



MINUTES

AUDIT COMMITTEE

4.30pm to 6.20pm

20 November 2012

Present: Councillors Little (chair), Wright (vice chair), Barker, Haynes, Neale and Waters (from item 3)

Apologies: Councillors Driver and Manning

1. INTRODUCTION

Rob Murray, director (Ernst & Young) introduced Carl Pettitt, audit manager (Ernst & Young) to the committee.

2. MINUTES

The committee considered Councillor Manning's comments on the minutes of the previous meeting and whilst concurring that the minutes did not need to be amended, the chief executive offered to arrange a written response.

RESOLVED to agree the accuracy of the minutes of the meeting held on 15 October 2012, subject to item 3, Statement of accounts 2011-12, inserting a sentence to the end of the second paragraph as follows:

"Members pointed out a few typographical errors and anomalies which needed to be corrected in the final statement of accounts."

3. REVIEW OF THE CORPORATE RISK REGISTER

The audit manager (LGSS) presented the report on behalf of the head of audit, risk and insurance (LGSS) and together with the chief executive answered members' questions.

During discussion Councillor Neale said that he supported the division of CR01 public sector funding and new corporate risk CR27 income generation which he considered to be essential, and that income generation was a high risk. Members were advised that given the volatility of the markets CR27 would be monitored and the level of risk reviewed.

The audit manager pointed out that text had been omitted from the report in relation to CR21 safeguarding children and vulnerable adults and equalities duties which had

been updated to include “contract management responsibilities and other mitigation to develop and deploy a contract and business management toolkit”. Discussion ensued and the chief executive explained that whilst council officers understood the actions to be taken for safeguarding children and vulnerable adults, the introduction of the toolkit ensured that the council’s contractors understood the obligations and addressed the level of risk that had been identified.

The committee then discussed CR08 customer demand and it was noted that this encompassed a broad area and was continuous work in progress. Members also considered that the changes to its business operating model and management arrangements would mitigate against the failure of a major contractor (CR17 contract management). It was also noted that with **fewerless** contracts available, unsuccessful contractors were more likely to challenge the procurement process and therefore CR17a was a greater risk. The increasing use of shared services with other public services or owned companies reduced the use of private companies and mitigated against this risk.

The chair said that he considered that climate change was a major risk factor and was identified as a risk on the corporate risk registers of a number of local authorities, including Stoke, Cardiff, Exeter, Brighton, Bournemouth and Weymouth. The chair suggested that it was appropriate to group the measures that the council was taking to address the effects of climate change in one place and that he considered that this should be on the corporate risk register and had requested this previously. Discussion ensued in which the chief executive and the audit manager referred to many of the council’s activities to address the effects of climate change which were included in the council’s environmental strategy; financial inclusion strategy and its emergency planning strategy. The effect of climate change was a long term major issue facing the authority but did not fit into the short term corporate plan and the corresponding corporate risk register. Members were advised that the audit committee and the cabinet could ask for the effects of climate change to be included on the corporate risk register but that it was a political decision. During discussion Councillor Waters suggested that the sustainable development panel discussed what the council did as a local authority to address climate change and where it might need to work in partnership with other bodies. Councillor Wright suggested that it was an issue for further debate and that cabinet should be called on to consider inclusion of the effects of climate change on the corporate register.

Councillor Little (chair) then moved and Councillor Neale seconded that the audit committee recommended to cabinet that the effects of climate change should be included as a category on the corporate risk register.

RESOLVED:

- (1) with 4 members voting in favour (Councillors Little, Neale, Wright and Haynes) and 2 members abstaining (Councillors Barker and Waters) to recommend to cabinet that the effects of climate change are included as a risk on the corporate risk register;
- (2) note the changes to the register as a result of the review of the corporate leadership team (CLT).

4. WORK OF THE INTERNAL AUDIT AND FRAUD TEAM

The audit manager (LGSS) presented the report on behalf of the head of audit, risk and insurance (LGSS).

Councillor Waters referred to the assurance work on the provision market and pointed that some of the issues were a legacy from the refurbishment and a supplier going out of business. He also confirmed that following the transfer of the investment property portfolio to NPS the managing director was ensuring that good progress was made against the internal audit action plan and suggested that there was a presentation to the audit committee to a future meeting.

During discussion the audit manager referred to the report and answered members' questions. He explained that the council's caseload in relation to benefit fraud investigations had fallen as a result of changes implemented by the Department of Work and Pensions. Progress on the Civica customer contact IT system would be reported to the next meeting of the committee.

Discussion then ensued on the national fraud initiatives (NFI) and how this work was resourced. The county council had provided a member of staff to carry out the investigations in relation to single person dwellings (SPDs) on a temporary basis. The city had a high number of SPDs and the work was part of a wider ongoing review. The chief finance officer said that in Cambridgeshire an independent company had been engaged to conduct this work and that the revenue raised had been sufficient to cover the fees. The city council could consider this as a potential way in delivering this service.

In response to a question from the chair, the audit manager explained that rather than review the council's current antifraud policy, the transfer to shared services with LGSS gave an opportunity to adopt a common policy which would be considered by the council's corporate governance group before being referred to the audit committee for approval.

RESOLVED to note the:

- (1) progress on the internal audit plan;
- (2) progress on the actions being taken as a result of internal audit assurance reviews as set out in the annual governance statement;
- (3) work of the fraud team;
- (4) the latest position on the national fraud initiative (NFI).

5. EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the items *6 below on the grounds contained in the relevant paragraphs of schedule 12A of the Local Government Act 1972 (as amended).

***6. CLOSURE OF ACCOUNTS – GRANT FUNDED SCHEME (PARA 3)**

The chief finance officer presented the report and, together with the chief executive, audit manager and the director (the former district auditor), Ernst ~~&~~and Young, answered members' questions and gave assurances on the internal and external audit of these accounts.

During discussion the chief executive offered to arrange a meeting for local councillors to discuss the financial settlement in respect of this scheme. She also said that she would discuss with the monitoring officer whether the report which formed the background document could be made available to members of the committee.

RESOLVED to note the resolution of outstanding financial matters relating to the accounts of the grant funded scheme as agreed between Norwich City Council and the Department of Communities and Local Government.

CHAIR