



Audit committee

16:30 to 17:30

22 January 2019

Present: Councillors Price (chair), Fullman, Hampton, Lubbock, Smith and Stutely

Also present: Councillor Kendrick (cabinet member for resources)

Apologies: Councillors Driver (vice chair) and Coleshill

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

Annual Audit Letter 2017-18

The committee noted that in relation to resolutions (3) and (4), the chief finance officer's intention was to report on these to the next meeting of the committee (12 March 2019).

RESOLVED to agree the accuracy of the minutes of the meeting held on 16 October 2018.

(The chair agreed to amend the order of the agenda and to consider the exempt item first.)

4. Exclusion of the public

RESOLVED to exclude the public from the meeting during consideration of items 5 * (below) on the grounds contained in paragraph 7 of Schedule 12A of the Local Government Act 1972 (as amended).

5. Risk Based Verification Policy (Paragraph 7)

The director of business services, and the strategic manager, Anglia Revenues Partnership, presented the report. They explained the benefits to both the council and customers of this approach which would improve the administration of benefits and the council tax reduction scheme.

The chair commented that risk based verification had been in operation for several years by other councils and therefore had a proven record. The committee could be therefore be satisfied of due diligence. A member said that he considered that as both the council and its customers would benefit, it was a “win-win” situation.

RESOLVED to:

- (1) endorse the attached draft Risk Based Verification Policy (appended to the report); and,
- (2) recommend to cabinet that it approves and adopts the Risked Based Verification Policy.

(Public could be readmitted to the meeting at this point.)

6. Certification of Claims and Returns Annual Report 2017-18

The external audit manager presented the report which summarised the work and outcome of the certification work undertaken on claims and returns in relation to housing benefits subsidy claim. She pointed out that, like most local authorities, the council had received a qualified opinion.

The strategic manager, Anglia Revenues Partnership, said that the claim had been submitted to the Department of Works and Pensions (DWP) within the statutory deadline. There had been no further correspondence from the DWP and it was expected that the notification of any payments due as a result of the certification audit would be received in the summer.

During discussion, the external audit manager referred to the report and said that there were no significant findings and recommendations from the housing benefits subsidy audit. She then explained the standard methodology used for extrapolating the data, in accordance with the DWP circular. The letter of qualification set out the details of this process. The strategic manager said an ongoing conversation with the DWP about changing its requirements because all errors, even diminutive amounts, such as an error of £2.00, were considered material and had to be tested which was a strain on the public purse.

The external auditor said that no further work was required. The indicative fees had remained the same and showed that the work conducted by external audit was within its scope. Going forward, the external auditor was pleased to have been appointed as the reporting accountant to undertake the certification of the housing benefit claims and returns work for the council.

The chair thanked the external auditor for the report and said that the satisfactory conclusion was a credit to the hard work of the revenues and benefits team.

RESOLVED to note the external auditor’s Certification of Claims and Returns Annual Report 2017-18.

8. External Audit Plan 2018-19

The external audit manager presented the report and answered members' questions and said that the risks identified were consistent with previous years.

During discussion the external audit manager referred to the report and answered questions from the chair on the process for testing and assessing significant and inherent risks, including property and plan; and pensions liability. Members also noted that the new accounting standard IFRS 9 Financial Instruments could have a significant material impact on the council's accounts. The chief finance officer and her team were working through the CIPFA guidance. The chief finance officer said that she would provide a guidance note on IFRS 9 to members at their next meeting.

Members noted that external audit liaised with the council's finance team throughout the process and would be meeting with the interim senior technical accountant to discuss the council's minimum level of reserves. The strategic finance business partner (Deputy S151 officer) confirmed that before the submission of the accounts, external audit and the finance team would hold an interim audit in early March which provided the opportunity to consider any issues arising from the process.

In reply to a question from the chair, the strategic finance business partner confirmed that Norwich Regeneration Ltd had appointed Aston Shaw Accountants as its independent auditor. The external audit manager explained the process for the assessment of the group accounts and explained that the external auditor used the independent audit to provide assurance.

The external auditor referred to the *Value for Money* section of the report and pointed out that the significant risks in this section were commercialisation and financial resilience, as in the previous year, and explained the process that external audit would undertake. The chief finance officer advised the external auditor and committee that the funding gap between funding and expenditure in years 2019-20 and 2020-21 had been overstated and that the savings needed after 2020 was £10.3 million and not £13.6 million as stated in the report. She referred to the medium term financial strategy and explained how the surplus was allocated to earmarked reserves. CIPFA guidance on commercial activities for local authorities had not been released. The external auditor confirmed that external audit would be looking at how the recommendations aligned with the council's agreed strategy.

RESOLVED, having reviewed the report from the council's external auditor, to agree the approach and scope of the external audit as proposed in the audit plan 2018-19.

9. Internal Audit 2018-19 – October to December Update (Quarter 3)

(Anna Hollander, associate auditor CIPFA graduate scheme, internal audit, LGSS was introduced to the committee.)

The principal auditor (LGSS) presented the report.

A member said that he considered that internal audit's assurance opinion on each of the finalised assignments was very positive and that recommendations on minor issues was an important part of the process.

The chair referred to the work in progress and said that he was disappointed that the outcome of the audit assignments on *Fees and Charges Policy* and the *Governance arrangements for Norwich Regeneration Ltd* were not available for consideration at this meeting of the committee. The principal auditor apologised that these were not available and said that these were important pieces of work which would be reported back to committee at the next meeting.

In reply to a question from the chair, the principal auditor said that the investigation of a case of alleged fraud, where 25 days had been allocated, had not been concluded. She was therefore unable to give an update because the investigation was still in progress.

In conclusion, the principal auditor confirmed that the internal audit plan could be delivered in the time allocated on the internal audit plan. The chair and members concurred that this was a good report.

The principal auditor advised members that the corporate risk management report would be considered at cabinet on 6 February and reported to the next meeting of this committee.

RESOLVED to note the contents of the report.

10. Local Government Audit Committee Briefing (Quarter 4) December 2018

(The briefing note produced by the external auditors, had been circulated on a supplementary agenda.)

The external audit manager introduced the report which was for information and raised issues that external audit considered were relevant to local government and wider matters of potential interest to audit committee members.

The chair referred to the report and said that he considered the conclusions of the report as set out in the section *Key questions for the Audit Committee* were important and would be particularly useful for members when considering committee reports.

The chair asked the chief finance officer to comment on the questions relating to the impact of the government's 2018 budget on the council's financial planning and whether the finance team could meet the earlier deadlines for submitting the statement of accounts to the external audit. The chief finance officer said that following the 2018 budget, the council would receive a share of the estimated £8 million from the 100% business rates retention pilot across Norfolk, and as central government had not removed the New Homes Bonus threshold and could confirm that the council's 2019-20 budget would include a use for surplus New Homes Bonus funding (£90,000). The strategic finance business partner referred to the finance team's experience of closing down the accounts successfully and said that there would be a trial run before the close down but it was not anticipated that any issues in meeting the statutory deadline.

CHAIR