

### **Audit committee**

**Date:** Tuesday, 09 March 2021

**Time:** 15:00

**Venue:** Remote access

**Committee members:**

**Councillors:**

Price (chair)

Driver (vice chair)

Giles

McCartney-Gray

Peek

Schmierer

Stutely

Wright

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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.  
Please note that all questions must be received by the committee officer detailed on the front of the agenda by **10am on Thursday, 4 March 2021**.

Petitions must be received by the committee officer detailed on the front of the agenda by **10am on Monday, 8 March 2021**

For guidance on submitting public questions or petitions please see appendix 1 of 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 - 12

To approve the minutes of the meeting held on 24 November 2020

#### 5 Audit Annual Audit Letter 2019-20

13 - 38

**Purpose** - This reports presents the annual audit letter

#### 6 External audit plan 2020-21 - discussion on development of the external audit plan

This is an opportunity for members of the committee to discuss with the external auditors the content and focus of the external audit plan for the 2020-21 accounts. The external audit plan will be considered at the next meeting of the committee.

**7 Internal Audit Update 39 - 50**

**Purpose** - To advise members of the work of internal audit, completed between November 2020 to February 2021 and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment.

The 2020-21 Audit Plan was approved by the audit committee in March 2020 and subsequent revisions agreed at the meeting in November 2020.

**8 Business Grant Payments 51 - 56**

**Purpose** - This report sets out the process, controls, administration, payment and reporting of business support grants; and, the results of the recent internal audit on the Retail Hospitality and Leisure Grant (RHLG), Small Business Grant (SBG) and the Discretionary Business Grants (DBG).

**9 Internal Audit Plan 2021-22 57 - 64**

**Purpose** - To agree the draft internal audit plan for 2021-22.

Date of publication: **Wednesday, 03 March 2021**





**Audit committee**

**15:00 to 17:45**

**24 November 2020**

**Present:** Councillors Price (chair), Driver (vice chair), McCartney-Gray, Peek, Sarmezey (substitute for Councillor Giles, from item 4), Schmierer, Stutely and Wright

**Also present:** Councillor Kendrick, cabinet member for resources  
Councillor Waters, leader of the council

**Apologies:** Councillor Giles

**1. Public questions/petitions**

There were no public questions or petitions received.

**2. Declarations of interest**

Councillors Driver and Peek each declared an other interest in item 9\* (below) Management responses to Internal Audit reviews – Norwich Regeneration Company Limited (NRL) and Contract Management – Housing Repairs and Responsive Maintenance (Paragraph 3) as a council tenants.

(During the item, Councillor Kendrick declared an other interest in item 9\* (below) Management responses to Internal Audit reviews – Norwich Regeneration Company Limited (NRL) and Contract Management – Housing Repairs and Responsive Maintenance (Paragraph 3) as a director of the company and board member.)

**3. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 14 July 2020.

**4. Internal Audit Update**

The interim audit manager presented the report.

During discussion, the interim audit manager and the chief executive provided the committee with assurance that the council's administration of business support grants had the correct balance of due diligence and speed in application. Lessons had been learned and local authorities were in a stronger position to mitigate fraud in this second tranche of business support grant allocation. In March the government advice had been to allocate grants to businesses as quickly as possible whilst government guidance was still being issued. The council did conduct its usual basic

checks. It performed well in national league tables for issuing business support grants and had been the best performing local authority in Norfolk. It was difficult to say whether the council's checks were more stringent than neighbouring councils. The revenues and benefits team were part of a network with other local authorities and shared good practice and information with colleagues, including awareness of national alerts of fraudulent activity. The council was part of the National Fraud Initiative and data matching would potentially identify further fraudulent claims. The government would underwrite business support grants that were subject to fraud provided local authorities demonstrated due diligence and had a risk assessment and a post assurance plan in place. The council had to report on the administration of the grants to central government and if required would increase more rigour to the process in line with government guidance.

In response to a member's question about the cost to the council from people recycling incorrectly, the interim audit manager said that this was an ongoing problem for waste management services. There would be a report on the audit review of the council's waste management contract in the internal audit report to the next meeting of the committee.

During discussion on the joint ventures, members welcomed that internal audit was providing a consultancy role or "critical friend" in the establishment of the new wholly owned company to ensure that there was a whole raft of policies and good governance practice in place from the start. The project board included a member of the internal audit team. The chair and non-executive directors had been appointed. The interim director of resources confirmed that the new company would report quarterly to the council as shareholder on a quarterly basis and that the oversight of the governance and business plan would be conducted by cabinet. She assured members that the chair of the new company was aware of the importance of good governance and risk management.

The committee then considered the revised internal audit plan and the approach of internal audit to move away from carrying out short compliance reviews into substantive service reviews, to provide value to the council through consultancy and assurance and to conduct key financial systems reviews over a 3 year term based on risk rather than annually. The interim audit manager used the analogy of a cake and said that compliance of basic financial controls should be risk based. Payroll and credit systems would be reviewed each year. Other systems did not require an annual compliance review unless there was a change to the system. The internal audit team were used to compliance audit reviews and there would need to be training to transfer skills to the service reviews and risk based approach. Audit coverage would add greater organisational value going forward.

The chief executive endorsed this approach and said that internal audit should not be feared by colleagues and that lessons could be learned through the experience of an internal audit review. The advice of internal audit was valued and the risk based approach would mean that it was more "agile" in responding to emergency issues such as cybersecurity, whilst providing ongoing assurance.

The external auditor also endorsed the approach and said that it was used elsewhere. Internal audit was a "one tool in the armoury" to provide assurance and should focus on the risk control gaps as part of mitigation against risk. The audit of key systems on a basis of a number of years, unless there was a change to the IT or

system change, was appropriate and a move away from the old approach of annual internal audits.

**RESOLVED** to note the report.

## **5. Risk Management Update**

The interim audit manager presented the report. He explained that the report had been brought forward to this meeting and the cabinet would be considering risk management at its meeting on 16 December 2020.

The chief executive officer said that it was a priority of the organisation and that the review of risk register had been completed over the last 10 months. A CLT risk assurance group had been established which would meet quarterly to consider finance, performance and risk. There would be a set of risk registers in each directorate and monitored on risk scores and impact that would be fed into the risk register. He had discussed with the leader of the council that the risk register would be considered by cabinet as part of the quarterly performance report so that the cabinet had an oversight on risk. The risk register would be regularly scrutinised at CLT and at departmental management teams. The restructure of the senior team was currently underway and through that process of recruitment would be testing the corporate ownership of risk and performance.

The interim director of resources explained how risk management would filter through the organisation. The assurance group which sat below the CLT was the first example of this. Regular reporting would highlight risk management and monitor actions set out in the register. The assessment of risk was fundamental to the 2021-2022 budget setting process.

Discussion then followed in which members asked the officers questions on the risk register. A member commented that the format of the risk register was easy to read.

In response to a question, the chief executive referred to the multi-agency response to the unprecedented levels of people presenting as homeless or at risk of becoming homeless. This included working with Pathways and increasing the service by an extra day to 6 days a week, and twice weekly counts so that the council was aware of the number of rough sleepers in the city. The director of strategy and culture pointed out that scrutiny committee had considered homelessness at its meeting on 19 November 2020, which could be shared with members. Councillor Wright, as chair of scrutiny committee, said that the city council had been an exemplar council in the work it had done to alleviate homelessness.

The vice chair asked how the risk of Covid-19 was assessed as it was constantly changing. The chief executive said that the risk level on the risk register was fundamental to the city council and its services, and informed through the work of the council on a number of forums, that included representatives of the University of East Anglia, the police and Public Health England, and at leadership and chief executive officer level with the other councils across the county. The risk level would be kept under review as vaccinations were rolled out or as the situation changed.

A member asked whether the scores given to the council's commercial activities and NRL were low considering that Croydon Council was declared effectively bankrupt

last week due to its commercial activities and housebuilding, and that other councils were learning lessons from it, and the UK regulator finding inadequacies in councils' audits. The interim director of resources confirmed that the score reflected the council's position with regard to its wholly owned companies and commercial activities and was appropriate in relation to this council. The recommendations of the internal audit had been fully implemented and the council, as shareholder, received information on the commercial and financial position of the company.

In reply to a question from the chair, the interim audit manager said that he would provide assurance to the committee of the effectiveness of the directorate service level risk registers. He would have oversight of these on a quarterly basis to see if any outstanding actions warranted escalation to the CLT assurance group. He also recommended an audit of the process next year to ensure that it was effective.

**RESOLVED** to note the risk management report.

## **6. Annual Governance Statement 2019-20**

The interim audit manager presented the report.

The chair referred to the committee's discussion on the draft annual governance statement (AGS) at the last meeting and said that he was pleased that the committee's recommendations (as set out in paragraph 8 of the covering report) had been incorporated.

The external auditor confirmed that the AGS was consistent with their knowledge of the council.

**RESOLVED**, unanimously, to approve the Annual Governance Statement 2019-20.

## **7. Statement of Accounts and Audit Results Report 2019-20**

The chair thanked the finance team for their support in helping the committee understand the accounts at the last meeting and at an informal meeting (23 November 2020).

The interim director of resources introduced the report and thanked members for attending the informal session the previous evening which was a really proactive session. She paid tribute to Hannah Simpson, the financial business partner, as the S151 officer responsible for preparing the accounts in accordance within the revised timescale which was a really positive outcome. She confirmed that as the current S151 officer, she was not concerned about the four changes to the accounts, set out in paragraph 4 of the covering report, which were due to circumstances and enhanced the accounts.

The financial business partner explained the four changes to the accounts, as set out in paragraph 4, of the covering report. It had become apparent in the last week that Norfolk Pensions had overstated its assets, but based on the information that the council had, did not make a material impact on the financial statements. The chair welcomed the inclusion of the additional information in the notes.



The external auditor explained that the purpose of the Audit Results Report (appendix 2) was to provide assurance on the accounts. It was important to note that due to Covid-19 the external audit had been conducted remotely and evidence provided electronically in all cases. He then presented the external audit results report, drawing members' attention to the executive summary which highlighted the exceptions to the audit plan. The outstanding procedures were underway by the audit team and one of them closed off without any matters arising to bring the committee's attention. He commented on the material disclosures that the finance partner had highlighted.

The external auditor said that there was one unreported material disclosure relating to pension liability following the audit of the assets of Norfolk Pensions. The city council had a share of these assets and the reassessment reduced its liability. Without requesting a report from the actuary, it was not likely to be a one for one ratio or to be material, and could not impact on his assessment and would require numerous adjustments for a non-material change. Discussion ensued on the adjustment to the accounts relating to Norfolk Pensions and the reassessment of its assets of £1.02 million of which the city council had a share. The interim director of resources explained that notice of this change had been through the external auditor. The work involved to adjust the accounts would affect the ability to sign off the accounts at this stage. This was due to the timing of the shared information, which was not believed to be a material adjustment and would require the commissioning of an actuarial report for an exact figure. The chair took comfort that this was a prudent decision as the adjustment would be made in the following year's account.

In reply to a question from the chair, the external auditor confirmed that he had the right level of assurance under the extenuating circumstance this year. He would not issue an audit opinion if he did not have sufficient audit evidence. The level of evidence remained the same. The audit would normally have been conducted on site. Some elements of the audit had been more efficient electronically. He envisioned a hybrid method in the future, incorporating face to face interactions and electronic access. This had been a bridging approach to help the external auditors get through the audit this year. Screen shots were not the most effective approach.

The external auditor then referred to the audit focus section of the report and answered members' questions. This included an explanation of the use of data analytics to test the incorrect recording of capitalisation of expenditure from revenue codes to capital codes, using the sophisticated filtering of 100 per cent of the accounts dependent on the risk being tested which provided better assurance than the extrapolation of data from a random test sample.

The external auditor referred to the outstanding audit work in relation to the council's commercial assets. The council had a significant investment portfolio of £29 million at fair value and as a percentage of its total assets. The valuer could not provide material certainty on the value because of the impact of Covid-19 on the market at 31 March and would only need a movement of 11 per cent to affect materiality and the audit opinion. The external auditors had seen the value of assets of the type that the council holds, particularly retail and leisure centres, move by 20 per cent elsewhere. The external audit team were working on this, together with the additional audit notes that the finance business partner had provided. Evaluation experts were employed to assist the external auditors and the work should be complete by 30 November 2020.

In reply to a question from the chair, the external auditor said that the work needed to be complete in order to issue the audit opinion. The audit results report provided an indication of the audit opinion that was likely to be issued and explained the recommendation to the committee to delegate to the interim director of resources in consultation with the chair the approval of the accounts or to agree any changes

In reply to a members' question, the external auditor said that experts would take into account location and regional differences when assessing land values. As an audit process the external auditors used the valuations provided by nps. The interim director of resources said that the city council was not unique in this respect and that there had been a proactive approach between the council, nps and the external auditors to ensure that the audit could be concluded on time.

The external auditor in conclusion of his presentation of the report, said that he expected to provide an unqualified opinion of assurance and an unqualified value for money opinion. He also referred to a member's question earlier in the meeting regarding the quality of audits by the FRC and said that Ernst & Young had been the top performers in the assessment, including one of his own audits which had received a very good assurance.

The chair took the opportunity to thank the external auditor.

Commenting on the *Value for Money* section of the external auditor's report, the chair referred to the financial position of the council and said that it had a good record of underspend and that this would help with the use of reserves to smooth the process. The chair said that he expected that the auditors were working closely with the finance team. The external auditor said that he expected the medium term financial plan to be adjusted to reflect the reduced yield from the commercial investments. The chair said that this was for consideration by the council during the next stage of budget planning.

The chair thanked the external auditor and said that a letter had been received from the Secretary of the State, in response to letters from the chair and cabinet member for resources regarding the fees as discussed at the previous meeting. The external auditor said that the fee table proposed in his report was what external audit considered appropriate but that the negotiation of fees was with the Public Sector Appointments regulator to determine, taking into consideration the council's representations and the outcome of the Redmond Review.

The chair confirmed that the letter of management representation was a fair representation of the work that had been undertaken.

**RESOLVED**, unanimously, to:

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

- (2) delegate to the chief finance officer (interim director of resources), in consultation with the chair, the signing of the accounts by 30 November 2020;
- (3) note the Audit Results Report from the council's external auditor (presented in Appendix 2 of the report);
- (4) review and approve the draft letter of management representation presented in Appendix 3 of the report.

## **8. Exclusion of the Public**

**RESOLVED** to exclude the public from the meeting during consideration of item 9\* (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

### **9\*. Management responses to Internal Audit reviews – Norwich Regeneration Company Limited (NRL) and Contract Management – Housing Repairs and Responsive Maintenance (Paragraph 3)**

(Councillors Driver, Peek and Kendrick had declared interests in this item.)

The interim internal audit manager presented the report.

The managing director, Norwich Regeneration Limited (NRL) presented the management response to the internal audit of the company and answered members' questions. Councillor Kendrick also endorsed the actions that had been taken and paid tribute to the managing director in turning the company round. The interim internal audit manager confirmed that the recommendations had been completed to his satisfaction.

The head of neighbourhood housing, together with the interim director of people and neighbourhoods and the client property manager, presented the management response to the internal audit on contract management – housing repairs and responsive maintenance. The report set out the actions being taken. The internal audit manager advised members that these would be monitored and reported to the committee.

**RESOLVED**, to note that members are satisfied that the actions in relation to the internal audit reviews of Norwich Regeneration Company Limited (NRL) and Contract Management – Housing and Responsive Maintenance have been made or are being taken.

CHAIR



**Report to**     Audit committee  
                    9 March 2021  
**Report of**     Interim Director of Resources (S.151 Officer)  
**Subject**       Annual Audit Letter 2019-20

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**Item**

**5**

**Purpose**

This report presents the annual audit letter.

**Recommendation**

The committee is asked to review and note the attached report from the council's external auditor.

**Corporate and service priorities**

The report helps to meet the corporate priority people living well.

**Financial implications**

There are no direct financial implications arising from this report.

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick – Resources

**Contact officer**

Annabel Scholes, interim director of resources (S.151 officer)                      01603 989201

## **Background**

1. The annual audit letter communicates to the members of Norwich City Council the key issues arising from the audit work carried out for the year ended 31 March 2020 by our external auditors. The letter is brought to the attention of all members and is also made available to external stakeholders, including members of the public, by publication on the council's website alongside the statement of accounts.

## **Key Findings, control themes and observations**

2. The detailed findings of the audit work were reported to this committee on 24 November 2020 in the *2019-20 Audit Results Report*. The key findings, control themes and observations contained in the letter are based on the findings in the audit results report.

## **Looking Ahead**

3. The "Focused on your future" section of the letter draws attention to new accounting standards and summarises the potential implications for local authority accounts. We will work closely with the auditors assess the implications of the standards on the council accounts ahead of the year end.

## **Fees Update**

4. In the 2019-20 Audit Results Report, EY indicated that additional work had been carried out as a result of the impact of Covid-19 and that would necessitate an additional audit fee. EY have now quantified this fee (as shown in the Annual Audit Letter) which will be subject to discussion with the interim director of resources and formal approval from Public Sector Audit Appointments Ltd.

## Norwich City Council

Annual Audit Letter for the year  
ended 31 March 2020

12 February 2021

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)). [OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website].

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





A blurred background image showing a pair of hands holding a tablet computer. The hands are positioned as if presenting the device, with the screen facing towards the viewer. The background is out of focus, showing what appears to be an office or meeting environment with some furniture and light coming from a window.

## Section 1

# Executive Summary

# Executive Summary

We are required to issue an Annual Audit Letter to Norwich City Council following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We updated our audit procedures to take account of the following issues:

Area of impact	Commentary
<b>Impact on the delivery of the audit</b>	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. We worked with the Council to deliver our audit in line with the revised reporting timescale.
<b>Impact on our risk assessment</b>	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings. We increased the risk over the valuation of land and buildings valued at fair value/existing use value from higher inherent risk to significant risk during the audit.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision to take account of Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19.
► Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed.
<b>Impact on the scope of our audit</b>	
► Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems because of remote working protocols. We undertook the following to address this risk: <ul style="list-style-type: none"><li>► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li><li>► Agree IPE to scanned documents or other system screenshots.</li></ul>
► Consultation requirements	Additional EY consultation requirements were required concerning the impact on auditor reports.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council:</b>	
► Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published within the financial statements was consistent with the financial statements.
► Concluding on the arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
► Consistency of the Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report.

# Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 November 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 12 January 2021.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson  
Associate Partner  
For and on behalf of Ernst & Young LLP

## Section 2

# Purpose and Responsibilities



# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 30 April 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Section 3

# Financial Statement Audit



# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 12 January 2021.

Our detailed findings were reported to the 24 November 2020 Audit Committee and an addendum update provided on 11 January 2021. The key issues identified as part of our audit were as follows:

Risks	Conclusion
<b>Misstatements due to fraud or error</b>	We did not identify any matters to report to the Council.
<b>Fraud Risk - Incorrect capitalisation of revenue expenditure</b>	We did not identify any matters to report to the Council.
<b>Fraud Risk - Accounting adjustments made in the movements in reserves statement</b>	We did not identify any matters to report to the Council.
<b>Valuation of Property, Plant and Equipment</b>	We did not identify any material misstatements to report to the Council. The Council appropriately disclosed a material valuation uncertainty paragraph included by its valuer in their valuation report.
<b>Pension liability</b>	Following the publication of the HM Treasury consultation on the remedy for the McCloud judgement in July 2020, together with updated assumptions for investment returns within the Norfolk Pension Fund, the Council obtained a revised actuarial reports from the Pension Fund Actuary. This showed an reduction in the Council's pension fund liability of £0.055 million, for which the financial statements were adjusted.
<b>New Financial System</b>	We tested the balances carried forward into the new system and work undertaken by the Council did not identified any significant issues. We did not identify any issues with the design and use of IT application controls within the new financial system.
<b>Group Accounts</b>	We did not identify any matters to report to the Council.
<b>Going Concern Disclosures</b>	The Council assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Overall Materiality	Performance Materiality	Level of Gross Expenditure materiality based on	Audit Differences
<b>Council:</b>			
£3.449 million	£2.587 million	£172.5 million (Operating Expenditure)	£0.172 million
<b>Group:</b>			
£3.462 million	£2.597 million	£173 million (Operating Expenditure)	£0.173 million

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



Section 4

# Value for Money

# Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

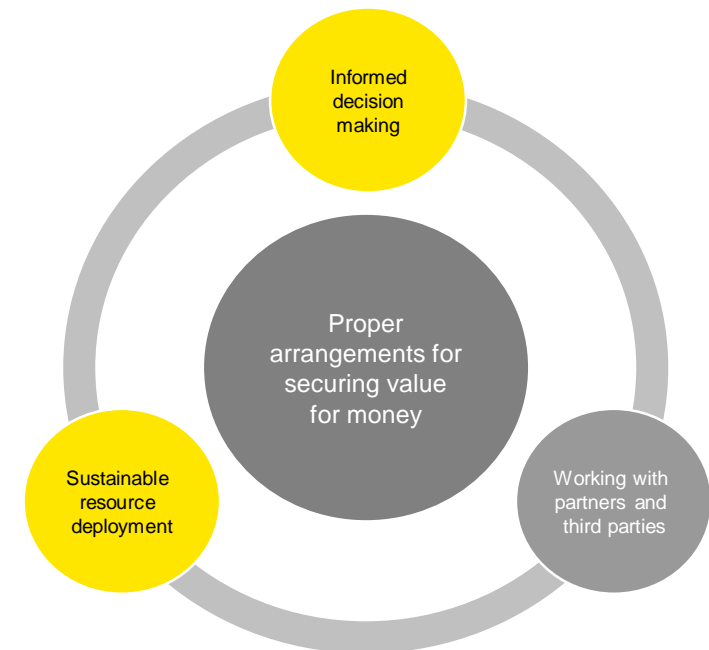
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should Council's response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

We identified two significant risks in relation to these criteria.

We performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on the 12 January 2021.



A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

## Other Reporting Issues

# Other Reporting Issues

## **Whole of Government Accounts**

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council is below the specified audit threshold of £500 million. Therefore, we were not required to perform any audit procedures on the consolidation pack.

## **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any matters to report.

## **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## **Written Recommendations**

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

# Other Reporting Issues (cont'd)

## **Objections Received**

We did not receive any objections to the 2019/20 financial statements from members of the public.

## **Other Powers and Duties**

We did not identify any issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 24 November 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.





Section 6

## Focused on your future



# Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

## Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Continued

# Focused on your future

## Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for Local Authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for Local Authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>However in response to the ongoing pandemic and its pressures on council finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p> <p>The announcement is available on CIPFA's website.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published. CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

The background image shows a person's hand in a red sleeve placing a document into a tan-colored file folder. The folder is part of a series of folders held by a grey plastic filing rack. The folders are filled with various documents, some of which are visible as they protrude from the tops. The folders are organized with color-coded tabs: light blue, white, and yellow. A large, bright yellow rectangular overlay is positioned on the left side of the image, partially covering the folders and the hand. The overall scene is set against a light-colored, textured wall.

## Section 8

# Audit Fees

# Audit Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified this fee. We will seek formal approval from PSAA as per the requirements.

Description	Final Fee 2019/20	Planned Fee 2019/20	Scale Fee 2019/20
	£'s	£'s	£'s
Total Audit Fee - Code work	61,534	61,534	61,534
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	55,268	55,268	
<b>Revised Proposed Scale Fee</b>	<b>116,802</b>	<b>116,802</b>	
Additional specific one-off work required for Covid-19 considerations, including Property, Plant and Equipment valuations and Going Concern (See Note 2)	10,010		
Additional audit work required in relations to the implementation of the new financial ledge system E5 (See Note 2)	5,373		
Increased IAS 19 procedures to assess the impact of McCloud/Goodwin and revised asset valuations on the IAS 19 liability (See Note 2)	980		
Work required to address the significant risks identified in regards to the value for money conclusion on the medium term financial plan and commercialisation. This includes the review of the governance and associated financial plans of Norwich Regeneration Limited. (See Note 2)	12,120		
<b>Total Audit Fee</b>	<b>145,285</b>		

**Note 1** - For 2019/20, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination. This includes an element of £3,529 for the Group Consolidation risk.

**Note 2** - We have quantified the additional work we have undertaken, including costs associated with consultation process, and provided details to the Interim Director of Resources. We will be seeking approval from the PSAA.

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**Report to**     Audit Committee  
                    9 March 2021  
**Report of**     Interim Audit Manager  
**Subject**       Internal Audit Update

**Item**

**7**

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**Purpose**

To advise members of the work of internal audit, completed between November 2020 to February 2021, and the progress against the internal audit plan.

The role of internal audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment.

The 2020-21 Audit Plan was approved by the audit committee in March 2020 and subsequent revisions agreed at the meeting in November 2020.

**Recommendation**

To note the report.

**Corporate and service priorities**

The report helps to meet support corporate priorities through supporting a healthy organisation.

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick – Resources

**Contact officers**

Gavin Jones, Interim Audit Manager

**Background documents**

None.

## **1. Resources**

- 1.1 It has continued to be a challenging year for resources due to disruptions associated with Covid-19. In particular audit work has taken longer than it would have in normal circumstances due to delays in obtaining required information from services who themselves are under unique pressures. This has been a common theme for audit sections across local government. Despite this the revised audit plan presented at the previous audit committee is on track to be fully completed as planned and the resource and coverage will be sufficient to be able to provide an annual audit opinion in accordance with professional requirements.
- 1.2 In addition to the audit team (3 fte) which transferred in-house from LGSS at the start of the year, 20 days specialist IT audit resource has been procured externally to supplement the in-house audit resource to carry IT audits as required.
- 1.3 The council is currently running the section through an interim audit manager procured through agency until March 2021. This arrangement is pending a service review which is currently being undertaken.
- 1.4 There has been no significant changes to the audit plan since the previous update to the audit committee

## **2. Audit Opinion Structure**

- 2.1 The opinion structure for audits is shown in Appendix B.



### 3. Revised Audit Plan

3.1 The revised audit plan is shown below together with the status of audit work being undertaken in the first half of the year:

Audit			Days	Status/Opinion
<b>Anti-fraud &amp; corruption</b>	National Fraud Initiative	Responsive	20	Ongoing
	Investigations Contingency	Responsive	10	Ongoing
<b>Key Financial Systems</b>	Payroll	Assurance	10	wip
	Housing Rent/Arrears	Assurance	15	<b>Draft</b>
	Housing Benefits	Assurance	15	<b>Draft</b>
	Council Tax	Assurance	10	<b>Draft</b>
	National Non Domestic Rates (NNDR)	Assurance	10	<b>Final - Reasonable</b>
	Cash & Bank	Assurance	10	wip
	Accounts Payable	Assurance	10	wip
	Accounts Receivable	Assurance	10	<b>Final - Reasonable</b>
	Purchase Cards	Assurance	10	<b>Final - Reasonable</b>
<b>Risk Management</b>	Consultancy	Consultancy	20	Ongoing
<b>Contract Management</b>	Waste Services	Assurance	20	<b>Final - Limited</b>
	Joint Ventures Insourcing	Consultancy	50	Ongoing
<b>IT Audit</b>	Cyber Security	Assurance	10	wip
	New Housing System Phase 1 pre implementation	Assurance	10	wip
<b>Other Compliance</b>	Policies & Procedures	Assurance	10	<b>Final - Limited</b>
	Business Support Grants	Assurance	25	<b>Final &amp; Ongoing</b>
	New Starters & Leavers Procedures	Assurance	5	To be reported with payroll key financial systems work
<b>Other Consultancy</b>	New Housing System Implementation Project	Consultancy	10	Ongoing
<b>Service Reviews</b>	Equalities Duties	Assurance	20	<b>Draft</b>
	Licensing	Assurance	15	<b>Final - Reasonable</b>
<b>Governance</b>	Information Governance Group	Consultancy	5	Ongoing
	Data Breach Response	Consultancy	5	Ongoing
	Corporate Governance Group	Consultancy	5	Ongoing
	Annual Governance Statement	Consultancy	15	<b>Completed</b>
	Information Governance Group	Consultancy	5	Ongoing
	Data Breach Response	Consultancy	5	Ongoing
<b>Grants</b>	Disabled Facilities Grant	Assurance	10	<b>Completed</b>
<b>Advice &amp; Guidance</b>	Ad hoc Advice & Guidance	Consultancy	15	Ongoing
	Follow Up Audit Recommendations	Assurance	20	Ongoing
<b>Reporting</b>	Committee Reporting	Consultancy	15	Ongoing

	Management Reporting	Consultancy	15	Ongoing
	Audit Plan	Consultancy	10	Complete
	<b>Total Days</b>		<b>450</b>	

#### **4. Audit work to date:**

Since the previous audit committee the following areas of work have been completed and reported

##### **4.1 Key Financial Systems**

###### **National Non Domestic Rates**

Audit review found that controls in place were broadly operating effectively Two recommendations were made reflecting the need to adhere to delegated limits when authorising refunds and the need to ensure full supporting evidence is maintained.

###### **Accounts Receivable**

Audit review concluded reasonable assurance. The review noted that aside from commercial properties, debt recovery work had been restricted to reflect hardships associated with covid-19. A recommendation was made to finalise a strategy for recovering outstanding invoiced debt. The audit also recommended improvements to simplify the presentation of existing debt recovery reporting.

###### **Other Reviews**

Audit reviews on council tax, housing benefits and housing rents/arrears are all at draft report stage. Work on all other outstanding key financial systems is underway and will be reported to the committee as part the annual audit opinion report in the summer.

##### **4.2 Other Compliance Work**

###### **Business Support Grants**

Audit work was completed in November 2020 and reported at the previous audit committee meeting.

Since this work the government has extended its support grants in a number of areas grants to be administered by local authorities, with the government directive to issue payments as soon as possible, and the option to carry out some of the eligibility checks post payment. The emphasis from government continues to be to prioritise delivery of these grants to local businesses in need as quickly as possible. It has been accepted the trade off with this approach is an increase in the risk of fraud and ineligible claims.

As was previously reported, local authorities were required by the government to complete risk assessments for each scheme, detailing eligibility checks already carried out, and identifying the remaining higher risk areas. From these risk assessments, post payment assurance plans are required, detailing any further

eligibility checks to be carried out to minimise the risk of ineligible or fraudulent payments. This process continues as the scheme is extended.

An assurance group involving the audit manager, the head of finance, audit & risk and revenues & benefits operations manager has been set up monthly to oversee post event assurance work to identify fraud and error, including the timely review of any high risk data matches pertaining from the National Fraud Initiative and to fulfil reporting requirements to the government.

## **4.3 Contract Management**

### **Waste Services Contract**

Audit review concluded limited assurance on the control environment relating to the management of the contract. This opinion is not a reflection on the performance of the contractor but on how the council is managing the contract to maximise performance and efficiency. Key findings included:

- The contract does not detail financial and performance based targets and their impacts. This should be detailed in the contractors' annual service plan, however, none is in place for 2020.
- Financial information relating to variation payments does not always have sufficient supporting evidence.
- No evidence could be obtained that service performance data provided by the contractor was independently checked and verified by the council to prime records or that points of escalation on performance are appropriately addressed, documented and monitored.
- An incentivisation scheme had been implemented in 2015, however no evidence could be obtained that this was monitored.
- High-level management meetings are not documented to ensure specifics are reviewed, issues are raised and appropriate actions taken.

As a result of the audit review findings, management actions and a timetable for completion has been agreed. The audit findings and the service response provide a baseline and comprehensive action plan for the service to improve waste contract management arrangements.

### **Joint Ventures**

The interim audit manager attends the joint ventures place project board with the senior auditor attending the project groups, these have been to provide a 'critical friend' role rather than giving assurance. Delivery of the first phase of project including setting up of new company and associated governance arrangements for the insourcing of environmental services is on track for going live at the start of April as planned per the agreed action in the council's annual governance statement.

## **4.4 Service Reviews**

### **Equalities duties**

An audit review was undertaken at the request of the chief executive to provide assurance over the efficiency and effectiveness of the council's systems to ensure compliance with statutory provisions as part of the Equality Act (2010).

Audit work has been completed and a draft report issued awaiting finalisation and an agreed action plan. A summary of findings will be reported at the next meeting of the audit committee.

## **4.5 Anti- Fraud & Corruption**

The council participates fully in a national data matching exercise known as the National Fraud Initiative (NFI) which is run by the Cabinet Office to prevent and detect fraud. Data matching, between public and private sector bodies, flags up inconsistencies in data that may indicate fraud and error and helps Councils to complete proactive investigations.

The NFI is conducted every two years and involves data matching across a number of datasets from over 1,200 participant organisations from across the public and private sectors. A data extraction exercise has been undertaken as at the end of September 2020 data uploaded securely on a number of datasets based on required specifications. The results of this exercise are expected by the end of the financial year and matches will be reviewed on a risk basis.

Additional datasets have been requested in respect of business support grants and other direct grants as a drive to identify illegitimate claims and errors made against government funding to alleviate the effects of Covid-19.

There have been no new reported cases of fraud or whistleblowing issues that required an audit investigation.

## **4.6 IT Audit**

As previously reported, audit work is underway in the form of a maturity assessment covering the National Cyber Security Council's framework.

There have been delays in the provision of information to enable the auditor to complete this assignment although these are being addressed now. A report on findings will be made at the next audit committee meeting.

A further review has been commissioned to support the implementation of the new housing system. This review has started in February and is designed to provide a review of best practice to inform phase one of the development project.

## **4.7 Other Work**

### **Risk Management**

As reported at the last audit committee meeting, internal audit has administered a full redesign of risk management processes in the council. The corporate register is fully operational as are 3 out of the 4 directorate registers that feed into this process. Support work has been provided to develop the risk register for the remaining directorate.

Risks will need to be reassigned to reflect the new council structure that will be in place from the start of April. The corporate register will continue to be presented to the audit committee twice yearly with the next review programmed for the next meeting.

### **Other Governance work**

Internal audit has continued to provide advice and support to officers in a number of areas and working groups as per the audit plan.

## **4.8 Follow up of audit recommendations**

The timely implementation of internal audit recommendations has been identified as an area for improvement across the council.

Reports on the status of all high and medium priority recommendations are now sent to each director on a quarterly basis and a summary report is reviewed by the corporate leadership team as part of its quarterly performance framework report.

Appendix A details the outstanding high priority audit recommendations that require implementation.

Since the previous committee meeting all recommendations relating to the purchase card audit issued earlier in the year have been confirmed as being completed. A summary report of the status of all audit recommendations will be included in the audit manager's annual report which will be presented at the summer meeting of this committee.

## Appendix A: Outstanding high priority recommendations

Audit	Recommendation	Agreed Action	Agreed Date	Status/Comments
<b>Information Security &amp; GDPR</b>	<p>The Information Asset Register (IAR) has not been updated since 2016 and has not been approved by the CIAG.</p> <p>Information Asset Owners were not aware of the assets they owned.</p> <p>The Register does not have GDPR considerations as it was last updated prior to the regulation coming into place.</p> <p>The Council should review and update the Information Asset Register on an annual basis.</p>	<p>In 2019 we worked on the schedule of processing and decided to update the IAR in 2019. This will be commenced as planned and will include GDPR considerations.</p> <p><b>Responsible Officer – Data Protection &amp; Security Team Leader</b></p>	<p><del>Mar 20</del> <del>Sep 20</del> Dec 20</p>	<p>Outstanding returns needed from asset owners to populate the IAR have been completed. <b>Audit to verify</b></p>
<b>Information Security &amp; GDPR</b>	<p>The Council should present the IAR to the CIAG on an annual basis, once updated, to gain official approval for the document.</p>		<p><del>Dec 20</del> Apr 21</p>	<p>Action Taken: Not yet started due to dependence on above.</p>

<b>Information Security &amp; GDPR</b>	<p>The Council does not currently have the capability to remove certain records according to their own retention schedule, due to the limitation of key systems.</p> <p>The Schedule of processing is not fully completed</p> <p>The Council should push to replace software that prohibits the adherence to the schedule of processing retention rules with their IT partners.</p>	<p>This is well known and published on our website for customers. LGSS IT is working with software suppliers to identify their disposal functionality which will be implemented over the coming year.</p> <p>The schedule of processing is a working document and is continually being updated. It will be reviewed at CIAG.</p> <p><b>Data Protection Security Team Leader and LGSS IT</b></p>	<p><del>Mar 21</del> + Sep 23</p>	<p>IT suppliers have been contacted by LGSS IT. Some have come back with their timelines for compliance</p> <p>We have no date for this as we are entirely dependent on the software providers working on a solution, but realistically this will be a long term project – likely to be at least 5 years. As software is upgraded which includes ability to remove data, this will be tested. Currently, we have software for Civica, which is being deployed and Northgate revs and bens which was being tested, but has found issues and so testing has been suspended. For new software provisions such as E5 and ITrent, the ability follow retention guidelines has been stated in the spec.</p>
<b>Contract management - Housing repairs &amp; responsive maintenance</b>	<p>Verification of accuracy for received reports</p> <p>The council does not undertake any testing or receive any independent verification regarding the accuracy of reports received from NPSN. The absence of any sample checking of the veracity of information (e.g. actual costs and prime records supporting performance) being provided to the council by NPSN is a significant weakness in the control environment.</p> <p>The council should introduce sample check processes in-house, including drilling down to source data and confirming competitiveness of rates, to validate reports provided by NPSN, or alternatively obtain independent verification.</p>	<p>As a one-off exercise, neighbourhood housing services to review format of current data and ensure it is compliant with KPI definitions</p> <p>Neighbourhood housing services to document quality assurance steps currently being undertaken by NPS to ensure these are sufficiently robust</p> <p>Neighbourhood housing services to undertake a more in-depth review of data quality (a data health check) for KPI's as directed. This will then be ad hoc and where required in future, but all data and definitions are being checked as a one-off exercise as above.</p> <p>Service improvement team to review survey methodology used by Gasway as part of existing service improvement plan. This project will undertake a comprehensive review of the current</p>	<p>Mar 21</p> <p>Mar 21</p>	<p>Work is ongoing to review KPI definitions, source data and quality assurance checks undertaken on housing repairs &amp; maintenance contractor KPI data provided by NPS. This one-off exercise is being carried out jointly between the Business intelligence team (NCC) and NPS. This work aims to provide assurance KPI definitions are being followed, contractor data is accurate, sufficient and robust quality checks are in place.</p> <p>On target to complete review of NNBL and Gasway data by 31 March 2021. Review of this data is being prioritised.</p> <p>Aiming to complete review of remaining housing related contractor KPI data by 31 March. However some of this may need to follow shortly after due to Business intelligence team involvement in the NPS housing system replacement project.</p> <p>Review of approach to satisfaction surveys (including survey run by Gasway) is currently on hold due to change of priorities in the</p>

		<p>approach to transactional satisfaction surveys. It consists of 2 stages:</p> <p>STAGE 1: This stage is purely exploratory/investigative in nature leading to the production of a report which includes recommendations for any potential changes.</p> <p>STAGE 2: This stage will implement any agreed changes set out in the report delivered in Stage 1</p> <p>Although no specific actions/projects initiated to ensure IT systems used to record contractor data are fit for purpose ensure the requirements have been incorporated into work on implementing the new housing IT system.</p> <p>Continue to review any remaining KPI definitions derived from contractor data with NPS to ensure all definitions are clear, unambiguous and in line with contracted obligations</p> <p><b>Responsible Officer – Head of Neighbourhood Housing</b></p>	<p><i>Dec 20</i></p> <p><i>Mar 21</i></p> <p><i>Mar 21</i></p>	<p>Service improvement plan (SIP) as a result of the latest lockdown.</p> <p>Development of new NPS housing system is ongoing.</p>
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## Appendix B: Audit Opinions & Definitions

Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, in support of the objectives of the Council.

The annual audit plan is prepared to take into account key areas of risk and was approved by the Audit Committee. The internal audit plan has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

With the exception of project support work, all audit reports include an assurance rating on the basis of the definitions shown below. Individual assurance ratings help to determine the overall annual audit opinion.

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

### Key to priority of recommendations

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



**Report to** Audit committee  
09 March 2021  
**Report of** Interim Director of Resources (Section 151 Officer)  
**Subject** Business Grants payments

**Item**

**8**

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### **Purpose**

This report sets out the process, controls, administration, payment and reporting of business support grants; and, the results of the recent internal audit on the Retail Hospitality and Leisure Grant (RHLG), Small Business Grant (SBG) and the Discretionary Business Grants (DBG).

### **Recommendation**

To note the report.

### **Corporate and service priorities**

The report helps to meet the corporate priority - Inclusive economy

### **Financial implications**

The report provides an overview of the business grants that the council is administering. The council reports regularly to central government on the grants approved against each scheme.

**Ward/s:** All Wards

**Cabinet member:** Councillor Kendrick - Resources

### **Contact officers**

Jo Andrews – Anglian Revenues Partnership 01842 756490

Carole Jowett – Revenues and Benefits operations manager 01603 987607

### **Background documents**

None

# Report

## 1. Background

- 1.1 In March 2020, the government announced funding for businesses that had been either forced to close in the national lockdown or had been adversely affected by the closures.
- 1.2 There were two main grant schemes, the first was aimed at businesses in the retail, hospitality and leisure sector (RHLG) and the second was for those entitled to small business rates relief (SBG).
- 1.3 A third scheme was made available to help those businesses that did not qualify under the earlier schemes but had ongoing fixed property costs and were unable to continue trading (LADG).
- 1.4 The above three schemes, further referred to as Tranche 1, were formally closed by the government on 30 September 2020.
- 1.5 Further local restriction grant schemes were launched from 5 November 2020 for regional (tiered) lockdowns as follows:
  - Local Restrictions Support Grant (open)
  - Local Restrictions Support Grant (closed)
  - Local Restrictions Support Grant (sector)
  - Additional Restrictions Grant (Discretionary)
  - Closed Business Lockdown Payment (one off payment)
  - Christmas Support Payment for wet-led pubs (one off payment)
- 1.6 The period each scheme is related to is shown below:

5 Nov - 1 Dec National lock-down	2 Dec – 25 Dec Tier 2	26 Dec – 4 Jan Tier 4	5 Jan – onwards National lock-down
Addendum 5 Nov	LRSB (closed)	Addendum Tier 4	CBLP
ARG	LRSB (open)	CSP	Addendum 5 Jan
	LRSB Sector	ARG	ARG
	CSP		
	ARG		

Key

Local Restrictions Support Grant (open)
Local Restrictions Support Grant (closed)
Local Restrictions Support Grant (sector)
LRSB (closed) Addendum 5 Nov
LRSB (closed) Addendum tier 4
LRSB (closed) Addendum 5 Jan
Additional Restrictions Grant (Discretionary)
Closed Business Lockdown Payment (one off payment)
Christmas Support Payment (for wet-led pubs)

All of the above grants – further referred to as Tranche 2 - are still available.

## **2. Process**

- 2.1 Initially for the first tranche of grants the government required local authorities to adopt a pay now and ask questions later approach to enable funding to be paid to businesses rapidly.
- 2.2 After an initial payment run to verified businesses using business rates data, we adopted an application-based process as there were concerns about the potential for fraud to be committed. Each application received would be individually assessed by an officer.
- 2.3 A payment process was created between revenues, finance and IT to enable additional internal checks to be made and for payments to be formally approved. All payments were made using BACS once we had received evidence of the bank account belonging to the qualifying businesses.
- 2.4 Since the latest grants started in November, more in-depth prepayment checks are being done using external tools to check and identify any potential fraudulent applications and to identify the applying business meets the requirements of the scheme.
- 2.5 During the latest national lockdown payments have been made automatically to businesses that have already been fully validated and checked.

## **3. Controls**

- 3.1 A full list of eligible businesses for SBG and RHLG was established at the outset of tranche 1 based on business rates data. Every business identified was checked remotely or via visits to the trading property to establish the business was still trading, and therefore entitled to receive a grant. Once payments were approved, these were cross referenced with the control lists to prevent duplicate payments or payments to ineligible businesses.
- 3.2 We introduced a triage procedure to ensure all documentation was received and each application was vetted against business rates records, companies house data where this was available and validation of bank accounts against internal records where possible.
- 3.3 A separate validation check was done each day by a team leader who authorised the payments. The file was passed to a further team leader for further checks e.g. to check for duplicate payments and passed to finance for further checks and, ultimately, payment.
- 3.4 All payment files were reconciled with finance post payment.
- 3.5 Risk assessments were completed and have been subsequently updated as new information has become available and appropriate mitigating actions have taken place.

- 3.6 The same controls have been used for tranche 2 payments, but we have also used experience and knowledge gained in tranche 1 to improve our controls e.g. payments in tranche 2 have also been checked against Spotlight which is a government system to enable checks on limited companies.
- 3.7 Fraud alerts are received from the government and various agencies based on other local authorities' these cases are cross referenced across our data. We also make reports on any suspected fraud cases to BEIS, NAFN, NATIS and NFI.

#### **4. Audit**

- 4.1 An audit of the payment of the payment of the above grants was completed in December 2020.
- 4.2 The scope of the audit included:
- A review of the risk assessments of the three schemes, clarification of the pre-payment checks and progress with implementing any post payment actions.
  - A sample of payments made to check against eligibility criteria
  - Reporting of fraud identified and recovery of overpayments.
- 4.3 The audit tested a sample of payments made under each of the schemes for compliance with government guidance.
- 4.4 The findings are summarised below:
- (a) Considerable work had been undertaken to identify eligible businesses and that the business was active on the qualifying date of 11 March 2020 before payment was made;
  - (b) Pre-payment checks had been completed for approx. 22% of the RHLG/SBG cases and 100% of the LADG applications which had been assessed by experienced staff against the policy;
  - (c) The team had paid out 95% of the total payments for SBG and RHLG by 31 May 2020 and all payments for the three schemes had been made by the deadline of 30 September 2020. Due to the urgency to make payments some early payments were made without an application form, although an application form was required going forward;
  - (d) A state aid declaration was included with the application form. Where an application was not made a retrospective state aid declaration should be obtained with the request the payment is returned if the business is unable to sign the declaration;

- (e) Fraud risk assessments have been completed and are reasonable with only a few giving a “red/amber” result. At the time of the audit there were no specific post payment assurance plans. Monthly post-payment assurance returns had been completed and submitted to Government buy the deadline, however these need to be reviewed on the next return;
- (f) Each payment run has been reconciled and periodic cumulative reconciliations but a final cumulative reconciliation is outstanding. Five over payments need to be recovered which is progressing;
- (g) There had been limited use made of Spotlight which is a Government grants management and counter fraud function, for limited companies only, which may highlight areas of possible risk;
- (h) Payments have been checked against NAFN fraud alerts and no matches were found other than four previously identified and returned by the bank, however these had not been reported as required in guidance. Further checks have revealed a further four potential fraudulent applications and more evidence is being sought;
- (i) Eligibility was determined and payments were made directly into bank accounts as evidenced from the application. Testing identified a few anomalies.

4.5 In order to address the findings the following actions have been agreed:

- (a) State Aid declarations are to be obtained where no application is held. – good progress is being made;
- (b) To formalise a post payment assurance action plan – completed;
- (c) Review risk scores on government returns – completed;
- (d) A full reconciliation of the payments made under the three grant schemes. This work has been completed for the LADG scheme and is scheduled for the SBG and RHLG;
- (e) Complete spotlight checks for all limited companies – complete;
- (f) Complete checks on four potential fraudulent cases and if found to be fraudulent, recover payment and report accordingly - completed and no fraud was found;
- (g) Fraudulent applications need to be reported to government and internal audit manager – complete and is embedded in tranche 2 process;
- (h) Two cases of ineligible payment need to be reviewed and refunds obtained - the cases were reviewed, and the payment had been made correctly.

4.6 Full payment data for all Tranche 1 payments has been submitted to NFI but no data has been released back yet.





**Report to**     Audit Committee  
                    9 March 2021  
**Report of**     Interim Audit Manager  
**Subject**       Internal Audit Plan 2021-22

**Item**

**9**

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**Purpose**

To agree the draft internal audit plan for 2021-22.

**Recommendation**

To endorse the draft Internal Audit Plan

**Corporate and service priorities**

The report helps to meet support corporate priorities through supporting a healthy organisation.

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick – Resources

**Contact officers**

Gavin Jones, Interim Audit Manager

**Background documents**

None.

## **1. Background**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) established by CIPFA and the Chartered Institute of Internal Auditors set out the standard for internal audit across the public sector and is regularly updated to reflect current best practice.
- 1.2 The principles in the PSIAS are consistent with the previous CIPFA code of practice for internal audit which applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'; for the purposes of the key duties laid out in the PSIAS, the audit committee is effectively the 'Board' for the council.
- 1.3 Under the Local Government Act, the council's Section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is therefore directly relevant to these responsibilities.

## **2. Mission**

- 2.1 PSIAS Performance Standard updated in 2017 states the mission of internal audit as:

*"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."*

## **3. Definition**

- 3.1 PSIAS Performance Standard updated in 2017 defines internal audit as:

*"Internal auditing is 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."*

## **4. Audit Planning**

- 4.1 PSIAS Performance Standard updated in 2017 – Planning states that:

*"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*

- 4.2 The standards refer to the need for the risk-based plan to consider the organisation's risk management framework, and to take into account the requirement to produce an annual internal audit opinion and the assurance framework.

- 4.3 Within the council, the Chief Audit Executive will be the internal audit manager, for the purposes of the PSIAS.

Performance Standard 2450 – Overall Opinions states that:

*“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

- 4.4 The risk-based plan therefore needs to include an appropriate and comprehensive range of work, which is sufficiently robust to confirm that the audit committee can rely upon all assurances provided as part of the system of internal audit. The internal auditor manager will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

## **5. Planning Process**

- 5.1 The draft audit plan for 2021-22 has been put together following consultation with all directors and relevant heads of service during January.
- 5.2 The plan reflects a drive to align coverage more closely to risk and corporate priorities rather than traditional compliance work.
- 5.3 Internal audit coverage at the council has traditionally been focused on compliance assurance work particularly around a suite of key financial systems. This work does not appear to be risk based and offers limited added value. Audit work undertaken during 2020-21 to provide assurance that financial systems are operating effectively during business pressures and disruptions associated with the Covid-19 pandemic has not as yet identified any significant control weaknesses. Whilst there will always be a requirement to include a basic level of assurance on key financial areas, there is an opportunity to reduce the current volume/emphasis of coverage carried out each year to free up audit work in other areas.
- 5.4 The chief executive has expressed a strong desire for audit to be involved in a more proactive advisory capacity rather than just opinion assignments. This is reflected with a strong balance of consultancy work alongside assurance risk based coverage. This will need proactive inclusion of internal audit in areas identified for advice e.g. towns’ deal.

## **6. Resources**

- 6.1 The draft plan focuses on fewer audits, involving more days. The level and quality of resource is subject to a service review of the function during the year and needs to reflect the challenges of ‘skilling up’ from traditional compliance based reviews. The audit team currently consists of three FTE supplemented by bought in IT audit resource of approximately 30 days.

## 7. Draft Audit Plan

7.1 The draft audit plan is shown below together with the status of audit work being

Audit			Days
<b>Anti-fraud &amp; corruption</b>	National Fraud Initiative (NFI)	Responsive	20
	Investigations Contingency	Responsive	10
<b>Key Financial Systems</b>	Payroll	Assurance	10
	Housing Rent/Arrears	Assurance	15
	Housing Benefits	Assurance	15
	Council Tax	Assurance	10
	National Non Domestic Rates (NNDR)	Assurance	10
	Capital Accounting	Assurance	10
	Accounts Payable	Assurance	10
	Debt Recovery	Assurance	10
	Treasury Management	Assurance	10
<b>Risk Management</b>	Administration of Registers & Policy	Consultancy	15
	Risk Management	Assurance	15
<b>Contract Management</b>	Environmental Services	Assurance	20
	Joint Ventures Insourcing	Consultancy	45
	Consultancy contingency	Consultancy	15
<b>IT Audit</b>	IT Governance	Assurance	10
	Housing & Tenancy Application phase 2 pre implementation	Assurance	10
	To be determined	Assurance	10
<b>Service Reviews</b>	Health & Safety	Assurance	15
	Social Housing Delivery Programme	Assurance	20
	Towns Fund Deal	Consultancy	20
	Capital Programme Management	Assurance	20
	New Financial Management Code	Consultancy	10
	New Housing System	Consultancy	10
	IR35 Compliance	Assurance	10
<b>Governance</b>	Information Governance Group	Consultancy	5
	Data Breach Response	Consultancy	5
	Resources, Performance & Delivery Board	Consultancy	5
	Annual Governance Statement	Consultancy	10
<b>Grants</b>	Grants assurance	Assurance	20
	Business Support Grants	Assurance	20

Audit		Days	
<b>Advice &amp; Guidance</b>	Ad hoc Advice & Guidance	Consultancy	15
	Follow Up Audit Recommendations	Assurance	20
<b>Reporting</b>	Committee Reporting	Consultancy	10
	Management Reporting	Consultancy	10
	Audit Plan	Consultancy	10
		<b>Total Days</b>	<b>505</b>

## 8. Summary

### 8.1 Anti-fraud & Corruption

The council will be required to review a new set of NFI data matches issued in February/March 2020-21. Internal Audit will oversee the investigations of high risks matches by services and ensure that any underlying weaknesses identified are reported and addressed.

### 8.2 Key Financial Systems

As previously reported, time allocated to carry out compliance testing to designated key financial systems has been reduced to accommodate more risk based service reviews and corporate priorities. On this basis, key systems will be carried out cyclically depending on area and associated risk. For example some areas such as payroll and accounts payable may continue to be carried out each year although specific areas will be phased within this coverage, other areas will be carried out every 2-3 years. This methodology will be flexible and attentive to changing risks such as new system developments and/or adverse findings from previous reviews.

### 8.3 Risk Management

Support will continue to be provided to administer and report on the corporate risk registers and to ensure that the new agreed processes are observed. Support is also available to directors in respect of their service risk registers and to oversee that any significant issues or common themes are fed through to the corporate process.

Time has been set aside for an independent audit review on the risk management process later in the year as processes 'bed in'. This will be undertaken and managed by officers that have not been involved in the setup of existing processes.

### 8.4 Contract Management

Contract management is perceived as an area where the council is seeking to improve competencies and ensure that contract performance is in line with aspirations and incentivised to continually improve. To support this, internal audit will review management procedures for individual major contracts each year. In light of recent audit findings in a couple of areas, it is intended to carry out early reviews on arrangements for the joint venture contracts as these are brought in

house through Norwich City Services Ltd (NCSL). The first of these to go live is the contract for environmental services which will start from April 2021. Audit coverage will be provisionally planned for the third quarter of the year, allowing for processes to 'bed in' from April.

Consultancy time has been allocated to provide and support on processes, training and procedures at the request of the business relationship & procurement manager. As more audit work is completed, audit will ensure that common themes for improvement are identified and fed through to training and service reviews. Audit support will also continue to be provided as a 'critical friend role' at board and project level on the continuing development to prepare for further insourcing of joint ventures to be managed by NCSL.

## **8.5 IT Audit**

Specialist IT audit will continue to be provided through externally procured resource. Coverage will include a review of IT governance and in particular reviewing the challenges for managing the IT resource in line with corporate and transformational priorities whilst continuing to operate business as usual in a secure environment.

Two other reviews will also be undertaken on the basis of risk. A review of further phases of the development of the new housing and tenancy application has been provisionally included though this will be determined by the status of the project.

## **8.6 Service reviews**

In line with the change in focus of audit reviews towards coverage aligned to corporate priorities and risk, a mixture of consultancy and assurance reviews is programmed to review the council's ambitious programmes on social housing delivery and the delivery of the programme of projects in respect of the towns deal. Audit specifications and the nature of consultancy will be determined in consultation with directors.

Audit will also provide an independent consultancy review on Finance's self-assessment against the implementation of the new financial code of practice

Assurance reviews will be undertaken on health and safety and IR35 compliance (tax legislation relating to agency/consultancy working) at the request of directors. A review of capital programme management has also been included although the nature of this work has yet to be determined and will be agreed with the head of finance, audit & risk.

## **8.7 Other work**

Other consultancy work included in the plan remains largely unchanged from previous years. The audit manager will be a core member of the newly formulated resources, performance and delivery board which replaces the corporate governance group and will include the director of resources (s151) and monitoring officer amongst other key officers.

Grants assurance work will now include the new green homes grant as well as the disabled facilities grant. There will also continue to be further grants assurance work

in the form of periodic spot testing associated with the extension of support grants to businesses in light of the continuing difficulties associated with the covid-19 pandemic. An assurance group involving the audit manager, the head of finance, audit & risk, and revenues & benefits operations manager has been set up monthly to oversee post assurance work to identify fraud and error, including the timely review of any high risk data matches pertaining from the National Fraud Initiative and to fulfil reporting requirements to the government.

