



AUDIT COMMITTEE

4pm – 6.25pm

17 January 2012

Present: Councillors Little (chair), Kendrick (vice chair), Driver, Jeraj, Sands (S), Makoff, Waters and Wright

Also Present: Rob Murray, district auditor (Audit Commission), Tony Poynton, principal audit (Audit Commission) and Helen Devlin, audit manager (Audit Commission)

1. MINUTES

RESOLVED to agree the accuracy of the minutes of the meeting held on 14 December 2011.

2. FINANCIAL STATEMENTS AUDIT 2010-11 – UPDATE / AUDIT OF ACCOUNTS

(The chair advised the committee that item 5 – financial statement audit 2010-11 and item 8 – audit of accounts on the agenda were essentially the same item and would be considered together)

(Copies of the draft statement of accounts for the year ending 31 March 2011 were circulated at the meeting)

The district auditor provided members with a brief update and said that they were working with council officers to resolve certain elements of the audit work including a large volume of changes to the accounts. Depending on timing, the district auditor would report an updated position to a subsequent audit committee or meeting with the Chair. The audit of accounts should complete within the next few weeks and would expect to receive unqualified status. He said that the majority of councils had been similarly affected by the issues caused by the new International Financial Reporting Standards (IFRS). Councillor Waters said that the IFRS had created a major piece of work and that the volume of work placed on officers and the Audit Commission should not be underestimated.

RESOLVED to note the update on the position of the 2010-11 audit of accounts.

3. STANDING ITEM – ANNUAL GOVERNANCE REPORT ACTION PLAN - UPDATE

(A revised version of the annual governance report action plan was circulated at the meeting)

In response to members' questions, the chief accountant provided an update on progress made on the recommendations and explained that there would always be areas for improvement. The deputy chief executive explained that the audit committee would receive an update on the action plan on a quarterly basis, which would incorporate any impact of the LGSS partnership. She also said that the year end close down process would be reviewed, to identify how it could be improved for next year.

RESOLVED to note the update on the annual governance report action plan.

4. FINANCIAL SERVICES RESOURCES

The deputy chief executive said that the arrangements with LGSS would help to provide greater resilience to the council's finance function. In the future, teams are likely to become smaller, and LGSS would be able to provide additional resource as and when required.

RESOLVED to note the update on the financial services resources.

5. INTERNAL AUDIT AND COUNTER FRAUD 2011-12 UPDATE

The audit manager presented the report. Two officers were working on issues raised following the completion of the New Deal scheme. This would need to be reviewed at the end of January 2012 and if the work was not complete, further internal audit work may need to be outsourced. It was unclear whether the Department of Communities and Local Government would be able to provide any funding to assist the council in recovering its costs. The chair suggested that a % resource target be set for year end, to satisfy requirements of external auditors. This would help to identify resource requirements for the year.

Councillor Kendrick suggested that future reports clarify that the work on the national fraud initiative included the illegal sub-letting of properties. The audit manager confirmed that the fraud team were proactively involved in the initiative. In response to questions from Councillor Driver, the audit manager said that prosecutions were used to retrieve overpayments but also as a deterrent to fraud. The internal target of 80 benefit sanctions and prosecutions would be reviewed.

Councillor Waters informed members that a recent newspaper article had focused on the council's level of overpayments. He was concerned that unless future information provided was contextualised, it could discourage people from claiming when they are entitled to.

In response to a question from Councillor Makoff, the deputy chief executive explained that the council was in the process of agreeing the service level agreement with LGSS, which would include performance standards. The audit

committee would be responsible for monitoring the performance of the council's finance service.

RESOLVED:-

- (1) to note the progress on the internal audit and counter fraud plans;
- (2) to request that the audit manager include additional information on future reports, specifically the frequency of errors and the impact on those receiving overpayments; and
- (3) that the head of finance discuss and agree with the Audit Commission, an appropriate % resource target to be set regarding the level of audit work required to be achieved by year end.

6. RISK MANAGEMENT STRATEGY

The audit manager presented the report and highlighted the main amendments to the strategy. Councillor Waters said that the council would need to assess the risks of its partners including LGSS and Norfolk Property Services (NPS) to ensure that partners were working to the same standards.

In response to a question from Councillor Driver, the audit manager explained that a £10,000 sum was included in the Zurich fee to cover training, consultancy, etc. This had been used in the past to provide risk management training for members and senior management. Although the report did not contain the details of such training, it would be included in the service plans, team plans or 1-2-1 meetings between a manager and individual employee.

Members discussed the need for the risk management strategy to include a classification of timescales for short, medium and long term risks. The deputy chief executive said that in general, the corporate risk register would focus on risks to which the council can influence / directly control, and those risks that impact upon the delivery of the corporate plan.

Councillor Makoff was concerned that the categorisations of risks were based around value judgements and that members should be involved in deciding these. The deputy chief executive suggested that a workshop be arranged, through Zurich, for audit committee members to further discuss the above issues.

RESOLVED:-

- (1) to note the council's updated risk management strategy;
- (2) that the audit manager consider inclusion of the classification of timescales (short, medium and long term) risks and the provision of wider contextual information into the risk management strategy; and
- (3) that the audit manager arrange a workshop, facilitated by Zurich, for audit committee members to discuss the risk management strategy and the categorisation of risks.

7. REVIEW OF CORPORATE RISK REGISTER

The deputy chief executive said that work was starting on the corporate risk register for 2012-13, which would need to consider certain policy changes and the financial situation. In response to a question from Councillor Driver regarding the risk of a contractor going into administration, she said that business continuity plans were in place for each contractor.

RESOLVED to note the update on the corporate risk register and the ongoing work of officers.

CHAIR