NORWICH
City Council

Minutes

Audit committee

16:30 to 17:30 **15 October 2019**

Present: Councillors Price (chair), Driver (vice chair), Giles, McCartney-Gray, Peek Stutely and Youssef

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillor Wright

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 approve the accuracy of the minutes of the meeting held on 23 July 2019.

4. Annual Audit Letter 2018-19

The strategic business partner (deputy S151 officer) presented the report and said that the external auditors had sent their apologies and would not be attending this meeting. The external auditor had presented the draft annual audit letter at the last meeting of the committee and had answered members' questions. The strategic business partner confirmed that the proposed fees were in line with the agreed external audit plan.

During discussion members considered the external auditor's comments on the Value for Money Risks – Risks section of the letter, in relation to the council's Medium Term Financial Plan (MTFP) and the gap between funding and expenditure in years 2019-20 to 2021-22 of £7 million and the use of reserves. The chief finance officer explained that in February 2019, the council had approved planned use of reserves in the Medium Term Financial Strategy as part of the budget setting process. This gap between funding and expenditure was not a new situation and it was the case that most council's MTFP's were in a similar position where current levels of service delivery were to continue and funding from central government was uncertain.

The strategic business partner said that the government's Local Government Finance settlement had been delayed for a year. Members noted that there was

uncertainty about government finance to district councils and that it could be to the detriment of councils like the city council. The chief executive explained that it was difficult to predict what the government financial settlement would be. She advised the committee of the processes the council had made in previous years to drive efficiencies and generate income to meet the funding "gap". The council could consider non-statutory services as a last resort to meet the £7 million funding gap. The council was in a good financial position and with its use of reserves as planned, reserves would remain above the approved minimum level. The chief finance officer said that councils had a legal obligation to set a balanced budget as defined by statute. Members were going to have to make tough choices in future years.

A member said that it was an excellent audit outcomes report and commended the council's financial management by both officers and members.

RESOLVED to note the external auditor's Annual Audit Letter 2018-19.

5. Internal Audit Update Quarter 2 19-20 – July to September

The principal auditor (LGSS) presented the report advising the committee on the work of internal audit in the period July to September 2019 and progress against the internal audit plan.

Discussion ensued on the removal of the IT audit from the internal audit plan. The principal auditor and the chief executive explained that the plan was risk based and needed to be flexible so that resources could be reallocated to a higher risk item if required. The decision to remove the IT audit had been made by the head of internal audit in consultation with the director of resources and members were informed of changes to the plan through the monitoring report. The chair suggested that as a matter of courtesy, the chair and vice chair should be advised when a decision was made to change the internal plan to better understand the process and ensure that the committee functioned well.

The principal auditor answered questions from the chair on the assignments which were finalised in this quarter. The audit of *Information Security and GDPR* had a satisfactory control environment but had received a limited compliance assurance because some of the actions had not been implemented in the timescale required. This would be picked up in the follow up to the audit. In relation to the *Commercial Property Investment Strategy*, the chief finance officer said that there had been an overreliance on external valuations. This had been addressed by RICS red book valuations being conducted by an internal member of staff with commercial experience before a bid was made. The chair said that he was reassured by this.

The principal auditor said that the *Scheme of Delegations* audit was complete and the outcome would be reported to the next meeting of the committee. Work was in progress with the *National Non-domestic Rates (NNDR)* and *council tax.* She also answered questions on delays to audits. There had been a delay in getting *Payroll* underway which had been moved from quarter 4 of 18-19 to the first quarter of this year and was in progress due to be finalised later that week. In reply to a question from the chair, the principal auditor confirmed that 268 days out of 450 had been delivered this year and that given that most testing was conducted in quarters 3 and 4, she was confident that the plan was currently on target. In reply to a question from the chair, the principal auditor confirmed that the internal audit was comfortable

with the revised target date for the *Project Management* audit. The recommendations were not critical and it was proportionate to extend the implementation date to April 2020.

The principal auditor confirmed that additional information on data matches as a result of the National Fraud Initiative (NFI) exercise would be circulated to members.

RESOLVED to:

(1) thank internal audit for their hard work;

(2) note the report and thank the officers for their work;

(3) ask that the chair and vice chair are informed of changes to the audit plan when decisions are made;

(4) ask that further information on the outcome of the NFI is circulated to members of the committee.

6. Working Party to consider a response to the Independent Review into Arrangements in Place to Support the Transparency and Quality of Local Financial Reporting and External Audit in England (Redmond Review)

The chief finance officer introduced the report. She commented that it was difficult for smaller authorities to meet the deadlines for closure of accounts and start budget preparation as larger authorities would have separate teams to do this.

The chair explained that it was proposed to set up a working party comprised of any member of the committee who wished to attend to consider a response to the Redmond Review.

RESOLVED to hold a working party, comprising members of the committee who wish to attend, on Monday, 28 October at 9:30 for the purpose of preparing a response to the Redmond Review.

7. Risk Management Report

(This report was circulated in advance of the meeting as a supplementary agenda.)

The principal auditor presented the report.

In response to a question from the chair, the principal auditor explained that in relation to the two incomplete risks set out in paragraph 7, officers' names had been identified but had not yet been put on to the GRACE risk management system. The chair asked that this piece of work was completed as soon as possible as it was classed as a moderate risk until populated.

He asked that the risk management report was considered at least twice a year by the committee.

The vice chair referred to *Risk 07 Major Risks/Emergency Planning* and said that he considered that because of climate change and increased risk of flooding the score should be “in the red” and higher than 12. The principal auditor explained that scores were self-assessed and took into account the controls that mitigated the risk. Members considered that it would be useful to have a training session on the assessment of the risk and then further discussion on the risk register at the next meeting of the committee.

The chair said that he considered that Risk 03 *Failure to deliver responsive financial planning* was an important risk to the council and that the committee should review this at a further meeting.

RESOLVED to:

(1) note the chair’s request to consider the risk register at committee at least twice a year;

(2) ask that internal audit provides a training session on risk management before the start of the next meeting;

(3) consider the risk management report at the next meeting.

CHAIR