



Audit committee

16:40 to 17:30

22 November 2016

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

1. Public questions/petitions

There were no public questions or petitions received.

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 20 September 2016.

4. Counter Fraud Policies

(Paul Strangward, deputy head of internal audit (west), LGSS attended the meeting for this item. He had facilitated the informal briefing for members which was held before the committee meeting.)

The principal audit manager, LGSS, presented the report. Members noted that the money laundering policy was a new policy. It was good practice to review counter fraud policies on a regular basis and as such was appropriate for the audit committee to consider the three policies, appended to the report. Members were given examples of potential fraud risks such as the use of malware to obtain money from organisations.

During discussion, the principal audit manager, together with the deputy head of internal audit (east), LGSS, the guest deputy head of internal audit (west - see above), and the chief finance officer, referred to the report and answered members' questions.

The committee was advised that the policies reflected the culture of the council as an organisation to its officers, members and people who interacted with the council. Internal audit would review the effectiveness of the counter fraud policies, which were part of the council's internal controls, by monitoring key controls. For instance if senior managers did not complete a register of interest form each year, which was

used as evidence that there was no conflict of interests, internal audit would raise it as a “red” risk with corporate leadership team (CLT) to address.

In reply to a question from the chair, the deputy head of internal audit (east) explained the process where information received from whistle blowers was assessed. Internal audit would flag up concerns if the appropriate action was not taken. The chief finance officer confirmed that low levels of code of conduct issues would be investigated in accordance with HR policies.

The chair asked whether the council ever “named and shamed” perpetrators of fraud to demonstrate that fraudulent behaviour would not be tolerated. Members were advised that members informed the council’s appetite. Some authorities considered publicity as negative because a fraud or corruption had occurred in the first place. The release of information could prejudice the legal process if a case was being taken to court.

Discussion ensued on the process of determining whether or not to pursue fraud or recover debt through the courts. Officers needed to demonstrate that sufficient effort was made to recover the debt. It was important to investigate how the situation had occurred in the first place and to ensure that there were adequate controls to prevent a reoccurrence in the future.

RESOLVED to approve the counter fraud policies, as appended to the report, and recommend them to cabinet.

5. Annual Audit Letter 2015-16

The chief finance officer presented the covering report and drew members’ attention to the scale of fees as set out in Appendix A of the external auditor’s Annual Audit Letter. She explained that the additional fee was for work commissioned by the council to review its Minimum Revenue Provision. The council had saved a considerable amount of money in commissioning the external auditors to carry out this work, with another offer costing significantly more.

The external auditor’s audit manager presented the Annual Audit Letter and explained that it was public facing document of the external auditor’s findings of the audit for 2015-16 that it had just completed. He confirmed that Public Sector Audit Appointments (PSAA) had approved the additional fee.

Councillor Wright, vice chair, said that when he had first served on the committee six years’ ago the situation reported in the annual audit letter had been much different. He said that he wished to convey his thanks to the officers for the work that had gone on in the intervening years to get to this point, where the accounts were received on time and received an unqualified opinion. The chair seconded this vote of thanks.

RESOLVED to:

- (1) note the report;
- (2) record the committee’s gratitude to the officers concerned.

6. Risk Management Report

The principal audit manager (LGSS) presented the report.

During discussion members commented on the revised risk register. The principal audit manager, together with the chief finance officer, referred to the report and answered members' questions. A member commented that she was pleased to see the key controls in risk A3 to mitigate the risk to safeguarding for children, vulnerable adults and equalities duties.

Discussion also ensued on risk A8, housing investment strategy, and the key controls to work with registered social housing providers to deliver new social housing where spend by the council was not possible and to avoid the loss of funding. Development of social housing did not always go to plan and it was a balance of working with registered social housing providers to deliver schemes but there was a risk that it would not be delivered and funding would have to be repaid to central government. Members noted that following discussion at a previous committee meeting and further consideration by CLT, the residual risk score for risk A8 had been increased to 20. Members considered that this reflected their concern that the application of government policy was beyond the control of the council. A member expressed her gratitude to the chief finance officer for reviewing government policy and assessing the implications and response required.

A member suggested that the risk register should include the devolution of Suffolk and Norfolk and was advised that this was too specific to be included in the corporate risk register.

The chief finance officer said that the council had approved and submitted its four year efficiency plan and signed up to the multi-year settlement offer. Only four councils had not signed up to it.

RESOLVED to endorse the proposed amendments to the corporate risk register and risk management policy and recommend to cabinet for approval.

7. Internal Audit 2016-17 – April to October Update

The principal audit manager presented the report.

During discussion a member commented on the audit of benefits and council tax reduction. She said that the introduction of universal credit and the cap on housing benefit payments made it very difficult for a small cohort of people to manage financially and there was a risk that they would not be able to pay their rent. The principal audit manager confirmed that the council was taking every opportunity to manage this risk from external factors which were outside its control.

In reply to a question, the deputy head of internal audit (east) explained that the internal audit plan had been reviewed and at the request of the corporate leadership team (CLT) the number of audit days had been increased by fifty. In reply to a further question about whether other district councils had the same amount of internal audit work carried out, the deputy head of internal audit (east) said that it

was up to the committee, external audit and the chief finance officer to determine whether it was sufficient. He commented that other councils had other challenges to Norwich and that the chief finance officer could request further resources as necessary during the year. The chief finance officer explained that as part of the transformation programme the resources for internal audit had been reduced for 2016-17. However CLT had reviewed this and the number of days had been increased for the current year and would be part of budget proposals for 2017-18. Members of the committee confirmed that they were satisfied with this and noted that CLT would continue to monitor the situation.

RESOLVED to note the contents of the report.

CHAIR