilling to complete their work within this timescale and consequently provide a disclaimer opinion, even if it is acknowledged that the disclaimer opinion is not the responsibility of the local authority.</p> <p>It is noted that the backstop deadline only provides 7 months for the backlog to be cleared, which happens to be the same length of time that it took to develop the proposed solution.</p> <p>Our practical experience is that auditors have not continued to use their best endeavours to progress our</p>

		audit work during the period when these proposals have been developed; this is despite our accounts being produced on time for 2021/22 and 2022/23.
Q2	Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)	Disagree
	Do you have any comments on this issue?	This could create a difficult precedent where a specific issue is used to disapply a regulation rather than provide an honest presentation of the issue. For us we would want to say very clearly that the council had produced a set of accounts for audit according to the timescale but that the audit process had not been completed. It cannot be right to disapply a regulation simply because it reveals a problem.
Q3	Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)	Unsure
	Please explain your response.	<p>If there is going to be a backstop applied, shouldn't this apply in all circumstances?</p> <p>The issue of materiality should be possible to establish relatively easily and the likelihood is that this would be existent in subsequent SoA if it hadn't already been resolved as a consequence of the objection, therefore the objection could be carried forward into future years audits.</p> <p>To do otherwise would create another possible bottleneck.</p>

Q4	Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)	Unsure
	Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.	<p>Need to be clear about the objectives of implementing the backstop, if there are reasons to seek an extension, e.g. to ensure that there is no reputational damage inflicted inappropriately by the issuing of a disclaimer opinion purely as a consequence of time constraints, but if one exemption is allowed then it invites more applications for exemption.</p> <p>In the interests of transparency and accountability, the system has to be seen as equitable.</p>
Q5	We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)	Disagree
	Please explain your response and, where relevant, include any suggested consequences.	<p>This presumes that there is "fault" to be apportioned in a binary manner.</p> <p>The causes of the backlog are more complex than that and the focus should be upon rectifying the backlog rather than apportioning blame.</p> <p>As mentioned previously the system put in place has to be equitable and reflect the complexity of the situation and circumstances that exist, which differ in different local authorities.</p>
Q6	Q6. Notwithstanding the possibility of exemptions in exceptional	Unsure

	<p>circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?</p> <ul style="list-style-type: none"> <li>• 2023/24: 31 May 2025</li> <li>• 2024/25: 31 March 2026</li> <li>• 2025/26: 31 January 2027</li> <li>• 2026/27: 30 November 2027</li> <li>• 2027/28: 30 November 2028</li> </ul>	
	<p>Do you have any comments on these dates?</p>	<p>Until the guidance is published and agreed about the requirements of the audits and the implications for opening balances, alongside a clear understanding of the capacity available within auditor firms to complete the necessary work, it is almost impossible to comment upon whether these timescales are deliverable or not.</p> <p>Ideally the proposal should be accompanied by a risk assessment as part of demonstrating that the approach is feasible and equitable.</p>
Q7	<p>Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)</p>	<p>Agree</p>
	<p>Please explain your response.</p>	<p>See answer to Question 3 above</p>
Q8	<p>Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)</p>	<p>Unsure</p>
	<p>Please explain your response, including, where relevant, details of exceptional circumstances you consider would justify an exemption.</p>	<p>See response to Q4 above</p>

Q9	Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)	Disagree
	Please explain your response and, where relevant, include any suggested consequences.	See response to Q5 above
Q10	The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)	Disagree
	Please explain your response.	The proposal currently provides auditors with extended timescales to complete their work, so in the spirit of effective working relationships and making the whole process more efficient and effective, it would make sense to provide local authorities with additional time to prepare the SoA thereby ensuring a higher quality of draft statements. The deadline should be extended to 30 June. This aspect should be specifically reconsidered; it is counterproductive to require a complex SoA to be produced in 2 months. Most practitioners consider that this is unrealistic in the context of the impact resource reductions have had on finance teams and other key managers within an authority. A slightly elongated timetable will result in a better quality set of accounts and therefore a more effective audit process to prevent a reoccurrence of the issues seen. There is no evidence

		<p>to suggest that producing accounts to an arbitrary 2 month deadline is required.</p> <p>Without clarity about a) the audit resources available to undertake the work and b) the issues arising as a consequence of the transition from Phase 1 to Phase 2, it would be sensible to keep this under review in the interests of demonstrating equity, transparency and accountability.</p>
Q11	<p>The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)</p>	<p>Unsure</p>
	<p>Please explain your response.</p>	<p>See answer to Q10 above. However, any answer will be almost impossible to predict accurately how many firms will finalise the majority of their audits well before this date and how many will utilise the whole time allocation simply because it is available to them.</p>
Q12	<p>The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance. The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the Joint Statement, do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?</p>	<p>See answers to Q10 and Q11 above</p>

Q13	Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)	Unsure
	Do you have any comments on this issue?	This would potentially put at risk the transparency and accountability provided by a holistic report/audit letter. In addition it would potentially increase the level of work required and complexity in reporting to both Members and the public, further reducing transparency and accountability.
Q14	Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?	No
Q15	Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?	No





**Committee name:** Audit

**Committee date:** 19/03/2024

**Report title:** **Audit Committee Self-Assessment Exercise**

**Portfolio:** Councillor Kendrick, Cabinet member for resources

**Report from:** Head of Internal Audit

**Wards:** All Wards

**OPEN PUBLIC ITEM**

**Purpose**

This report outlines the results of the self-assessment review completed on 5<sup>th</sup> February 2024.

**Recommendations:**

It is recommended that:

That Members agree the final scores for the first tool assessment, the 'Self-assessment of good practice' attached at **Appendix 1**.

That Members consider whether the second tool assessment, 'Evaluating the effectiveness of the audit committee' attached at **Appendix 2** should also be completed and how they would like this to be done.

That Members review the action plan in **Appendix 3** and consider whether all the improvement actions for scores below 5 have been captured.

**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 helps to meet all above corporate priorities.

## Report details

1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit committees – practical guidance for local authorities and police 2022” sets out the guidance on the function and operation of audit committees. It represents CIPFA’s view of best practice. The guidance states the purpose of an audit committee “is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.”
2. In 2022 CIPFA updated its advice and guidance for Local Authority Audit Committee’s and a new Audit Committee self-assessment template is now available.
3. Good audit committees are characterised by; objective, independent knowledgeable and properly trained members, a membership that promotes good governance principles, a strong, independently minded chair, an unbiased attitude, the ability to challenge when required.
4. It is good practice for Audit Committee members to review their knowledge and skills – for example, as part of an annual self-assessment process or training needs analysis.
5. In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
6. The guidance provides two tools against which the Committee can assess itself. The first, ‘Self-assessment of good practice’ support an assessment against recommended practice to inform and support the Committee under the areas of ‘purpose and governance’, functions of the Audit Committee’, ‘membership and support’, and ‘effectiveness of the committee’. Scores of 0-5, does not comply / major improvement to fully complies / no further improvement are the available options for the questions.
7. A TEAMs meeting took place on 5th February 2024. Those Members in attendance were asked to discuss the questions within the ‘Self-assessment of good practice’ document and agree scores for the assessment. These scores can be found in Appendix 1. Members are asked to agree the final scores.
8. An action plan has been developed as a result of the self-assessment and is detailed in Appendix 3. Members are asked to consider whether all the improvement actions for scores below 5 have been captured.
9. Members are asked to consider whether the second tool assessment, in Appendix 2, ‘Evaluating the effectiveness of the audit committee’ should also be completed and how they would like this to be done.

## Consultation

10. Not applicable for this report.

## Implications

### Financial and resources

11. There are no specific financial implications from this report.
12. There are no proposals in this report that would reduce or increase resources.

### Legal

13. There are no specific legal implications 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
There is a risk that the Audit Committee may not fulfil its role and purpose because an evaluation of itself is not undertaken, and improvements not considered.	The Audit Committee does not fulfil its duties.  Poor governance.	Self-assessment exercise added to work programme, and relevant meeting agendas.  Members understand importance of the exercise and the need to complete this.

### Other options considered

14. Not applicable for this report.

### Reasons for the decision/recommendation

15. Completion of a self-assessment provides feedback on the effectiveness of the current arrangements and ensures that best practice is followed by the Governance and Audit Committee, and good corporate governance is achieved.

**Background papers:**

**Appendices:**

Appendix 1 – Self-Assessment of Good Practice (containing scores)

Appendix 2 - Evaluating the effectiveness of the audit committee

Appendix 3 – Action Plan

**Contact officer:**

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If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	<b>Weighting of answers</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>

Audit committee purpose and governance						
<b>1</b>	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?					5
<b>2</b>	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					5
<b>3</b>	Has the committee maintained its advisory role by not taking on any decision-making powers?				3	
<b>4</b>	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	0				
<b>5</b>	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3	

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5
7	Does the governing body hold the audit committee to account for its performance at least annually?					5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"> <li>Compliance with the CIPFA Position Statement 2022</li> </ul>				3	
	<ul style="list-style-type: none"> <li>Results of the annual evaluation, development work undertaken and planned improvements</li> </ul>				3	
	<ul style="list-style-type: none"> <li>How it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>				3	
<b>Functions of the committee</b>						

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	<b>Weighting of answers</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>

<b>9</b>	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements			2		
	Risk management arrangements			2		
	Internal control arrangements, including: <ul style="list-style-type: none"> <li>• Financial management</li> <li>• Value for money</li> <li>• Ethics and standards</li> <li>• Counter fraud and corruption</li> </ul>			2		
	Annual governance statement				3	
	Financial reporting				3	
	Assurance framework		1			
	Internal audit				3	

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
	External audit				3	
10	Over the last year, has adequate consideration been given to all core areas?				3	
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					5
12	Has the committee met privately with the external auditors and head of internal audit in the last year?		1			
<b>Membership and support</b>						
13	Has the committee been established in accordance with the 2022 guidance as follows?					
	<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>					5
	<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>				3	

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5

	<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>					5
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3	
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					5
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				3	
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3	

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
18	Is adequate secretariat and administrative support provided to the committee?					5
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5
<b>Effectiveness of the committee</b>						
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?		1			
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5
22	Are meetings effective with a good level of discussion and engagement from all the members?					5

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5

23	Has the committee maintained a non-political approach to discussions throughout?					5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					5
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5
26	Do audit committee recommendations have traction with those in leadership roles?					5
27	Has the committee evaluated whether and how it is adding value to the organisation?				3	
28	Does the committee have an action plan to improve any areas of weakness?					5

## 'Self-assessment of good practice' (CIPFA – Practical Guidance for LAs and Police 2022)

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
29	Has this assessment been undertaken collaboratively with the audit committee members?				3	
	<b>Total score</b>					
<b>Maximum possible score</b>						<b>142/200</b>

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
---------------------------------------------------------------------------	----------------------------------------------------------------	------------------------------------------	-----------------------------------------------------------------------------

**Assessment Key:**

**5** - Clear evidence is available from a number of sources that the committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.

**4** - Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.

**3** - The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

**2** - There is some evidence that the committee has supported improvements, but the impact of this support is limited.

**1** - no evidence can be found that the audit committee has supported improvements in this area.

<p><b>Promoting the principles of good governance and their application to decision making</b></p>	<ul style="list-style-type: none"> <li>• Supporting the development of a local code of governance.</li> <li>• Providing a robust review of the AGS and the assurances underpinning it.</li> <li>• Supporting reviews/audits of governance arrangements.</li> <li>• Participating in self-assessments of governance arrangements.</li> <li>• Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>• Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>• Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>• The authority’s scrutiny arrangements are forward looking and constructive.</li> <li>• Appropriate governance arrangements established</li> </ul>	
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**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
		for all collaborations and arm’s-length arrangements. <ul style="list-style-type: none"> <li>The head of internal audit’s annual opinion on governance is satisfactory (or similar wording).</li> </ul>	
<b>Contributing to the development of an effective control environment.</b>	<ul style="list-style-type: none"> <li>Encouraging ownership of the internal control framework by appropriate managers.</li> <li>Actively monitoring the implementation of recommendations from auditors.</li> <li>Raising significant concerns over controls with appropriate senior managers</li> </ul>	<ul style="list-style-type: none"> <li>The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory.</li> <li>Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified.</li> <li>Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement</li> </ul>	

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p><b>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>• Monitoring improvements to risk management.</li> <li>• Reviewing accountability of risk owners for major/ strategic risks</li> </ul>	<ul style="list-style-type: none"> <li>• A robust process for managing risk is evidenced by independent assurance from internal audit or external review</li> </ul>	
<p><b>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the adequacy of the leadership team’s assurance framework.</li> <li>• Specifying the committee’s assurance needs, identifying gaps or overlaps in assurance.</li> <li>• Seeking to streamline assurance gathering and reporting.</li> <li>• Reviewing the effectiveness of assurance providers, eg internal audit, risk</li> </ul>	<ul style="list-style-type: none"> <li>• The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies</li> </ul>	

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p><b>Supporting effective external audit, with a focus on high quality and timely audit work.</b></p>	<p>management, external audit</p> <ul style="list-style-type: none"> <li>• Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>• Providing good engagement on external audit plans and reports.</li> <li>• Supporting the implementation of audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of liaison between external audit and the authority is satisfactory.</li> <li>• The auditors deliver in accordance with their audit plan and any amendments are well explained.</li> <li>• An audit of high quality is delivered</li> </ul>	
<p><b>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing the audit charter and functional reporting arrangements.</li> <li>• Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>• Actively supporting the quality assurance and improvement programme of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>• The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <b><u>Statement on the Role of the Head of</u></b></li> </ul>	

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<p><b>Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements</b></p>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements</li> </ul>	<p><u>Internal Audit</u> (2019).</p> <ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority’s arrangements to review and assess performance are satisfactory</li> </ul>	
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by</li> </ul>	<ul style="list-style-type: none"> <li>• External audit’s assessments of arrangements to support best value are satisfactory</li> </ul>	

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
	external audit in their value-for-money work.		
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements).</li> </ul>	
<p><b>Promoting effective public reporting to the authority’s stakeholders and local community and measures to</b></p>	<ul style="list-style-type: none"> <li>• Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>• Improving how the authority</li> </ul>	<ul style="list-style-type: none"> <li>• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>• The external auditor</li> </ul>	

**‘Evaluating the impact and effectiveness of the audit committee’- (CIPFA – Practical Guidance for LAs and Police 2022)**

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your assessment score (plus any strengths, weaknesses and proposed actions)
<b>improve transparency and accountability</b>	<p>discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</p> <ul style="list-style-type: none"> <li>• Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>• Publishing an annual report from the committee</li> </ul>	<p>completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</p> <ul style="list-style-type: none"> <li>• The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>• The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements</li> </ul>	

## Action Plan

Action	Owner	Date for completion	Progress
1. Review the decision-making powers of Audit Committee with Cabinet with a view to the Audit Committee recommending the AGS and Financial Statements to Full Council for approval. (Q3)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	
2. Update the Audit Committee's terms of reference to include the purpose of the Audit Committee. (Q4)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 24	
3. For the next annual report of the Audit Committee ensure the following are included: - <ul style="list-style-type: none"> <li>• Compliance with the CIPFA Position Statement 2022</li> <li>• Results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

## Action Plan

Action	Owner	Date for completion	Progress
<ul style="list-style-type: none"> <li>How it has fulfilled its terms of reference and the key issues escalated in the year. (Q8)</li> </ul>			
4. Update the Audit Committee's terms of reference to explicitly address all the core areas identified in CIPFA's Position Statement. (Q9)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Jackie Rodgers	July 2024	
5. Ensure that Audit Committee's agenda covers all of the core areas in its terms of reference over the year. (Q10)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer Section 151 Officer Chair and members of the Committee	2024/25	
6. Audit Committee to meet privately with the external auditors and head of internal audit each year. (Q12)	Audit Chair and audit Committee members	During 2024/25	Proposed that this will take place
7. Audit Committee to consider whether the use of substitutes should continue. (Q13)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	July 2024	

## Action Plan

Action	Owner	Date for completion	Progress
8. Audit Committee members to undertake an evaluation of their knowledge, skills and training needs every two years. (Q15)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	To do in 2024/25	
9. As a result of the evaluation in 7 above, arrange training to address training needs of Audit Committee Members. (Q16)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer		
10. As a result of 7 above, if training cannot address any skills or knowledge gaps to a satisfactory level, consider revising the membership of the Audit Committee to address this. (Q14 & Q17)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer in consultation with the Chair and Group Leaders	2024/25 – if necessary	
11. Obtain feedback on Audit Committee's performance from those interacting with the committee or relying on its work. (Q20)	Sameera Khan, Interim Head of Legal and Procurement / Monitoring Officer	By end of Oct 24.	

## Action Plan

Action	Owner	Date for completion	Progress
12. Evaluate whether and how the Audit Committee is adding value to the Council by completing the 2 <sup>nd</sup> CIPFA assessment tool, 'evaluating effectiveness of the audit committee' (Q27)	Teresa Sharman, Head of Internal Audit to facilitate a session	By end of Oct 24	
13. Review results of Self-Assessment of Good Practice exercise at a committee meeting. (Q29)	Is on the agenda	March 24	
14. Ensure all Members participate in the 2 <sup>nd</sup> CIPFA assessment tool, 'evaluating effectiveness of the audit committee' exercise. (Q29)	Audit Chair	When the exercise is scheduled	





**Committee Name: Audit**  
**Committee Date: 19/03/2024**  
**Report Title: Work Programme**

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Interim Head of Legal and Procurement

**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, as 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.

### **Work Programme 2024/25**

4. The proposed work programme for 2024/25 is set out on the table attached to this report at Appendix A. The work programme comprises the standing agenda items and annual reports. As in the current year it is proposed to schedule in additional sessions in September and November 2024, which can be convened as formal committees or informal meetings as required.
5. As part of the self-assessment review and in line with CIPFA guidance, it has been proposed that members of the committee meet independently with the External Auditor and Head of Internal Audit. It is therefore proposed to hold an informal session before an additional formal committee meeting in September where the Draft Statement of Accounts and Annual Governance Statement will be considered for the committee to meet with the auditors without officers being present. This will not replace the usual informal briefing for members on the Statement of Accounts and separate arrangements will be made for this.
6. Additional items are placed on the work programme during the year either from officer discussion at committee or with the chair, including items that the officers consider relevant to the committee.
7. Due to other work streams some reports may come to a later meeting than first expected. Also there has been some impact on the scheduling of reports to committee following changes to the key officers supporting the committee. The work programme includes reports that have not yet been assigned to a particular meeting.

### **Actions Arising from previous meetings**

8. The action tracker has been circulated to members and attached to this report at Appendix B.

## Self-Assessment – Actions tracker

9. The attached Appendix C contains the actions agreed at the Audit Committee on 21 March 2023. All the outstanding actions covered on the self-assessment action plan considered under the item on

### Training and development

10. There have been no specific training sessions for members of the committee during this period. There will be an introduction to audit committee training session at the beginning of the civic year. Officers provide additional briefings to members of the committee as required. Members are also advised of external training opportunities when available.
11. The chair attends meetings of the Chairs of Audit Committees Forum - Eastern Region and where appropriate information from these meetings will be shared with members of the committee.

### Consultation

12. The committee will review the work programme and actions identified as part of the annual committee self-assessment exercise 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.

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

#### Legal

14. 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

15. 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

16. 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 – Draft Work Programme 2024/2025

Appendix B – Action tracker – actions arising from meeting of the committee held on 21 November 2023 and 23 January 2024.

Appendix C - Actions arising from the Committee's Self-Assessment 21 March 2021 (This action tracker will be updated following this meeting.)

## Contact Officer:

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## Audit Committee – Proposed Work Programme 2024/2025

### Appendix A

Date	Item
16/07/2024	Code of Corporate Governance
	Assurance Mapping of Levels of Assurance of NCSL
	Governance Arrangements for NCSL
	Annual Report on Counter Fraud Arrangements
	Internal Audit Progress Update 2023/2024 - Q4
	Internal Audit Annual Report and Opinion 2023-24
	Annual Report of the Audit Committee
	Work Programme
17/09/2024	Draft Annual Governance Statement 2023-24
	Draft Statement of Accounts 2023/24
	Financial Regulations
22/10/2024	Global Internal Audit Standards
	Internal Audit Progress Update 2024/2025 - Q1
	Risk Management Update
	Risk Management Policies and Strategies
	Work Programme
28/01/2025	Internal Audit Progress Update 2024/2025 - Q3
	Statement of Accounting Policies
	Cyber Assurance
	Work Programme
11/03/2025	Audit Committee - Self Assessment
	Internal Audit Progress Update 2024/2025
	Strategic and Annual Internal Audit Plans 2024/2025
	Review of Accounting Policies
	External Auditors Audit Plan 2024/2025
	Work Programme
To be confirmed	External Auditors Audit Plan 2023/24
	Statement of Accounts 2021/22 2022/23 2023/2024 & AGS

**Audit Committee – Proposed Work Programme 2024/2025**

<b>Date</b>	<b>Item</b>
	Review of Whistle Blowing and Counter Fraud Policies



## Audit Committee – Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
23 Jan 24	<b>5. Cyber Assurance (paragraph 3)</b>	(2) that the committee receives an annual report on Cyber Assurance;  (3) that the Head of Customers, IT and Digital will report to the next available committee on any major breaches of Cyber Security.	Jackie Rodger  Julia Medler	On work programme  Noted
23 Jan 24	<b>5. Cyber Assurance (paragraph 3)</b>	(1) copies of the LGA's 10 questions will be circulated to members.	Jackie Rodger	Work in progress
23 Jan 24	<b>6. Progress Report on Internal Audit Activity 2023-2024</b>	(3) note that the committee has asked for a written report on the outcome of the investigation into potential fraud, as outlined in paragraph 4.6 of the appended report;  (4) note that the committee expects the next Internal Audit progress report to include executive summaries of the following internal audit reviews:  a) Environmental Sustainability; b) Housing repairs and void management (NCSL); c) Contract Management	Neville Murton  Teresa Sharman	A exempt report is attached to the agenda for this meeting (19 March 2024)  Raised with Teresa Sharman and appropriate officers

## Audit Committee – Action Tracker

Date of Meeting	Minute Item	Action to be taken	Responsible officer	Comments
		(5) that consideration is given to including an internal audit review of mandatory training across the council in the next year's audit plan.		
23 Jan 24	<b>8. Work Programme</b>	<p>(2) note that the work programme will include the draft work programme for the next civic year;</p> <p>(3) add a report on Global Internal Audit Standards to the work programme</p>	<p>Jackie Rodger</p> <p>Teresa Sharman</p>	<p>Attached to the Work Programme report (Appendix A)</p> <p>This item has been added to the work programme for the October 2024 meeting</p>



## Audit Committee Work Programme

### Appendix C - Actions arising from the Committee's Self-Assessment approved at Audit Committee on 21 March 2023

Question	Assessment	Action	
4	Partly	Training to be considered for members outside of the committee to raise awareness of the role of the Audit Committee.	Complete
6	Partly	The Committee has reflected on its engagement with Cabinet and resolved to explore a process where a more formal escalation of concerns were highlighted through to cabinet.	Complete – reports will be taken to cabinet where appropriate
8	Partly	An annual self-assessment of the Audit Committee is now carried out. However, the Committee has suggested that a review is undertaken to compare its TOR to Audit Committee's at City Councils of a similar size such as Oxford and Cambridge.	Complete
9	Yes	CLT and the Committee have considered whether Treasury Management is an appropriate area of involvement for the Audit Committee. As a result of this a Treasury Management Panel has been set up to review the Councils arrangements and provide assurance on the robustness of controls in this area.	Complete
12	Partly	To enhance knowledge skills and independence of the Committee, it was agreed that an independent person would be appointed. The Council successfully appointed an independent person in June 2022. The Committee has expressed an interest in appointing a second independent person and it has been agreed this will be progressed following May 2023 elections. The Committee have suggested that it would be useful for the personal specification to stipulate that accountancy skills would be desirable.	Outstanding
15	Partly	The membership of the committee has now been assessed against the core knowledge and skills framework. A training programme covering identified	Partially complete

Question	Assessment	Action	
		gaps in skills and knowledge has been provided to the Committee for comment. A training plan will be arranged when this is agreed. It is also suggested that the assessment is completed following the May 2023 elections and the training needs of the Committee are updated.	
18	Partly	Feedback to 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 such as Cabinet, Scrutiny Committee is undertaken to seek feedback. Head of Internal Audit to draft questions for Audit Committee agreement for circulation and anonymous feedback to be provided following presentation of the annual report.	Outstanding
19	Partly	As part of the self-assessment exercise the Committee has evaluated how it is adding value. Part two of the 2022 version of the Cipfa self-assessment will be carried out as a part of next year's review to provide examples of strengths and weaknesses in each area.	Ongoing

**NB** The following outstanding/ongoing items will be incorporated into the action plan for 2024/2025 – items 15, 18, and 19  
Item 12 – appointment of an Independent Person is the only one to add.