



Audit committee

16:30 to 17:15

20 September 2016

Present: Councillors Price (chair), Harris, Jones (B), Schmierer, Stonard and Thomas (Vi)

Apologies: Councillors Wright (vice chair), Driver and Kendrick

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

Councillor Harris declared an other interest in item 5 (below), Statement of Accounts 2015-16 because she represented the council as a director of Norwich Norse (Building) Ltd.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 28 June 2016.

4. Annual Governance Statement 2015-2016

(Apologies had been received from the head of internal audit (LGSS).)

The principal audit manager (LGSS) presented the report and explained the minor updates to the Annual Governance Statement (AGS) shown as tracked changes in the final report.

In reply to a member's question for clarification, the principal audit manager explained that the annual governance statement was for the financial year 2015-16 and therefore it reflected the council as it was then. For instance in 2015-16, the deputy leader was a member of the Norfolk Health and Wellbeing Board but was not the council's representative in the current financial year.

The chair referred to the committee's discussion at its last meeting and confirmed that the committee was satisfied with the amendments.

The chief finance officer advised the committee that that the chief executive and the leader of the council were responsible for signing the annual governance statement following approval by the audit committee.

RESOLVED to approve the Annual Governance Statement 2015-16.

5. Statement of Accounts 2015-2016 (part 1)

(Councillor Harris had declared an other interest in this item.)

The chief finance officer introduced the report and suggested that the committee deferred consideration of the recommendation until it had reviewed the external auditor's Audit Results Report and draft letter of representation, as set out in the following agenda item.

The committee had considered the draft statement of accounts at its June meeting.

RESOLVED to defer further consideration of the Statement of Accounts 2015-16 until consideration of item 6 (below), Audit Results Report 2015-16.

6. Audit Results Report 2015-16

The external auditor (director, Ernst & Young) presented the Audit Results Report 2015-16 report and confirmed that the audit had been completed and that there was nothing outstanding. He thanked the chief finance officer and her team for their assistance for what had been "a good audit with very few issues".

During discussion the external auditor, together with the chief finance officer and chief accountant (and deputy 151 officer) (LGSS), referred to the report and answered members' questions.

Members noted that there had been a delay in the submission of key supporting working papers at the start of the audit and the external auditor's recommendation that management should review the current closedown timetable and the associated responsibilities for preparing the supporting records to the statement of accounts and the need to factor in the earlier reporting deadlines in respect of the 2017-18 financial statements. In reply to a question, the chief accountant explained that the work had been carried out but due to an oversight it had not "pressed the button" to send it to the external auditors and that it would be diarised and not an issue next year. The chief finance officer said that the finance team was aware of the earlier reporting deadlines and would ensure that they were prepared for that when closing down the accounts.

A member sought clarification on the assessment that Norwich Regeneration Ltd would fall within the council's group boundary and that consolidation would be required in future years. The chief finance officer said that it would be relatively easy to consolidate Norwich Regeneration with the council's financial statements but pointed out that this would add to the external auditor's work.

The chair said that he considered that the results report was a relatively good report with no major concerns. He said that he noted the external auditor's comments on

value for money and risks to the council's ability to achieve savings required over the longer term for the general fund and housing revenue account (HRA) and that other councils were also in this position.

In reply to a question from the chair, the chief finance officer explained that the council was making progress in the acquisition of a financial system, including a fixed asset system. This would resolve the issues of weaknesses in maintaining the current asset register.

The chief accountant explained that the corrected audit difference in Appendix A related to an error in classification of money being held for the housing company from long term to short term.

The committee noted the letter attached as Appendix 2.

RESOLVED to:

- (1) note the external auditors' audit results report 2015-16;
- (2) approve the draft letter of management representation presented at Appendix 2 of the audit results report 2015-16.

7. Statement of Accounts 2015-2016 (part 2)

The chair commented that the committee had considered the statement of accounts initially at its June meeting. He considered that the accounts were very well laid out and with no further comments from members, it was:

RESOLVED, to approve the statement of accounts 2015-16 and delegate to the chief finance officer, in consultation with the chair, the signing of the accounts by 30 September 2016.

8. Internal audit 2016-17 – April to September update

The principal audit manager introduced the new style report and invited feedback from members. He gave a detailed presentation of the report and confirmed that from the internal audit work during the period, there were no concerns to report to committee at this time. Referring to Appendix A – Internal audit plan, he explained that the status for the audit of council tax for 2016-17 was "open" and for the audit of 15-16 "closed".

The chair referred to section 2, Fraud and corruption update and said that he was reassured that no issues had come forward and that the campaign to raise awareness of the issue of fraud and poster campaign was good practice. The principal audit manager answered questions on the proposed counter fraud policies and explained that money laundering was unlikely to be a big concern for the council but it was good practice to have policies identify any exposure to risk. The council's whistleblowing and anti-fraud and corruption strategies were last published in 2009. The chief finance officer said that the review reflected changes to legislation, such as the Bribery Act 2010, and good practice.

During discussion the principal audit manager explained that cross-cutting looked across teams rather than within directorates, and was a more modern approach and reflected how teams worked together across the council.

RESOLVED to note the report.

9. External audit appointment

The principal audit manager and the chief finance officer presented the report and explained the implications of each option. The chief finance officer advised members that an audit panel would carry out the work of tendering for external auditors and then make a recommendation to the council. The council would be required to make the decision on the appointment of the external auditors but would need to explain if it did not accept the recommendation of the audit panel.

During discussion members considered that an opt-in to a sector led body would be the most cost effective and efficient option. The chair said that the advantages of being part of a wider collective outweighed the disadvantages of elected members having less opportunity for direct involvement in the appointment process other than through the Local Government Association and/or stakeholder representative groups

RESOLVED, unanimously, to recommend to cabinet that option 3 – opt-in to a sector led body be progressed.

CHAIR