



Audit committee

16:30 to 18:15

23 June 2015

Present: Councillors Neale (chair), Wright (vice chair, following appointment), Bradford, Driver, Harris, Henderson (substitute for Councillor Boswell), Howard and Kendrick

Apologies: Councillor Boswell

1. Appointment of vice chair

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

2. Public questions/petitions

There were no public questions or petitions received.

3. Declarations of interest

There were no declarations of interest.

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 17 March 2015.

5. Statement of accounts 2014-15 – Extraordinary meeting

The chief finance officer confirmed that she would authorise the Statement of accounts 2014-15 for submission to the external auditors by the statutory deadline of 30 June 2015. It had been the intention to bring the unaudited Statement of accounts to this committee for consideration. This had not been possible and therefore it was proposed to hold a separate meeting in early July for this purpose. It was good practice for the committee to comment on the unaudited accounts.

RESOLVED to:

- (1) hold an extraordinary meeting of the committee on Tuesday, 7 July 2015 at 16:30;
- (2) note that members may also email comments on the unaudited Statement of accounts to Philippa Dransfield, the chief accountant,

(philippadransfield@norwich.gov.uk) if they cannot attend the meeting.

6. Annual report of the audit committee 2014-15

The chair introduced the annual report of the audit committee and proposed that the last the last sentence in paragraph 10 be deleted and replaced with the following:

‘References in the Statement of accounts are a neutral record of the council’s position at a given moment of time and the corporate plan states the council’s commitment to improve air quality and reduce carbon emissions.’

He also pointed out that a typographical error in paragraph 6 should be amended by deleting “concerned” and replacing it with “concern”.

RESOLVED to approve the Annual report of the audit committee 2014-15, as amended above, and recommend it to council for adoption.

7. Draft annual governance statement 2014-15

The internal audit manager (LGSS) presented the report and referred to the supplementary report circulated at the meeting which set out amendments to the draft annual governance statement (AGS).

Discussion ensued on the significant issues which had been listed in the external auditors’ audit letter 2013-14 and whether these had been sufficiently addressed for the external auditor to issue an unqualified opinion on the financial statements and value for money opinion for 2014-15. In reply to a question, the chief finance officer gave assurance on the progress of the implementation of a new financial IT system and said that she expected that a fixed asset register would be in place within 18 months.

The committee considered the financial challenges facing the council because of cuts to public sector funding. The committee noted that some NHS trusts would be receiving a qualified value for money opinion from the external auditors and that no local authority could be complacent. The chair said that the council was aware of the risks to its financial position and service delivery caused by the uncertainty surrounding business rates and the new homes bonus. He pointed out that the external auditors acknowledged that the council had a “good track record” of delivering savings and meeting its budget. The committee noted that the council’s corporate risk register was kept under constant review and that the risk score for public sector funding had been increased.

RESOLVED to approve the draft Annual governance statement 2014-15.

8. Internal audit and fraud team 2014-15 March 2015 update

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

Discussion ensued on the arrangements for fraud and counter-fraud work following the transfer of the fraud team to the Department of Work and Pensions on 1 April 2015. The committee considered the need to include the supply and monitoring of contracts and noted that the audit plan reflected member's perception of risk.

The committee noted that one of its roles was to ensure that the external audit work was value for money. The external auditors' fees were regulated by the PSAA (Public Sector Audit Appointments). The external auditors discussed additional fees, where circumstances required further work, with the chief finance officer and the executive head of business relationship management and democracy.

RESOLVED to note:

- (1) the work of internal audit in March 2015;
- (2) the progress on the 2014-15 internal audit plan;
- (3) the latest position of the National fraud initiative (NFI);
- (4) the latest counter fraud developments.

9. Annual audit report on internal audit and fraud 2014-15

The internal audit manager presented the report. Members noted the following amendments to the report:

- Replacing references to 2013/14 with 2014/15 on the title page;
- Amending table 5 by inserting a "1" after Housing benefits and Sports facilities in the "complete" column and inserting the totals in the "complete" (18) and "incomplete" (4) column.

A member of the committee welcomed this "brilliant" report. The committee noted that this was the second annual report.

During discussion the internal audit manager, head of internal audit and risk assessment and chief finance officer, referred to the report and answered members' questions. Members noted that in 2014-15, there had been an increase in overpaid benefits on the previous year, which reflected the clearance of a backlog in benefits claims. The committee noted that the review of the provision market rents had not been conducted. There had not been a systemic failure and the cause for the lack of review had been due to a staffing issue which had now been resolved.

Discussion ensued on the audits of the IT systems and noted that the Northgate IT system had received a moderate assurance. The internal audit manager said that there would be an audit presence on the project board for the implementation of the new financial IT system. The head of internal audit and risk management explained the issue of manually switching on audit trails on IT systems and the implications for staff and paperwork. A member referred to the advantage of retaining email communications in case of fraudulent activity and suggested that the council considered updating its servers to extend its storage capability.

The committee noted the work of the fraud team and considered the arrangements for liaison and joint working with the Department of Work and Pensions (DWP) in relation to fraud work. The revenues and benefits team (LGSS) was still responsible for the identification of potential fraud which would then be passed to the DWP for investigation.

RESOLVED to:

- (1) receive the annual audit opinion of substantial assurance for 2014-15;
- (2) note the work of internal audit and fraud team for 2014-15;
- (3) ask the internal audit manager to enquire about the council's server capacity and retention policy.

10. Internal audit 2015-16 – April to May update

The internal audit manager presented the report on the work of the audit team and pointed out that it was only for a two month period and not a full quarter.

RESOLVED to note:

- (1) the work of internal audit between April and May 2015;
- (2) the progress on the internal audit plan;
- (3) the council's response to the annual fraud survey 2014-15.

11. Review of the corporate risk register

The internal audit manager presented the report.

The committee noted that the corporate risk register had been reviewed by the corporate leadership team and cabinet would be asked to amend B1, Public sector funding by increasing the residual risk score from 15 to 20. In reply to a members' question, the internal audit manager said that it was too early to evaluate the impact on government funding and the risk of industrial action. HR had been asked to review this risk.

A member welcomed the proposed amendments to the risk register in relation to A4, Safeguarding children and vulnerable adults and equalities duties.

Discussion ensued on the methodology used for scoring risks and the potential for the committee to challenge scores and actions proposed in mitigation.

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

CHAIR