



Audit committee

16:30 to 17:10

12 June 2018

Present: Councillors Price (chair), Driver (vice chair following appointment), Coleshill, Fullman, Hampton, Lubbock, Smith and Stutely

Also present: Councillor Kendrick (cabinet member for resources)

(Apologies had been received from the external auditors who were unable to attend this meeting.)

1. Appointment of vice chair

RESOLVED to appoint Councillor Driver as vice chair for the ensuing civic year.

2. Public questions/petitions

There were no public questions or petitions received.

3. Declarations of interest

There were no declarations of interest.

4. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 13 March 2018.

5. Annual Report on Internal Audit and Fraud 2017-18

The principal auditor (LGSS) and the deputy head of internal audit (LGSS) presented the report and answered members' questions. The chief internal auditor's opinion on the basis of the audit work undertaken during 2017-18 was to award a good assurance. The level of assurance therefore remained at the same level as that for 2016-17. The report formed part of the evidence for the Annual Governance Statement.

The chair welcomed the report and said that he was pleased with the good level of assurance. During the audit work that had been undertaken no areas had been identified which would have a major impact on the council's control environment. The principal auditor referred to the report and explained that following internal audits of housing rents and arrears, housing benefits and debt recovery, recommendations had been made to management to review policies and procedures to address the minor weaknesses in the control environment. The chair commented on the resource implications which had led to the backlog in processing housing benefits and debt recovery and was satisfied that measures were in place to address this.

He referred to the appendix 1 as set out in the report and pointed out that only two debt recovery and business continuity policy were the only two audits where the impact on the council's control environment was moderate. Members noted that work to the council's financial systems relating to payroll and procurement governance was in progress. The principal auditor assured members that progress on internal audit recommendations would be reported to the committee when implemented.

The chair said that he was satisfied that the work of the internal audit team during the 2017-2018 financial year had been conducted with due diligence.

RESOLVED to receive the Annual Report on Internal Audit and Fraud 2017-18 and to note the chief internal auditor's had awarded a good assurance based on the internal audit work undertaken during the 2017-18 financial year.

6. Annual Governance Statement 2017-18

The deputy head of internal audit presented the report and Annual Governance Statement (AGS).

During discussion the chair referred to paragraph 11 of the report which set out the role of the committee to "review, consider and agree the AGS and improvement action plan contained within it" and said that he considered that a consistent process and due diligence had been followed. The chair agree with paragraph 20 of the AGS in relation to ensuring that the governance arrangements in respect of partnerships and other joint working arrangements reflected the councils overall governance structures.

In reply to the chair's request, the chief finance officer elaborated on the review of the Norwich Regeneration Ltd (NRL). The financial model for the company needed to be reviewed as the company had developed. The council was the company's only shareholder and as investor, lending money for the company to develop housing, it was important that the council's investments were protected. Consultants had been employed to review the financial model to ensure that it was based on a sound financial basis. As a private limited company, NRL was not bound by the same governance and procurement rules as the public sector but in practice as a company set up by the council and with councillors acting as directors it complied with the ethos of the council. Members were advised that the group accounts had been included in the external audit. The cabinet would consider the NRL business plan at its meetings every 6 months.

RESOLVED to approve the Annual Governance Statement 2017-18 and endorse its signing off by the chief executive and leader of the council.

7. Statement of Accounts 2017-18

(Councillor Smith left the room for a short period during consideration of this item.)

The chief finance officer, presented a power point presentation on the Statement of Accounts 2017-18 and together with the strategic finance business partner/deputy S151 officer, presented the report.

During discussion the chief finance officer and strategic finance business partner/deputy S151 officer, referred to the presentation/report and answered members' questions. Members were advised that short term investment in NRL and commercial property provided higher returns than bank interest rates. Members were reminded that the statement related to the financial year 2017-18 and that statements for future years would contain additional information on the council's commercial activities and borrowing. The chief finance officer explained that the council's asset management policy and the purchase of commercial properties was long term investment to fund council services. The external auditors would be reporting back to the committee on its opinion on the value for money of the council's arrangements with NRL and, also, its financial model of borrowing and purchase of commercial properties to ensure delivery of council services. The chief finance officer reminded members that full council had approved a revised Minimum Revenue Provision policy in January 2018 (*Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2017-18*, Council, 17 January 2018).

The strategic finance business partner provided further explanation about the inclusion of the group statements in these accounts which reflected the growth of the council's commercial activities. NRL was subject to audit and had employed an independent auditor. As a registered company, the accounts of the NRL would be publically available at Companies House

The chair thanked the officers for the presentation and highlighting the issues concerned. He praised the presentation of the Statement of Accounts, especially the narrative text. He also congratulated the finance team and internal audit for publishing the statement of accounts and the governance statement on the council's website in advance of the new statutory deadline.

Further discussion ensued on the risk to the council from increasing reliance on income from fees and charges, commercial activities and reserves to provide council services rather than total reliance on council tax, business rates and central government grants. The chief finance officer said that there was a lot of risk surrounding government funding, business rates and the effect on Brexit to the national economy. This was a robust set of accounts based on expenditure and income. The council was looking at its efficiency, streamlining service delivery and income generation. The risk register was constantly monitored by the corporate leadership team and the finance officers, and any changes to the risk appetite considered at cabinet and audit committees.

In reply to a question, the strategic finance business partner confirmed that the prudential minimum reserve for the general fund was £4.2 million and there was a similar level for the housing revenue account. This level was set to provide resilience to the council. If income from business rates or council tax were reduced then the council would be prepared to drop to £4.2 million in reserves to make up the shortfall.

RESOLVED to approve the draft Statement of Accounts 2017-18.

8. Annual Audit Committee Report 2017-18

The chair presented the report which touched on a few of the issues raised by the committee in the previous civic year. He commented that he was pleased that internal audit had taken up his request to audit contracts and fees and charges. He also pointed out that there had been no internal fraud incidents occurring during the year.

RESOLVED to approve the content of the Annual Audit Committee Report 2017-18 and to recommend it to council for adoption.

CHAIR