



**Audit committee**

**16:30 to 17:50**

**17 March 2015**

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Driver (substitute for Councillor Bremner), Harris, Kendrick, Little and Waters (from item 3).

Apologies: Councillor Bremner

**1. Declarations of interest**

There were no declarations of interest.

**2. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 20 January 2015, subject to item 4, Internal audit and fraud team 2014-15 – November to December update, eighth paragraph, fourth sentence, to insert “county” between “over to the” and “council” so that the sentence reads as follows:

“The Highways Agency was not an “agency” as such and the council collected on street parking fees and paid it over to the county council and recharged the county council for staffing costs for highways services.”

**3. Audit plan 2014-15**

(The external audit manager (EY) attended the meeting for this item.)

The chief finance officer introduced the report.

The external audit manager presented the external auditors’ audit plan and, together with the chief finance officer answered members’ questions on the assessment of the council’s group boundary and the council’s governance and control arrangements to prevent and detect fraud and error in its accounts. The chief finance officer said that changes had been made to fraud procedures as a result of the transferral of the fraud team (LGSS) to the Department of Works and Pensions (DWP). The fraud policy was currently being updated and the committee considered that it would be useful to consider the new policy at its next meeting together with an update on counter fraud work.

The committee noted that the external auditors had written to the chair, as in previous years, requesting confirmation of the council’s management processes and arrangements, and that the response would be included in the committee’s annual

report. The chief finance officer said that the council's annual governance report would be submitted to the external auditors with the statement of accounts in June.

Discussion ensued on a members' question regarding the financial resilience of the council and how the long-term effect of cuts and resident satisfaction were assessed and monitored. The external auditor replied that the external auditors conducted a high level audit comprising looking at the medium term financial statement, reviewing council and committee papers and discussions with the corporate leadership team and internal audit. The focus of the audit was on areas where there was some uncertainty, for instance, external funding such as the New Homes Bonus, and how it would be resourced going forward, ie, taking the uncertainty out of the plan. The chief executive said that the external auditors challenged the council's ability to deliver services against the corporate plan.

**RESOLVED** to approve:

- (1) the approach and scope of the external audit as proposed in the audit plan;
- (2) to review the council's fraud policy given the changing environment for the administration of fraud prevention and detection, alongside the council's annual governance statement, at the next meeting.

#### **4. Internal audit and fraud team 2014-15 – January to February update**

The internal audit manager (LGSS) presented the report, and together with the chief executive, chief finance officer and the fraud team leader (LGSS) answered members' questions.

With regard to the joint ventures/shared services audit, the committee was reassured that there would be no conflict of interest arising from the services of the internal audit being provided by LGSS. The chief executive reminded members that before the shared services arrangements the city council's internal audit and fraud team had been responsible for internal audits across the council.

Discussion ensued on the audit assurance work and it was noted that the accounts payable team was a very small team and that management was aware of the risks that this caused. The chief finance officer pointed out for clarification that the invoices that the team raised were against people who owed money to the council and that the invoices paid were raised against goods and services that the council had received. The internal audit manager explained that the upgrade of the Civica IT system would be tested by the council's systems support team and customer contact team.

It was noted that the work of the fraud team in 2013-14 was greater than the current year because of the additional case work that had arisen from delays in processing by the revenues and benefits team.

**RESOLVED** to:

- (1) note the:

- (a) work of internal audit between January and February 2015;
  - (b) progress on the 2014-15 internal audit plan;
  - (c) work of the fraud team between April 2014 and February 2015;
  - (d) latest position on the national fraud initiative (NFI);
  - (e) latest counter fraud developments.
- (2) record the committee's gratitude to Andy Rush, the fraud team leader (LGSS) and his colleagues in the fraud team, for their contribution to the work of the council and to wish them well in the future.

## **5. Draft internal audit plan for Norwich City Council 2015-16**

The internal audit manager presented the report and the draft internal audit plan for 2015-16 as set out in appendix 1. The chief finance officer said that the audit of the core systems would not take as long as in previous years. This would allow for more resource to cover residual fraud work which would fall to internal audit following the transfer of the fraud team to DWP. The chief executive said that it was important to focus on an area where there was a big change and to ensure that the risk was managed.

Discussion ensued on the progress of the revised internal audit plan and whether the contingency of 40 days was sufficient to complete the 2014-15 internal audit plan.

A member sought reassurance that the work on the development of a new website and e-forms was not being duplicated. LGSS was project managing this work.

In reply to a question from the chair, the internal audit manager and chief accountant (LGSS), advised the committee that the internal audit was on the income received by the council for CIL, after the administration costs had been removed, and not on its expenditure on projects within the local development framework. The chief executive said that each of councils, that comprised the Greater Norwich Growth Board partnership, would be responsible for auditing its element of the process.

The internal audit manager advised the committee that it was still proposed to look at the NNDR (national non-domestic rates) under this year's audit plan and that it would progress in the next few weeks. In reply to a question, the internal audit manager said that he considered the allocation of days for procurement and contract management arrangements adequate. The internal audit team could call in services of the wider team within LGSS if required.

**RESOLVED** to endorse the draft internal audit plan for Norwich City Council for 2015-16.

## **6. Review of the corporate risk register**

The internal audit manager presented the report and together with the chief executive and chief finance officer answered member's questions.

During discussion the internal audit manager referred to the corporate risk register, A4, Safeguarding children, vulnerable adults and equalities duties and said that the proposed change, item 8, under the column "caused by" should be amended by deleting "peer" and "adult" and replacing "review" with "reviews" to reflect that there was a peer review of the county council's adult safeguarding service and an Ofsted report on the protection of children. The chief executive explained how the council worked in partnership with other organisations to safeguard children and vulnerable adults and did as much as it could as a district council and maximise resources. The committee noted that cabinet had received a report which set out the council's approach to safeguarding at its meeting on 11 March 2015 ("Safeguarding and safer communities").

Discussion ensued on the instability of local government funding from central government and the steps that the council took to limit these risks. Cuts in public sector funding to major partners, despite increased referrals, might result in increased costs to the council, for instance in health and social care.

The internal audit manager undertook to circulate information on the current situation relating to the provision of laptops for use by the emergency planning team.

In reply to a member's suggestion, the internal audit manager agreed that under C3, information security, the last point under the key controls was incomplete and should read as:

"7. The council has introduced a new ICT programme board, attended by LGSS IT."

Members were also advised that the fixed asset register was on the service risk register. The fixed asset register would be part of the new financial system which would be procured in the next financial year.

**RESOLVED to:**

- (1) note the corporate risks and key controls in place and further actions planned to mitigate the risks;
- (2) ask the internal audit manager to circulate to all members of the committee, an update on the current situation regarding the provision of laptops for the emergency planning team.

**7. Local government audit committee briefing**

(The chair agreed to consider the external auditor's local government audit committee briefing, which had been circulated to members as a supplementary report, so that members could have the opportunity to ask the external auditor questions.)

The external auditor referred to the report and answered questions on the term "boiler plate" which referred to a template or standard report being used and "off payroll staff", ie, temporary staff in senior positions. The chief executive said that

the council did not have any “off payroll staff” but there had been cases elsewhere where the pay of civil servants had been paid into companies rather than to the individual.

**RESOLVED** to receive the external auditor’s Local government audit committee briefing (March 2015).

CHAIR