



MINUTES

AUDIT COMMITTEE

4.30pm to 6pm

23 July 2013

Present: Councillors Little (chair), Wright (vice chair following appointment), Bremner, Driver, Kendrick, Neale, Stammers (substitute for Councillor Boswell) and Waters

Apologies: Councillor Boswell

1. APPOINTMENT OF VICE CHAIR

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

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 19 March 2013.

4. STATEMENT OF ACCOUNTS 2012-13

The chair congratulated the chief finance officer and the chief accountant and her team for meeting the deadline for signing off the unaudited draft statement of accounts by 30 June 2013. The statement of accounts would be audited and would be reconsidered by the committee at its September meeting. Training for members of the audit committee would be arranged.

The chief accountant introduced the report and answered questions. She pointed out that it was a complete set of accounts and that there were no outstanding entries to be made.

The chair said that he had submitted some minor points and comments on the statement of accounts and would encourage other members to do the same. He considered that there were a number of areas where explanatory text should be provided to make the statement of accounts easier to understand and read,

particularly as it was a public document. He suggested that further information was required to explain the "Norfolk County Council transferred debt". The chief accountant replied that this debt arose from the 1974 local government reorganisation, when the city was no longer unitary and services such as education and the fire service became the responsibility of the county council. The sum outstanding arose from a difference in valuation of the assets (fire station, school buildings) between the two councils. The chief accountant also agreed to prepare a table which showed the movements of the short term investments and pointed out that these reflected receipts received into the council. Discussion ensued in which it was noted that the total reserves figures had still to be added to Appendix 2, Balance changes.

Councillor Waters, cabinet member for resources, referred to the covering report and said that there had been a lot of work to manage the council's assets and dispose of properties. He pointed out that the statement of accounts was a valuable document which set out the council's objectives and current position.

The chair advised members that although the council had not had to provide group accounts this year, however it could potentially be required to provide these in future years because of its partnership arrangements.

RESOLVED, having reviewed the 2012-13 Statement of Accounts, to ask the chief accountant to make the minor changes as minuted above and note the report.

5. DRAFT ANNUAL GOVERNANCE STATEMENT 2012-13

The audit manager (LGSS) presented the report and referred to the annual governance statement contained in the 2012-13 Statement of Accounts (attached to the report for the previous item.) He referred to the *Delivering good governance in local government: framework – addendum* (CIPFA) document, which had been appended to the report, and pointed out the new key elements of the systems and processes that comprise an authority's governance arrangements as follows:

- translating the vision into objectives for the authority and its partnerships;
- reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality;
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- ensuring effective management of change and transformation;
- ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact;
- ensuring effective arrangements are in place for the discharge of the monitoring officer function;

- ensuring effective arrangements are in place for the discharge of the head of paid service function;
- enhancing the accountability for service delivery and effectiveness of other public service providers.

Discussion ensued on the annual governance statement contained in the 2011-12 statement of accounts, during which the audit manager, director (Ernst & Young) and chief finance officer answered members' questions. The chief finance officer confirmed that the recommendations in the 2011-12 report relating to the accounts had been addressed. The internal audit review had not been completed yet. The audit manager advised members that actions arising from the 2011-12 statement of accounts relating to governance were reported in the *Annual audit report on internal audit and fraud 2012-13*, which would be considered later in the meeting. Members were advised that if external audit recommended any changes to the annual governance statement it would be brought back to committee as part of the statement of accounts.

In reply to questions, the audit manager explained that each head of service reviewed their own service by responding to a questionnaire, which was reviewed by internal audit.

During discussion members considered that the governance arrangements of its key partnerships and that consideration should be given on how this would impact on the council's own arrangements. It was noted that the joint venture with NORSE, which was a key partnership to deliver services for the council, had its own decision making structure and governance arrangements.

RESOLVED, having reviewed the effectiveness of the council's governance arrangements, to approve the draft annual governance statement for 2012-13.

6. INTERNAL AUDIT AND FRAUD TEAM 2012-13 – 4TH QUARTER UPDATE

The audit manager (LGSS) presented the report which updated members of the work of the internal audit and fraud team in the fourth quarter of the financial year 2012-13, and included progress on the actions from the 2011-12 statement of accounts.

Discussion ensued in which the audit manager answered members' questions. The committee was advised that the audit manager would ask the fraud team why the number of referrals had gone down but did not consider it to be related to the staff shortages in the team during this period. A member suggested that councillors would find it useful to be aware of what benefit fraud was taking place so that they could help tenants avoid being in a position which could lead to them making a fraudulent claim. Members were advised that housing officers were proactive at reporting anomalies and alleged fraud for investigation by the fraud team.

The committee then considered the progress against the audit plan as set out in annex 1 of the report, and the audit manager answered members' questions. In reply to a suggestion that internal audit cut out some of the audits, the audit manager said that it would have an impact on the annual governance statement and that the authority had a duty to maintain an internal audit. Members noted that the corporate

risk register identified areas of high risk where an internal audit should be prioritised, given the limited resources of the audit team.

RESOLVED to note:

- (1) work of internal audit between February and the end of March 2013;
- (2) progress on the internal audit plan;
- (3) work of the fraud team;
- (4) latest position on the national fraud initiative (NFI).

7. ANNUAL AUDIT REPORT ON INTERNAL AUDIT AND FRAUD 2012-13

The audit manager (LGSS) presented the report and said that the head of internal audit and risk management's overall audit opinion was an "adequate assurance". He referred to annex 1 and updated members that in relation to Civica customer contact IT system, HR had updated its induction check list to ensure that managers discussed the mandatory e-learning Data Protection Act course with new employees who were required to have completed it by their second one to one/probationary interview.

Discussion ensued in which the audit manager answered members' questions. He explained that the delay in processing change of circumstances information for housing and council tax benefits claims resulted in over payments and if a certain threshold was reached the council received a lower subsidy. Therefore there needed to be a performance indicator to monitor this. Councillor Waters said that the award grant helped the council's medium financial strategy and that it was hoped that some grant would be awarded.

Councillor Waters confirmed that the actions which had resulted from the internal audit of the provisions market were progressing. The provisions market was an important asset to the council and the city.

The chair referred to the situation in accounts payable where the lack of a team leader resulted in a delay in implementing the policies and procedures recommended by the internal audit team, and asked how the council could build in resilience to address this. The audit manager said that self-assessment of risks by the heads of service and business continuity plans should ensure that the work could be undertaken.

RESOLVED to receive the annual audit opinion and note the work of internal audit and the fraud team for 2012-13.

8. INTERNAL AUDIT AND FRAUD TEAM 2013-14 – FIRST QUARTER UPDATE

The audit manager (LGSS) presented the report on the work of the internal audit and fraud team from April to mid-June, and answered members' questions on the work of the fraud team and training provided to other officers to raise awareness of fraud.

RESOLVED to note the:

- (1) work of internal audit between April and June 2013;
- (2) note the progress on the internal audit plan;
- (3) note the work of the fraud team between April and June 2013;
- (4) note the council's response to the Audit Commission's fraud survey 2012-13.

9. REVIEW OF THE CORPORATE RISK REGISTER

The audit manager presented the report.

The chief accountant advised the committee that in relation to CR26, the cash receipting system was likely to be implemented in October or November 2013. The audit manager said that the new system would continue to be monitored,

RESOLVED to note the changes to the register as a result of the review by the corporate leadership team.

CHAIR