



**Audit committee**

**16:30 to 17:50**

**20 January 2015**

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Bremner (from item 4, below, because of other council business), Harris, Kendrick, Little and Waters

Apologies: Councillor Bremner (for items 1 to 3, below, because of other council business)

**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 18 November 2014, subject to the following amendment under item 2, Minutes, deleting "18 November 2014" and replacing "23 September 2014" so that the resolution is as follows:

**"RESOLVED** to agree the accuracy of the minutes of the meeting held on 23 September 2014, subject to item 4, Audit results report, the final sentence of the last paragraph, deleting "would be available by January 2015." "

**3. Certification of claims and returns annual report 2013-14**

(The external audit director (EY) attended the meeting for this item.)

The chief finance officer introduced the report.

The external auditor presented the appended report and referred to the new arrangements for certifying claims and returns following the closure of the Audit Commission. The external auditors expected to certify the housing benefit subsidy form the Department of the Work and Pensions (DWP) next year (2014-15) and that this was likely to continue until Universal Credit replaced housing benefit.

During discussion the external auditor answered members' questions. A member asked whether the cost of the certification work was justified when the level of errors was low. He explained that the value of the amendment to the housing benefit claim was £124 and pointed out that the extrapolated errors had not been amended as set out in external auditors' letter. The committee was advised that the level of errors

was less than in previous years and more in line with other councils. The chief finance officer said that the DWP was reviewing the error threshold.

In reply to a members' question the external auditor explained that the indicative certification fees were based on the actual certification fees for 2012-13 and adjusted for any schemes that no longer required certification.

**RESOLVED** to note the Certification of claims and returns annual report 2013-14.

#### **4. Internal audit and fraud team 2014-15 – November to December update**

The internal audit manager (LGSS) explained that the head of internal audit and risk management (LGSS) had sent apologies because he was unable to attend because of another work commitment.

The internal audit manager presented the report.

The chair referred to the audit assurance work and expressed concern that fees for street trading consent had not been reviewed. The internal audit manager explained that fees and charges were considered, under officer delegated powers, as part of the budget setting process each year and were not reported to members as such. There was no evidence to explain why the street trading consent fees had not been reviewed. The committee would receive an update on the progress of the implementation of the recommendations from the audit at its next meeting.

The internal audit manager explained the proposed changes to the audit plan as set out in table 1 of the report. It was proposed to amend the plan so that where a previous audit of fundamental systems had been given full or substantial assurance the work of internal audit could be reduced to include a follow up of the previous recommendations; an analytical review of figures; and a walk through of key controls. Members were advised that the replacement of the financial systems would not take place in the current financial year and so the audit would be deferred to 2015-16. The claims certification work had not been included on the table but should be deleted from the audit plan. As discussed under the previous agenda item, the work of external audit had been reduced in this area and therefore there was no work for internal audit to do. The executive head of business relationship management and democracy, the head of internal audit and risk management and the chief finance officer considered that income generation and joint ventures should be included on the audit plan. Members were advised that joint ventures included shared services such as LGSS, nplaw and NPS, and that the internal audit manager would ask whether it was intended to include Norwich Norse. All heads of service had received training on commercial awareness and the internal auditors had asked to see the content of that training. The generation of income helped the council self-finance and also its shared services. Councillor Waters, cabinet member for resources, said that he strongly endorsed the internal auditors' approach to the audit plan.

In response to a member's request for clarification on the reconciliation of land and property searches, the internal audit manager explained that income did follow through to the general ledger but that the figures had not been reconciled and that it was recommended that this should be done on a quarterly or monthly basis.

During discussion a member suggested that contract management, which had been audited a few years ago, should be looked at again. The internal audit manager said that this would be part of the current audit of shared services and further information on the scope of the review would be available at the next meeting. Information regarding the previous review of contract management would also be made available.

In reply to a question, the internal audit manager advised the committee that software licences relating to the HR Workforce system was not an issue. The latest position on the licences for the Oracle financial system would be reported to the next meeting. Members noted that the response to a member's question at council on 24 November 2014 clarified the overall situation regarding software licences. There was no need to include it on the audit plan because this was part of the work conducted for the council by its ICT contractors (LGSS) on a regular basis.

Discussion ensued on whether the Norwich Highways Agency should be included in the council's audit plan because of concern that it was a county council function but it involved city council employees and could be missed. Members were advised that the city council's audit team had previously audited on and off street parking and verified the amount of on street funding to the county council. The audit was in the remit of the county council. The Highways Agency was not an "agency" as such and the council collected on street parking fees and paid it over to the council and recharged the county council for staffing costs for highways services. Members considered that clarification on the audit arrangements for this service was particularly important given the large amounts of funding for the Push the Pedalways schemes.

The fraud team leader (LGSS) referred to the report and updated the committee on the arrangements for the transfer of benefit fraud work to the DWP from 1 April 2015. Members were also advised that LGSS was creating two new fraud officer posts to cover fraud investigative support across LGSS following the transfer. There would be a service level agreement between the council and the DWP for benefit fraud work.

The committee considered the Audit Commission's "Protecting the public purse – fraud briefing 2014" and were advised that there was some differentiation between how councils defined fraud. The fraud team focused on "real" frauds on behalf of the council and small cases were referred to other officers. A member suggested that the committee should consider what would replace the Audit Commission's report as it highlighted areas for the committee to consider and would be missed.

**RESOLVED to:**

- (1) note:
  - (a) the work of internal audit between November and December 2014;
  - (b) the progress on the 2014-15 internal audit plan and approve the amendments as set out in table 1 and minuted above;
  - (c) the work of the fraud team between April and December 2014;

- (d) the latest counter fraud developments;
- (e) the Audit Commission's fraud briefing 2014;
- (2) ask the head of internal audit and risk management to report back to the committee with further details on the following:
  - (a) the scope of the review of joint ventures and details of the contracts which will be included;
  - (b) the previous audit of contract management;
  - (c) the audit arrangements for the Norwich Highways Agency
  - (d) the new arrangements for managing non-benefit fraud following the transfer of benefit fraud staff to the DWP.

## **5. Local government audit committee briefing**

The committee commented on the external auditors' briefing note for November 2014.

In reply to a question the chief finance officer said that the the council would need to continue its journey of continual improvement to meet the government's proposed timetable for the approval and publication of accounts to 31 May and 31 July by 2017-18.

**RESOLVED** to receive the external auditors' briefing note for November 2014.

CHAIR