

Audit committee

16:30 to 17:40

28 June 2016

Present: Councillors Price (chair), Wright (vice chair following appointment), Driver, Harris, Jones (B), Kendrick, Schmierer and Stonard

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

Councillor Harris declared an other interest in item 6 (below), Statement of Accounts 2015-16 because she represented the council as a director of Norwich Norse (Building) Ltd.

Councillor Stonard declared an other interest in item 6 (below), Statement of Accounts 2015-16, because he represented the council as a director of Norse Environmental Waste Services Ltd, NPS and Norwich Regeneration Ltd.

Councillor Kendrick declared an other interest in item 6 (below), Statement of Accounts 2015-16, because he represented the council as a director of Norwich Norse (Environmental) Ltd.

4. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 15 March 2016.

5. Annual audit committee report 2015-16

The chief finance officer presented the report. She suggested that if any members had any suggestions or comments that they would like to be included in the report they could contact her after the meeting.

RESOLVED to:

- (1) approve the content of the Annual Audit Committee Report and recommend that council adopts it;
- (2) ask that any member who has any suggestions or comments for inclusion in the report notifies the chief finance officer or the committee officer as soon as possible.

6. Statement of Accounts 2015-16

(Councillors Harris, Stonard and Kendrick had declared an interest in this item.)

The chief finance officer presented the report and, together with the chief accountant (LGSS) answered member's questions on the unaudited Statement of Accounts 2015-16.

A member asked how satisfaction with leisure and cultural facilities and the number of visitors to the city were measured. The chief finance officer said that this was part of the performance data which was considered by cabinet and scrutiny committee on a quarterly basis. A response¹ on the methodology used in respect of the member's question would be sent to her after the meeting. There had been a review of all investment properties this year rather than the rolling programme of revaluation of 20 per cent of the stock. This resulted in a greater surplus in the revenue accounts than previously. The review was based on best use of the property which was not necessarily its current use, and based on rentable value of similar properties in the area. The full revaluation of all council dwellings, based on "beacons", representative of the types of accommodation and to the Norwich standard (ie with upgraded kitchens, bathrooms and boilers), had created the largest surplus on Housing Revenue Account services since the valuation of the authority's housing stock in 2009.

The chief finance officer explained that the unaudited Statement of Accounts had been signed off and submitted. The council could put through any required changes in consultation with the auditors until September when the audited accounts would be considered by the audit committee and signed off.

RESOLVED, having reviewed the draft (unaudited) Statement of Accounts 2015-16, to note the report and to record the committee's gratitude to the officers involved in the preparation of the accounts.

¹ Response subsequently provided by the chief accountant:

Percentage of people satisfied with leisure and cultural facilities: This is currently measured on a six monthly basis using customer satisfaction surveys at the Norman Centre, Riverside Swimming Centre and The Halls. Response is weighted so that the surveys at the Norman Centre and Riverside each count 45% towards the overall satisfaction figure and the survey of Halls "users" contributes 10% to the combined measure.

Number of visitors to the city: This is measured by the numbers of staying visitors and day trips to the city. The figure is from the Tourism Volume and Value research for Norwich, produced annually in conjunction with the county council. Results are released around April each year for the preceding calendar year. Consequently results will usually be some months behind. Therefore the proposed targets for 2015-16 will relate to visitor numbers in 2014 and so on.

7. Draft Annual Governance Statement 2015-16

The head of internal audit and risk management (LGSS) presented the report and it was noted that in September the committee would need to consider the Annual Governance Statement first before considering the Statement of Accounts.

Members discussed assurance sources for the council's partnership arrangements and that the Annual Governance Statement refers to the Norwich Locality Board as part of the governance framework. The council's strategy manager could provide further information on partnership working.

A member referred to paragraph 3.7 and asked how the council embedded codes of conduct and standards. The chief finance officer explained how employees signed up to the council's policies, including the employee code of conduct and use of IT on Workforce, which was monitored by an officer governance group and employees who had not signed up would be targeted. There was also specific training for all councillors following election on the members' code of conduct and IT use.

A member referred to audit opinions and asked at what point would there be cause for concern. The head of internal audit and risk management explained that audit opinion was not an exact science but was important. A "limited" or "no" assurance meant that recommended actions must be implemented. An audit opinion of "moderate", "substantial" or "full" assurance was good, but too many at "substantial" level or above might mean that an authority should question its risk appetite. He explained the measures to ensure that recommendations were put in place, which included reporting outcomes of audits to this committee and requiring heads of service to explain why recommended controls or actions had not been implemented.

A member referred to the volatile political and economic climate and asked whether the council had the ability to take action to protect its financial position if things went wrong. The chief finance officer explained that this concern was shared by many and explained the treasury management arrangements to balance borrowing and investments. The chair said that he had discussed this with the chief accountant and was reassured that she and her team were safeguarding the council's assets and provided good advice in response to market forces. The head of internal audit and risk assessment explained that he had a role in ensuring that if in the unlikely scenario that things went drastically wrong, he would do everything he could to raise awareness with the leader, members and external audit to ensure that appropriate action could be taken.

Councillor Harris pointed out a correction to the report in that as deputy leader she had been the council's member of the Norfolk Health and Wellbeing Board and not the leader as stated. The reference in paragraph 3.20, second bullet point should be amended.

The chief finance officer explained that the Annual Governance Statement would be signed by the chief executive and the leader of the council. The chair of audit and the chief finance officer would sign off the Statement of Accounts in September once external audit had completed their work.

RESOLVED, having reviewed the effectiveness of the council's governance arrangements, to approve the draft annual governance statement for 2015-16, subject to the amendment of paragraph 3.30, by inserting "deputy" between "council's" and "leader".

8. Annual audit report on internal audit and fraud 2015-16

The head of internal audit and risk management presented the report and answered questions. Members were referred to the table setting out assurance levels in paragraph 3.13 and table 2 which summarised the audit opinions on the key financial systems. He had not been involved in the development of the audit plan 2015-16 and during which period there had been a change of focus towards focusing on key financial systems rather than neighbourhoods. Any changes to the plan would have been agreed by the corporate leadership team and ratified by the audit committee. He considered that the level of audit assurance was better than other councils with fewer limited assurances being given. This could change if the risk appetite were lowered.

The chief finance officer explained that the uncertainty surrounding the Housing and Planning Act 2016 and that it had been agreed to defer the audit of the Housing Revenue Account until the impact of right to buy and voids was known.

A member said that he was concerned about subletting of council dwellings and that this had come to his notice about four to five years' ago. The head of internal audit and risk management and the chief finance officer explained that the council had carried out an exercise in 2014 and subletting had not been considered to be a significant risk. There were proactive ways of identifying fraud, such as subletting, by the housing and revenues and benefits officers. In response the member pointed out that the person subletting could arrange for the tenant to move out for the day when a housing officer was inspecting the property. It was acknowledged that there was a risk and no room for complacency, particularly as changes to housing benefits and the impact of Right to Buy put more pressure on council housing. The chair referred to the council's whistleblowing procedure for staff and said that residents should also be encouraged to raise concerns.

In response to a question, the head of internal audit and risk assessment explained that there had been a data breach where a housing allocation had been made before the paperwork had been checked. There had not been any long-term impact arising from the delayed documentation.

RESOLVED to note the work of internal audit and the fraud team for 2015-16.

9. Risk Management report

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

During discussion the head of internal audit and risk management and the chief finance officer answered members' questions. Members were advised that each service plan would also have a risk register attached. Corporate risks were key, overarching risks, which had an impact on the organisation's ability to deliver its services. IT was a corporate risk because it impacted on all services of the council.

The audit committee could challenge the criteria and scoring of these risks which were approved at cabinet twice a year.

Councillor Kendrick asked that his concerns that the residual risk score for risk no A8 (housing investment strategy) should be increased, be minuted. The chief finance officer said that there was a business plan in place which would be reviewed when the impact of the high value voids to fund Right to Buy for registered social landlords had been determined. Cabinet recognised the need to revise the corporate plan to meet its ability to deliver. She explained that the risk register showed the inherent risks and the residual risk. The residual risk for public sector funding was “red” because despite the key controls there was not a lot the council could do if it was withdrawn or became unavailable. There were things that the council could do to mitigate the inherent risk to the housing investment strategy and therefore the risk showed as amber. Councillor Harris, cabinet member for housing, reassured members that everything was being done to address the risk to the housing investment strategy and that she had raised her concerns about the impact that the 1 per cent rent reduction and high value voids could have on the business plan at every opportunity she could. However, the budget balanced and the council was still able to continue to improve properties. She was not sure what else could be done until the government gave its determination on the high value voids. The chief finance officer said that she would ensure that the corporate management team were advised of Councillor Kendrick’s concerns.

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

CHAIR