

Audit committee**16:30 to 17:15****17 November 2015**

Present: Councillors Neale (chair), Wright (vice chair), Bradford, Harris, Boswell, Howard and Kendrick

Apologies: Councillor Driver

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes**Item 7, Internal audit 2015-16 – June to August update**

The chief finance officer referred to the minute relating to the agreement that had been made with the county council to fund the review of council tax single person discounts and explained that the county council would be funding 70% of the costs for this exercise. A footnote would be added to the minutes to this effect for clarification.

RESOLVED to approve the accuracy of the minutes of the meetings held on 22 September 2015, subject to the addition of a footnote to clarify the county council's contribution to the funding of the review of council tax single person discounts.

4. Annual audit letter

The chief finance officer introduced the report and the external auditor presented the annual audit letter. In accordance with best practice, the letter had been circulated to all members of the council and published on the council's website by 31 October 2015. The committee was advised that changes to accounting and auditing arrangements which could impact on the council's production of its financial statements. The main challenges were changes in accounting for highways network

assets and the earlier deadline for the production and audit of the financial statements from 2017-18.

During discussion a member referred to the council's medium term financial strategy (MTFS) and the significant financial challenges that it would face over the next three to four years as sources of external funding were reduced. He commented on the council's approach to the future government funding and phasing out the New Homes Bonus from its formula funding by 2019-20 and asked how the compulsory 1% reduction in social housing rents over the next four years would fit into this timeframe. The chief finance officer said that she considered that there was some flexibility to absorb the loss of revenue from the 1% rent reduction and she would be discussing this with the external auditors. However, these were uncertain times and the full implications of the Housing and Planning Bill 2015 had not been determined. The external auditor advised the committee that it was the role of external audit to ensure that the council had appropriate arrangements in place.

RESOLVED to receive the annual audit letter from the council's external auditors.

5. Risk management report

The internal audit manager (LGSS) presented the report.

During discussion on the risk register, the chief finance officer said that risk no 8, housing investment, would be reviewed following the outcome of the Housing and Planning Bill 2015. The internal audit manager advised members that the head of planning services had recommended that the residual risk score for risk no A6, Joint Core Strategy (JCS) was increased by a point but the overall residual score still remained as amber. The head of HR and learning considered that the likelihood of industrial action had increased, and this was reflected in the changes, but the overall score was still amber.

Councillor Wright, as chair of scrutiny committee, referred to risk no B2, income generation, and said that the independent review of income generating opportunities should not duplicate the work of the scrutiny committee's income generation task and finish group. The chief finance officer said that the independent review would comprise reviewing ideas other local authorities in the UK had made and not radical and untried measures. The review would feed into the scrutiny committee's task and finish group.

The chair asked whether the implementation of an interactive self-service website would reduce the inherent risk of risk no A1, customer demand and was advised that it was one of the actions that helped achieve the amber score of the residual risk.

A member said that community infrastructure levy (CIL) payments were dependent on the delivery of the JCS and therefore if it was not delivered it would generate less CIL. The chief finance officer advised the committee of the arrangements in mitigation of this risk and said that the element controlled by the city council for small capital schemes would be allocated on a priority basis and regularly monitored to ensure that the funding was not overcommitted. The committee noted the council provided all its heads of service with commercial skills training.

A member asked for clarification on the reference to Bethel Street, under risk no B2, income generation. The chief accountant explained that this related to an arrangement, dating from 1968, where the council would need to compensate the police at full market value if it required them to vacate the police station. The risk was under review and might be removed from the risk register.

RESOLVED to endorse and recommend to cabinet that it approves the proposed amendments to the corporate risk register and risk management policy.

6. Internal audit 2015-16 internal audit plan

The internal audit manager (LGSS) presented the report.

Councillor Boswell referred to the report, and thanked the internal audit manager for following up his query regarding the council's compliance with the Public Sector Network (PSN) code. Discussion ensued, in which members considered the council's current arrangements for digital data storage and whether this should be reviewed to include accredited cloud storage as well as on local servers. The internal audit manager said that this could be reviewed and considered as part of the council's business continuity process.

The chair referred to the audit plan and explained that it was normal practice for the internal audit team to conduct the audit of the financial systems in the last quarter. The internal audit manager said that the audit of housing rents was the exception as the work was intended to be completed before Christmas. The rest of the financial systems were audited in the last quarter because there would be more data from the year to sample.

In reply to a member's question, the internal audit manager explained that he had underestimated the allocation on the internal audit plan for contingencies including the completion of the internal audit plan for the previous year.

RESOLVED to note the:

- (1) work of internal audit between September and October 2015;
- (2) progress on the internal audit plan;
- (3) latest counter fraud developments.

7. Local government audit committee briefing

The committee noted that the council had introduced a living wage for its employees and required its contractors, through its procurement procedures, to pay a living wage, and was ahead of the government's legislation. Members noted that the introduction of a national living wage would have a big impact on county and unitary authorities that were care providers.

RESOLVED to receive the Local Government Audit Committee briefing note for November 2015.

CHAIR