



NORWICH
City Council

MINUTES

AUDIT COMMITTEE

4.30 pm – 6.45 pm

10 July 2012

Present: Councillors Little (Chair), Barker, Driver, Haynes, Manning, Neale and Waters and (Ackroyd – Sub for Wright)

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

Apologies: Councillor Wright

1. APPOINTMENT OF VICE CHAIR

RESOLVED to appoint Councillor Wright as vice-chair for the ensuing civic year.

2. MINUTES

RESOLVED to agree the accuracy of the minutes of the meeting held on 20 March 2012.

3. TERMS OF REFERENCE

Members received the terms of reference for the audit committee. The committee was the responsible body for reviewing audit and corporate governance arrangements including the approval of the annual statement of accounts.

Members commented that for consistency, the terms of reference required a few refinements to take into account amended terms and names of documents.

RESOLVED to:-

- (1) note the terms of reference
- (2) ask the Head of Law and Governance ensure that the terms of reference are updated, so that they align to the names of the documents that the audit committee receive.

4. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT

2010-2011

Helen Devlin, Audit Manager presented the report Which showed that all 2010/11 claims work was complete.

The Audit Commission was required to give a certificate and that certificate may refer to a qualification letter where there was disagreement or uncertainty, or if the council had not complied with the scheme terms and conditions, under section 28 of the Audit Commission Act 1998.

Members were informed that the council's overall control environment for producing grant claims had been maintained or improved in some instances. There were potential improvements that could be made which had been highlighted in the District Auditor's report.

RESOLVED to note the District Auditor's annual report on certification of claims and returns.

5. ANNUAL AUDIT LETTER – AUDIT 2010 - 2011

Rob Murray presented the Annual Audit Letter for the 2010 – 2011 audit.

The council had accepted the recommendation in the report that robust arrangements be put in place for the production of the 2011 – 2012 financial statements, to meet statutory requirements and international financial reporting standards.

The overall conclusion of the District auditor with regard to value for money was that the council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

RESOLVED to note Audit Commission's Annual Audit Letter 2010/11

6. AUDIT COMMITTEE UPDATE 2011 – 2012

Rob Murray presented the report and gave an overview of key emerging national issues and developments.

In response to questions, members were informed that the chief financial officer had sent regular updates to the auditors on internal close down arrangements for the 2011 to 2012 financial statements. The draft audit plan was issued by the external auditors to the chief finance officer in June 2012. Regarding the value for money conclusion it was hoped that this work would be completed by 30 September 2012.

Members were informed that when the external audit contract for the Eastern region was transferred to Ernst and Young, there would be continuity with audit commission staff being transferred over. Members received assurances on measures that would be in place to keep the council on track with auditing of accounts.

RESOLVED to:-

- (1) note the report on progress in delivering external audit responsibilities
- (2) ask the District Auditor to include covering reports on future reports

7. AUDIT PLAN 2011- 2012

Rob Murray presented the Audit Plan 2011/12 and explained that the audit of the accounting statements will be carried out in accordance with international standards on auditing (UK & Ireland) issued by the auditing practices board. The role of the external auditor was to issue an audit report on whether the accounts give a true and fair view.

Risks and the audit response were outlined in the report. The 2010 – 2011 audit was protracted because of the number of audit issues arising. He considered that there was a risk that the council would miss the audit deadline of 30 September, 2012 and that a decision made by the auditor would have to be taken in that event to defer the audit until November to be undertaken by Ernst and Young.

In response to members questions he explained that he would need to decide whether he had enough assurances over the quality of the financial statements and working papers by the end of July 2012. A view could then be taken on whether or not to continue the audit or have it deferred until November so that it could be carried out and completed under the contract with Ernst and Young.

Regarding further questions on how Ernst and Young's approach may differ from that of the Audit Commission, he said that data analysis techniques would be likely to add value to the audit process for local authorities.

RESOLVED to note Audit Plan 2011/12.

8. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2012

Caroline Ryba, Chief finance officer presented the statement of accounts which were unaudited and work in progress. The intention of presenting the statement to the committee at this stage was to provide an overview of where the work had progressed to date and for members to comment on the document.

Members welcomed receiving the document which helped in providing them with a broad overview of the council and the city and served as an excellent reference point that could assist in all areas of members activities.

Due to the wide ranging and cross cutting nature of the statement of accounts, members said it would be useful to receive training in the use of the document.

RESOLVED to :-

- (1) note the draft statement of accounts
- (2) note that negotiations were still underway regarding the termination of the steria contract and any further developments and outcomes will

need to be reflected in the final accounts and reported to the audit committee

- (3) ask the Chief Finance Officer to arrange training for the audit committee, in the use of the statement of accounts document, prior to the next meeting
- (4) thank the officers involved in meeting the 30 June 2012 deadline for the production of the Council's 2011/12 financial statements.

9. ANNUAL REPORT ON INTERNAL AUDIT AND FRAUD 2011 - 2012

Steve Tinkler, Head of audit and risk management, LGSS presented his report on the work of the internal audit and fraud team for 2011 to 2012 and the overall adequacy and effectiveness of the internal control environment.

In response to members comments, Steve Dowson, Audit manager gave assurances on the adequacy of resource provision in carrying out internal audit work. Also, work was being carried out on resolving issues regarding NELM for the period when the council was the accountable body.

Members welcomed the work carried out in looking at the fraud including identifying cases of benefit fraud.

RESOLVED to:-

- (1) note the annual report on internal audit and fraud 2011 – 2012
- (2) ask the Head of audit and risk management, LGSS to provide quarterly internal audit reports to the audit committee in future

10. ANNUAL GOVERNANCE ARRANGEMENTS

RESOLVED to approve the draft annual governance statement for 2011 – 2012

11. INTERNAL AUDIT AND FRAUD TEAM 2012 – 2013 UPDATE

The progress being made with the internal audit plan for 2012 – 2013 and the fraud work being undertaken by the fraud team, along with the council's submission to the Audit Commission's fraud survey, was considered by the audit committee. In doing so it was;

RESOLVED, having considered the report of the Head of audit and risk management, LGSS, to note the:-

- (1) progress on the internal audit plan
- (2) work of the fraud team
- (3) council's response to the audit commission's fraud survey

12. REVIEW OF CORPORATE RISK REGISTER

Head of audit and risk management, LGSS presented his report on which updated members on the results of the review of the key risks on the corporate register. Members commented on the mitigating actions of the corporate leadership team that were documented in the register.

Some members considered that whilst environmental risks were catered for under business continuity arrangements, future consideration was required regarding reflecting environmental risks in the corporate risk register.

The chair said he would like the Audit committee to be able to take a closer look at environmental risks and the risk register at a future meeting.

RESOLVED to note the changes to the corporate risk register as a result of the review by the corporate leadership team.

CHAIR