



Audit committee

16:30 to 17:30

13 March 2018

Present: Councillors Price (chair), Driver (vice chair), Bradford, Coleshill, Jones (B) (to part of item 5 below), Lubbock, Maxwell and Schmierer

Also present: Councillor Kendrick (cabinet member for resources)

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 14 November 2017.

4. Certification of Claims and Returns Annual Report 2016-17

The strategic finance business partner (deputy S151 officer) (LGSS) introduced the report and paid tribute to the hard work of the revenues and benefits team.

The external auditor (Ernst & Young) presented the report. He confirmed that the fees were as predicted. Members were advised that no materiality was allowed in relation to benefits.

The chair referred to the additional checks set out in section 1 of the external auditors' report and also commended the officers for their diligence in ensuring that transactions were correct. The vice chair said that it was important that people needing benefits received their full entitlements.

RESOLVED to review and note the attached report from the council's external auditor.

5. External Audit Plan 2017-18

The external auditor introduced Sappho Powell, who had succeeded David Riglar as the external audit manager, and presented the report.

During discussion the chair pointed out that as a result of the council's commercial activity it would need to prepare group accounts for Norwich Regeneration Limited (NRL) because its level of activity in 2017-18 was now considered material and

therefore would be included in the external audit plan as a new area of focus. The strategic finance partner and the external auditor confirmed that the processes for the preparation of these group accounts were in place. The company had appointed an independent firm of auditors to audit its accounts.

During discussion members sought assurance that the level of materiality at 2 per cent was correct. The external auditor said that lowering the threshold would mean that it would be necessary to test more transactions. The deputy head of internal audit (LGSS) and the strategic finance partner advised members to take the advice of the external auditor. The external audit plan looked at the key areas where judgement was applied. Further testing would delay the preparation of the accounts and make it more difficult to meet the timetable. The external auditor said that 2 per cent was standard and that if material errors were found they would drop it to 1 per cent. He explained that an audit was only as good as the risk analysis and that this was based on professional judgement and what they expected to be in the council's accounts at the year end. There was flexibility to update the external audit plan when the external auditors received the set of accounts from the council on 31 May. If any new risk was identified it would be reported to the committee when the accounts were signed off in July.

The chair referred to the council's acquisition policy for commercial property for income generation and asked for details of how the risk would be analysed. The external auditor said that the rate of return from the investment would be assessed to ensure that it was within industry norms and that the level of bad debt was not outside the range.

During discussion on the level of fees, members were advised that the fees reflected the historic level of risk but that the difference this year was the addition of the group accounts and the increased level of income generation activity. The external auditor said that it would be possible to provide extra work if it was necessary to obtain an assurance. In reply to a question, he pointed out that an increase in homelessness was not an audit risk but would manifest itself in service provision. Investment in capital programmes, such as a car park or new buildings shown as a budget line in the accounts, was an audit risk. The strategic finance business partner confirmed that the fees were considered to be in line with expectation.

(Councillor Jones left the meeting at this point.)

The chair asked whether the external auditors could provide more detailed information in their report. The external auditor said that the annual audit letter would include data, where the whole population was tested, eg bad debts, and display information as graphs. He confirmed that the Public Sector Audit Appointments reviewed the external audit process.

RESOLVED, having reviewed the report, to agree the approach and scope of the external audit as proposed in the audit plan.

6. Internal Audit Update November 17 to February Plan for Norwich City Council 2018-19

The deputy head of internal audit presented the report and introduced Magen Powell, principal auditor, who had been appointed to her post following Jonathan Tully's promotion.

During discussion members noted the completion of the debt recovery audit assignment. A member commented that cabinet would be considering a report "Write off of irrecoverable national non domestic rate debt" at its meeting on 14 March 2018, and said that everything should be done to avoid having to write off bad debt. Councillor Kendrick, cabinet member for resources, referred to this report and said that although debts could be written off, it was also possible for the council to recover debts if there was a change in circumstances. The implementation of recommendations from this audit should be in place by 31 July 2018.

In reply to a question, the principal auditor referred to the report and explained how the council participated in the National Fraud Initiative (NFI). Data sets were processed and matched. Discrepancies which could indicate potential fraud, such as more one adult living in a dwelling and where single person council tax discount had been applied would require further investigation by the Anglia Revenues Partnership (ARP). Members were advised that the city council did not attempt to recover the difference or prosecute for fraud in such incidences. The NFI was carried out on an annual basis but in more depth in alternate years. A member commented that the council should make people more aware of who was eligible for single person council tax discount as students and people with some mental health conditions should not be counted for council tax purposes. The deputy head of internal audit said that the most common reason given to ARP for the application of single person council tax discount, when there was more than one adult living in the dwelling, was that they had not informed the council.

The committee noted the changes to the internal audit plan as set out in Appendix A and that the audits that would not be completed in this financial year would be picked up in quarter 1 of 2018-19 plan.

RESOLVED to note the contents of the report.

7. Draft Internal Audit Plan for Norwich City Council 2018-19

The deputy head of internal audit presented the report. The chair, vice chair and the corporate leadership team had been consulted on the draft plan.

During discussion, the deputy head of internal audit referred to the report and answered members' questions on the plan. He explained that the internal audit team were not ICT specialists but assurance on compliance with legislative and policy requirements could be obtained through accreditation from external bodies. The allocation of five days for fraud investigation could easily be used up if there was a significant fraud. Internal audit would then liaise with the corporate leadership team to review the allocation. Fees and charges were listed twice on the plan. The city council needed to introduce a fees and charges policy. It would then be audited to ensure compliance in quarter 4 of the plan.

A member said that he considered procurement compliance important and asked how the council could ensure that council leaseholders received value for money. The deputy head of internal audit explained how this could be audited, including checking invoices and visiting the contractors. A member pointed out that case law supported the council's approach of sharing the costs of communal repairs with all units in a block. The deputy head of internal audit said that the practice of contractors putting up prices and the length of time it took to carry out work was also monitored.

(Councillor Kendrick left the meeting at this point.)

In reply to a question from the chair, the external audit manager confirmed that he was satisfied with what was included in the internal audit plan.

RESOLVED to endorse the Internal Audit Plan 2018-2019.

CHAIR