



Audit committee

5.10pm to 6.05pm

22 July 2014

Present: Councillors Neale (chair), Wright (vice chair following election), Boswell, Bremner, Harris, Kendrick , Little and Waters

1. Appointment of vice chair

Councillors Kendrick and Wright were nominated for the position of vice chair.

RESOLVED, on the chair's casting vote, to appoint Councillor Wright as vice chair for the ensuing civic year.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 11 March 2014.

4. Annual audit committee report 2013-14

Councillor Little, the former chair presented the report, and said that it demonstrated that the audit committee added value to the audit process and would be of interest to other members.

During discussion the chief finance officer and other members commended Councillor Little for his work in producing the first annual report.

RESOLVED to recommend that council adopts the Annual audit committee report 2013-14 at its meeting on 22 September 2014.

5. Statement of accounts 2013-14

The chief accountant (LGSS) presented the report. She apologised for the formatting of appendix 2 – Balance sheet changes and confirmed that gridlines could be displayed so that the tables were easier to read.

Councillor Little referred to the balance sheet on page 41 of the statement of accounts and said references to the explanatory paragraphs should be added to the "Notes" column of the table in respect of "Long term borrowing" (paragraph 16) and "Other long term liabilities" (paragraph 43). He also suggested that there needed to

be an explanation of the council tax reduction scheme (introduced in 2012) in paragraph 11. He also requested further explanation in paragraph 14, Investment properties and an explanation on the increase in short term banking rather than long term banking. The chief accountant said that she would look into the details. She also agreed to review the explanatory text in relation to paragraph 31 and the tables showing Directive income and expenditure for 2013-14 and 2012-13 so that it was more understandable.

Councillor Boswell referred to the bullet point on the reduction of pollution levels in air quality (paragraph 9, Sustainability reporting) and that he considered that the council's transportation policy did not lead to a reduction in carbon emissions and should be deleted from the Statement of accounts. Analysis by the county council indicated that the proposed Northern distributor road (NDR), a key feature of the Norwich area transportation strategy (NATS), would increase carbon emissions from transport in the city and the county in the future. Discussion ensued in which other members rejected this view and said that they considered the reference in the council's Statement of accounts was a neutral record of the council's position at a given moment in time and the NDR had not yet been built. The city council supported the Norwich area transportation strategy (NATS) which had made a difference to air quality and a reduction in carbon emissions in the city. It was also noted that the council's corporate plan was committed to improve air quality and reduce carbon emissions.

In reply to a question, the chief accountant explained that community infrastructure levy funding was shown as credit on the balance sheet and would be inactive until it was allocated to a project. This was unlike S106 funding which was allocated to specific schemes at the point of receipt. The chief accountant undertook to respond to questions from the committee on the following issues: an explanation of server virtualisation, the proposed dates for the production of phase 2 of the carbon management plan and the definition of Housing non-council costs.

RESOLVED to:

- (1) receive the formal unaudited draft statement of accounts for 2013-14;
- (2) ask the chief accountant to review the text with reference to the points raised by the committee and minuted above;
- (3) ask the chief accountant to circulate a respond on the following issues:
 - (a) what is service virtualisation? (subsequent response: Server virtualisation allows for more than one server to operate on the same piece of hardware. Therefore reducing the number of servers the council needs and therefore reducing energy consumption (heat and electricity);
 - (b) what are the proposed dates for the production of phase 2 of the carbon management plan? (subsequent response: Cabinet approved the carbon management plan on 5 February 2014 for the next 5 year period);
 - (c) what is "Housing non capital"? (subsequent response: This includes any housing related cost that are not included in the Housing revenue account (HRA) including housing benefit, private sector housing, homelessness, rough sleeper, choice based lettings, strategic development.

6. Annual audit and certification fees letter 2014-15

The external audit manager (Ernst & Young LLP) introduced the annual audit and certification fees letter and answered members' questions. There would be no additional costs arising from the correspondence with a member of the public.

RESOLVED to note the content of the external auditor's annual audit and certification fees letter dated 29 April 2014 and the work that they propose to undertake for the 2014-15 financial year's accounts.

7. Draft annual governance statement 2013-14

The internal audit manager (LGSS) presented the report. He proposed that an additional sentence be added to part 3, The governance framework, under the paragraph on the audit committee, to reflect that in line with good practice that a report on the work of the audit committee 2013-14 had been considered by the audit committee at its meeting on 22 July 2014 and would be presented to full council on 23 September 2014.

Discussion ensued in which the audit manager answered members' questions. He explained that the head of citywide services had requested an audit of the brown bin scheme (garden waste collection) and that the billing had gone ahead in February 2014 without any issues. There would be a follow up report on next year's billing run.

A member referred to the revenues and benefits service where there had been significant audit issues which had been considered in detail by both the scrutiny and audit committees and whether this should be referred to in the annual governance statement. The internal audit manager said that the external auditors had considered that this did not require a specific reference in the annual governance statement for 2012 to 2013 and had taken the same view for this year.

In reply to a suggestion the annual governance statement should refer to opposition members being present at informal meetings between cabinet members and officers, the internal audit manager said that the format of the annual governance statement followed guidance on the good practice. The various committees of the council were mentioned and it was implicit that members from the opposition groups contributed to the work of the council. Councillor Waters pointed out that it was the council's practice to elect the chairs of the scrutiny and audit committees from the minority groups.

RESOLVED, having reviewed the effectiveness of the council's governance arrangements, to approve the draft annual governance statement for 2013-14.

8. Internal audit and fraud team 2013-14 – February to March update

The head of internal audit and risk management (LGSS) presented the report and, together with the internal audit manager, explained the internal audit process. Members were advised that each audit was followed up by a review to check that agreed actions arising from the audit were completed, which would be reported to the committee. A role of the committee was to invite managers to explain non-compliance of agreed actions. This would give a strong message throughout the

authority. Members considered that a letter from the committee should be sent to the responsible manager of the Norman Centre to ensure that actions were implemented in accordance with the agreed revised timetable of actions.

During discussion the committee considered the sanctions available against fraudulent benefit claims and that there were no sanctions taken against officers.?? Many of the cases were due to customers not informing the authority of a change of circumstances. The increase in resources resulted in more benefit cases being identified for investigation. There would be further reports to the committee on housing benefits. LGSS was addressing the backlog of ICT audits and was in the process of appointing a specialist ICT auditor. Members were advised that there would be a follow up report on the outstanding issues for the Oracle financial IT system. A member cautioned that the issue of licensing should be addressed with expedience.

The internal audit manager explained how internal audits were included in the plan. The head of citywide services had asked for the audit of the garden waste collection scheme (brown bins). The internal audit manager attended business management groups and could identify unplanned audit work and was involved in project teams to ensure that systems were developed with good governance arrangements. The audit plan was discussed with the external auditors to ensure that work was not duplicated.

RESOLVED to:

(1) note the:

- (a) Work of internal audit between February and the end of March 2014;
- (b) Progress against the internal audit plan;
- (c) Work of the fraud team in 2013-14;
- (d) Latest position on the National fraud initiative (NFI)

(2) write to the leisure and sports development manager to ensure that actions following the audit of the Norman Centre are completed in accordance with the agreed timetable of actions.

9. Annual audit report on internal audit and fraud 2013-14

The head of internal audit and risk management (LGSS) presented the report and together with the internal audit manager, answered members' questions.

During discussion members noted that there had been a delay in progressing the recommendations from the audit of the council's emergency planning service due to a change of manager following the audit. There was ongoing work on business continuity and one of the issues being progressed was the resourcing of laptops with secure internet access to be used in an emergency. On 25 June 2014, cabinet had approved the business continuity management policy and framework which would be implemented with the support of the corporate leadership team. In response to a question from the chair, the head of internal audit and risk management said that the committee would receive further reports on the progress of the emergency planning audit as it was completed. Members were also advised how the assessment of

business continuity was scored against British Standards and that the check list would be reviewed and a new score given as progress was made.

In reply to a question, the internal audit manager explained that the improvements to the pool cars related to the need to clarify who was responsible for the management of the tracking system fitted to the cars and the administration of checking fuel cards against invoices. The business management group would be discussing these issues and the outcome would be reported to the next meeting of the committee.

The head of internal audit and risk management confirmed that he would ensure that the resources were used effectively to conduct the audit plan for Norwich.

RESOLVED to receive the annual audit opinion and note the work of the internal audit and the fraud team for 2013-14.

10. Internal audit 2014-15 – 1st quarter update

The head of internal audit and risk management (LGSS) presented the report.

During discussion the head of internal audit and risk management, together with the internal audit manager answered members' questions. Members were advised that the audit work plan included some contingency and that resources would be reviewed as the work progressed.

Members were advised that tests on the Oracle purchasing system were almost complete.

Discussion ensued on the potential of data matching to reveal cases of fraudulent subletting of tenancies. The fraud team leader was working with housing officers to raise awareness.

RESOLVED to note:

- (1) the work of the internal audit between April and June 2014;
- (2) the progress on the internal audit plan;
- (3) the council's response to the Audit Commission's fraud survey 2013-14.

11. Review of corporate risk register

The internal audit manager (LGSS) presented the report.

During discussion, the internal audit manager, together with Councillor Waters, cabinet member for resources, answered members' questions. Discussion ensued on the measures in place to mitigate against the risks of public funding being withdrawn. Members were advised that cabinet received regular revenue and capital budget monitoring reports.

A member suggested that B2, income generation, reflected existing income streams and reflected new forms of income generation. Councillor Waters said that all proposals were tested against business plans and projections and the risk included in the register.

RESOLVED to note the corporate risk and the key controls in place and further actions planned to mitigate risks.

12. Local Government Audit Committee briefing

RESOLVED to receive the external auditor's Local government audit committee briefing dated June 2014.

CHAIR