



Audit committee

16:30 to 17:55

23 September 2014

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

1. Declarations of interest

There were no declarations of interest.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 22 July 2014, subject to item 6, Annual audit and certification fees letter 2014-15, first paragraph, second sentence inserting “further” after “no” so that the sentence reads as follows:

“There would be no further additional costs arising from the correspondence with a member of the public.”

3. Statement of accounts 2013-14

The chief finance officer introduced the report. There were a few changes to be made to the Statement of account post audit and it was recommended that the committee delegated the chief finance officer, in consultation with the chair, the signing off of the accounts by 30 September 2014.

Discussion ensued in which the chief finance officer and the chief accountant answered members’ questions and members commented on the Statement of accounts. The committee suggested that paragraph 1 of the Explanatory foreword should be amended to clarify that four councils provide services to the greater Norwich area rather than the “City of Norwich” and therefore to replace references to “the City” in the first two paragraphs with “greater Norwich area. Members considered that the document should be easy to read for members of the public and that acronyms should be used after the name is in full. Members noted that references to “NDR” or “NNDR” referred to the National non-domestic rates or business rates and that on page 16 of the Statement the acronym for the bus rapid transit system should be amended to “BRT”. Councillor Little referred to the minutes of the previous meeting and suggested that a footnote was required to for paragraph 11, Taxation and non-specific grant income, to explain the reduction in the council tax income from 2012-13 as a result of the council tax reduction scheme. In response to a question relating to the Directorate income and expenditure, the chief

accountant (LGSS) said that she would ensure that explanatory text was provided for the difference in total expenditure at directorate level for 2013-14 and 2012-13.

The internal audit manager (LGSS) advised the committee of updates to the Annual governance statement. He pointed out that on page 34 of the Statement, under the paragraph on "Internal audit" that the final sentence should be amended to reflect that the head of internal audit and risk management's (LGSS) annual report had been considered by the audit committee at its meeting on 22 July 2014 and that the audit opinion's conclusion was a "substantial" assurance on the council's internal control environment for 2013-14. Under the paragraph on the "Internal audit assurance reviews" members were advised that the first sentence should be deleted to reflect that the internal audit review of accounts receivable/sundry debtors had resulted in a "moderate" rather than a "limited" assurance opinion. Members were also advised that as the leisure and sports development manager had given assurances that all the recommendations from the internal review of the Norman Centre had been implemented a sentence had been added to this effect. Members were also advised that under page 37 of the Statement, the second paragraph under the heading "Internal audit assurance reviews", commencing with "However, an audit of accounts" should be deleted.

During discussion on the council's heritage assets, the chief accountant answered questions on the security arrangements and audits of the regalia and artefacts gifted or loaned to the city council.

RESOLVED to defer consideration of the recommendations contained in the report until consideration of the next agenda item (Audit results report 2013-14).

4. Audit results report

The chief finance officer introduced the report and referred to a supplementary appendix1 which was circulated at the meeting and comprised the council's response to appendix 1 – Uncorrected audit misstatements (page 14 of the Audit results report). She explained that it was not possible to circulate the response at an earlier stage because until the accounts had been audited officers did not know what was needed and the response must be included in the letter of representation.

The external audit director (EY) presented the report and said that he expected to give an unqualified opinion on the councils' Statement of accounts and that it was good news that the council's letter of representation would be received by 30 September 2014. He referred to the supplementary appendix 1 and said that the two issues (NNDR appeals provision and the Housing revenue account (HRA) component capital expenditure were non-material.

Councillor Waters said that he considered that the council had made an adequate assessment of the risks associated with the NNDR provision for appeals and the government funding streams for the New homes bonus. The council held reserves above the minimum required.

Discussion ensued in which the external audit director and the chief finance officer answered members' questions. This included the council's reasons for not adjusting the accounts based on an extrapolated figure based on a best estimate. The committee was advised that the council was in the process of acquiring a new

finance system and as part of this a fixed asset register would be available by January 2015.

Members welcomed the receipt of an unqualified opinion on the Whole of government accounts.

RESOLVED to:

- (1) approve the Statement of accounts and the draft letter of representation:
- (2) delegate to the chief finance officer, in consultation with the chair, to sign off the accounts by 30 September 2014.

5. Internal audit and fraud team 2014-15 – July to September update

The head of internal audit and risk management (LGSS) and the internal audit manager presented the report. As referred to earlier in the meeting, the actions arising from the audit of the Norman Centre had been implemented and therefore it was not necessary for the committee to invite the manager to give an explanation.

The head of internal audit and risk management introduced Andy Rush, team leader (fraud) (LGSS) and, referring to the transfer of housing benefit fraud work to the Department of Work and Pensions (DWP) and the LGSS bid to the Department of Communities and Local Government (DCLG), said that potentially a strong investigative resource could be lost to the organisation. During discussion members noted that there was no guarantee that the funding bid would be successful. Some authorities had already transferred staff to the DWP. It would be regrettable if the services of skilled investigative staff of the fraud team were lost to the council. The team leader (fraud) explained how the team operated. Members noted that the total amount recovered by the team had exceeded its key performance indicator (based on the running costs of the fraud team) by £14,000.

Discussion ensued in which the chair queried whether staffing resources were sufficient to manage the Norwich provisions market. The internal audit manager said that internal audit would follow up the audit to monitor progress against the recommendations, particularly in relation to rent collection and debt recovery.

The internal audit manager said that progress on the disaster recovery audit would be reported to the next meeting. No specific dates had been provided for actions to be implemented. A member expressed concern that there had been a delay in providing laptops with GIS software for use by the emergency planning team. It was not difficult and a date for its implementation should be agreed.

During discussion on the audit of ICT, members considered that an audit of software licences would provide an opportunity to make savings if there were more licences than users in the organisation. Members were advised that ICT governance arrangements covered all potential areas surrounding software licensing and the scope for savings from cancelling extra software licences followed out of that.

A member referred to the fact that the work programme for the internal audit team had slipped and that he considered that as most audits were in the second part of the year the team could catch up.

RESOLVED to note the:

- (1) work of internal audit between July and September 2014;
- (2) progress on the 2014-15 audit plan;
- (3) work of the fraud team between April and August 2014;
- (4) latest position on the National Fraud Initiative (NFI).

6. LGSS internal audit charter and public sector internal audit standards

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

RESOLVED to note the LGSS internal audit charter and the results of the self-assessment against public internal audit standards.

CHAIR