

Audit Committee

Item No.....

Report title:	External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services

Strategic impact

The Audit Committee consider the work of the Council's External Auditors in accordance with their terms of reference, which are part of the [Council's Constitution, part 4.1 \(4.4\)](#). (page 11) being:

F. External Audit

1. Consider reports of external audit and other inspection agencies.
2. Ensure there are effective relationships between external audit and internal audit.

Executive summary

The purpose of this report is to introduce the External Auditor's Annual Audit Letter 2016-17, which is attached as **Appendix A**. This letter is one of certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee will receive a separate letter for their approval. This letter has been published on the Council's website.

Our External Auditors publish Local Government Audit Committee Briefings and the latest briefing for Local Government is attached as **Appendix B**.

A representative from Ernst & Young LLP ("EY") will attend the meeting and answer members' questions.

Members are recommended to consider:

- the External Auditor's Audit Letter 2016-17
- the key messages and questions in the briefing

1. Introduction

This Annual Audit letter (Appendix A) is one of certain communications that EY must provide to the Audit Committee of the audited client. This letter complements the External Auditor's Annual Results Report for 2016-17 reported to this Committee on 21 September 2017.

2. Evidence

The External Auditor's Annual Audit Letter for 2016-17 is attached as **Appendix A** to this report. A briefing note for the Committee is attached at **Appendix B**.

Responses for the questions, posed in the briefing note, are as follows:

How is the impact of Brexit being factored into the authorities MTFP projections?

- The County Council recognised the potential impact of Brexit in its 2017-20 Medium Term Financial Strategy and this will be updated in the next Medium Term Financial Strategy presented to Policy and Resources Committee on 29 January 2018 and County Council on 12 February 2018. The potential impact is also recognised as a corporately significant risk and is included within the Council's risk register. The County Leadership Team have nominated an officer to be responsible for monitoring and highlighting any changes that would impact on the Council. The officer attends the LGA Brexit Sounding Board and also meets with government officials to ensure Norfolk County Council's liabilities are met.

Has your local authority considered the impact of the proposed financial settlement for 2018/19?

- Implications of the proposed settlement are being reported to Service Committees in January 2018 and will be included within the overall 2018/19 budget and Medium Term Financial Strategy presented to Policy and Resources Committee on 29 January 2018 and County Council on 12 February 2018.

What assurance do you have that your council's owned trading companies have effective governance arrangements in place?

- Governance of trading companies is included within the Council's risk register as a corporate risk. All companies have a system of governance which is the responsibility of their Board of Directors. Regular Board meetings are held with shareholder meetings and reporting taking place as required. Policy and Resources Committee is responsible for recommending to County Council the appointment of new directors to the companies when a vacancy arise. The Executive Director of Finance and Commercial Resources is responsible for reviewing the ongoing viability of trading companies and regularly reporting the performance of their activities, with a view to ensuring the County Council's interests are being protected. For example commissioning a review of governance or financial performance as required.

What actions has your local authority taken to ensure that it is best placed to achieve the financial accounts early closure timetable of 31 July 2018

- The Council is working closely with the External Auditor to meet the early closure timetable. In preparing the 2016-17 accounts, the timetable was reduced in order to prepare for the shorter timescale for the 2017-18 accounts. Officers have reviewed the lessons learnt and where necessary made changes to prepare for the shorter timescale and are on course to meet the closure timetable of 31 July 2018.

How has the uncertainty around future charges for planning applications affected your council?

Norfolk County Council had made a commitment to use the promised increase in planning fees to support its statutory duties as a county planning authority. The delay has led to a reduction in forecast income for 2017/18 which is unfortunate as it has coincided with increased costs associated with the review of our minerals and waste plan. Looking forward

we will be reviewing our local development scheme and statement of community Involvement in 2018. The timescales and levels of community engagement we can provide will reflect our income forecasts, which in turn will be influenced by any uncertainty to deliver the planning fee uplift, previously promised.

How does your council ensure that it has a sustainable financial plan for the increasing demand for adult social care?

We ensure that we have a plan by having a promoting independence corporate priority and associated strategy which is aimed at demand management and the achievement of sustainable savings for adult social care, This is monitored through the corporate priorities steering group and Adult Services Committee. Monitoring includes updating of actions, financial monitoring and risks. (Corporate risk RM023)

3. Financial Implications

There are no specific financial implications other than those noted above.

4. Issues, risks and innovation

Risk implications

- 4.1 Apart from those listed in the report, there are no other implications to take into account.

5. Background

- 5.1 The Council's Financial Statements cover several reporting entities making up the Council's group accounts. Each entity has an audit plan for the financial year and these are provided by different auditors

Entity	Auditor
Norfolk County Council	EY
Norfolk Pension Fund	EY
Norse Group	PwC
Independence Matters	EY
<i>Not consolidated on basis of materiality:</i>	
<i>Hethel Innovation Limited</i>	<i>Small Companies Exemption from Audit –</i>
<i>Great Yarmouth Development Co. Ltd</i>	<i>Companies Act 2006 (part 476 and 477)</i>
<i>Norfolk Energy Futures Ltd</i>	
<i>Norfolk Safety CIC</i>	

Officer Contact

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