



**MINUTES**

**AUDIT COMMITTEE**

**4.35 pm – 6.45 pm**

**17 January 2011**

Present: Councillors Little (Chair), Driver, Jeraj, MacDonald, Makoff, Waters and Wright (J)

Also Present: Helen Devlin and Robert Murray of the Audit Commission

Apologies: Councillor Bremner

**1. MINUTES**

**RESOLVED** to agree the accuracy of the minutes of the meeting held on 23 November 2010 subject to item 3 – Internal Audit 2010/11 update being amended in the third paragraph to state 'Councillor Makoff questioned whether the use of the Oracle system should be reviewed in view of the ongoing problems which had been encountered with the system over a number of years'.

**Audit action plan**

The head of finance reported that the audit action plan was now included in the council's performance monitoring system. Performance reports would be submitted to scrutiny committee and cabinet on a quarterly basis and specific report on the audit action plan would be a regular item on the agenda of this committee.

**Appointment of chair**

The chair reported that he would not be seeking re-appointment in the 2011/12 civic year and had asked officers to present a report on the chairing of future meetings to the next meeting of the committee. The head of finance stated that the formal decision on the appointment of chair of the audit committee would be approved at the annual general meeting of the council.

**RESOLVED** to note the position.

## **Progress on the transition to IFRS**

The chief accountant updated the committee on progress on the transition to IFRS.

**RESOLVED** to note the position.

## **2. PROGRESS REPORT**

Helen Devlin, audit manager, audit commission, presented the report and in answer to a question, said that the delays to the certification of the housing benefits and new deal for communities claims would not delay the delivery of the audit plan.

**RESOLVED** to note the work completed to date and the work to be completed during the rest of the year for Norwich City Council.

## **3. BUSINESS CONTINUITY AND RISK MANAGEMENT**

Councillor Waters, cabinet member for resources, performance and shared services introduced the report and thanked members for changing the date of its meeting in order that he could attend for this item.

The director of regeneration and development presented the report and circulated supplementary information providing information on the business continuity arrangements in the council. The head of procurement and service improvement then answered questions concerning the business continuity plans which had been prepared for services in the council and business continuity planning for specific projects. The head of finance referred to the council's corporate risk register which included the analysis of specific risks relating to business continuity planning.

During discussion, Councillor Wright asked whether there were procedures for democratic oversight of the council's business continuity plans. The director of regeneration and development said that the plans were operational documents which would not normally be overseen at member level. The council's corporate risk register provided details of the overall risks to which the council was exposed but members were welcome to examine individual business continuity plans with officers if they required. Councillor Makoff questioned whether the specific business continuity plan for the services previously provided by CityCare was confidential and questioned how improvements could be recommended by members should a similar contractual situation arise again in the future. The director of regeneration and development said that the plans were exempt information but could be reviewed by members. He said that the main area of improvement recommended by the public protection manager concerned the need to distinguish levels of operational responsibility between the gold, silver and bronze levels within the business continuity process. The audit manager suggested that the work completed by the independent consultants to review the business continuity exercise could be considered by the committee at its next meeting as an exempt item. The chair proposed that it would also be helpful if members were able to approach officers on an individual basis to discuss the business continuity plans within the authority.

Councillor Jeraj then referred to complaints he had received from constituents concerning the repair work which had been delayed as a result of the contractor going into administration. He questioned how the progress on the outstanding work was being monitored. The head of housing property services explained that procedures were in place for checking the status of outstanding work and officers had ensured that all complaints were dealt with and work programmed for completion. The head of housing property services then answered further questions concerning the completion of repairs which had not been categorised as emergencies following the commencement of the business continuity procedures.

**RESOLVED to –**

- (1) note the actions taken by the council in relation to the withdrawal of a major service supplier as detailed in the report;
- (2) ask the audit manager to present a report to the next meeting on the council's independent consultants recommendations for improvements to the business continuity procedures;
- (3) ask the director of regeneration and development to arrange for officers to provide information on individual business continuity plans when requested by members.

**4. CORPORATE RISK MANAGEMENT REVIEW**

The head of finance presented the report and in response to questions he gave an indication of the probability ranges which could be applied to the risk scores identified. He referred, in particular, to the additional risk CR17A – failure of a major contractor - which had been added to the risk register and commented on the high risk scores applied to this risk in view of the current market conditions.

Discussion ensued during which Councillor Makoff suggested that the risks associated with peak oil and fuel shortages should be included within the risk register. The head of finance said that the committee could make recommendations to the cabinet concerning any additional risks proposed to be added to the register but commented that the direct cost of fuel was not a major issue for the council at present. The audit manager commented that the risks of variable energy prices were included within CR01 – public sector funding.

The chair also suggested that the risks of climate change should also be included within the risk register. Councillor Makoff commented on adaptations which the council could initiate in order to protect it from the local effects of climate change. The audit manager suggested that these issues could be addressed within the review of risk CR16 – environmental strategy.

Councillor Jeraj then questioned whether the new risk CR20 – level of reserves - should have been included within risk CR01 in view of the effects on the council's budget. The head of finance said that the risks to the council as a result of the level of its reserves were reported as part of the annual budget process.

The chair then referred to risk CR09 – maintenance of the housing stock - and questioned whether the council had taken into account the risks of maintaining its housing stock, particularly the omnia flats. The director of regeneration and development said that appropriate risk scores had been applied to the council's housing stock taking into account the limited resources available to the council.

**RESOLVED** to –

- (1) note the results of the review of key corporate risks and mitigation actions by the council's corporate management team; and
- (2) recommend to cabinet that:
  - (a) the corporate risk register should include the direct and indirect effects of peak oil and fuel shortages to the council in the short to medium term;
  - (b) the corporate risk register should include reference to climate change within the risks already identified or as an additional specific risk.

(Councillor Makoff left the meeting at this point)

**5. EXCLUSION OF THE PUBLIC**

**RESOLVED** to exclude the public from the meeting during consideration of item 6 below because it would disclose information relating to an individual as in paragraph 1 of schedule 12A to the Local Government Act 1972.

**\*6. REVIEW OF INTERNAL AUDIT FUNCTION**

The head of finance presented the report and answered questions.

(Councillor Waters left the meeting at this point)

**RESOLVED** to inform the cabinet of the following comments on the draft report on the review of the internal audit function –

- (1) the availability of specialist staff such as IT auditors should not be included as an advantage of the outsourcing option as IT audits were already outsourced by the authority;
- (2) the need to assist with issues arising from the external audit of NELM claims would continue regardless of which option was approved;
- (3) the number of audit days affected by the proposals should be amended to accurately reflect the number of staff impacted by the proposals;
- (4) the council should explore the possibility of utilising existing skills and providing further training within the in-house team prior to any external option for the provision of internal audit services;

- (5) should an external solution be preferred, the committee's preference for the outsourcing of work to a local government contractor be noted.

CHAIR