

**Audit Committee**  
**Minutes of the Meeting held on Thursday 15 June 2017 at 2pm**  
**in the Edwards Room, County Hall, Norwich**

**Present:**

Mr S Aquarone  
Mr F Eagle  
Mr A Jamieson  
Mr I Mackie  
Mr S Morphew  
Mr H Thirtle  
Mrs K Vincent

**1 Apologies for Absence**

- 1.1 An apology for absence was received from Mr C Foulger (Mr F Eagle substituted).

**2 Election of Chairman**

- 2.1 Mr I Mackie was elected Chairman for the ensuing year.

**3. Election of Vice Chairman**

- 3.1 Mr H Thirtle was elected Vice Chairman for the ensuing year.

**4 Minutes**

- 4.1 The minutes from the Audit Committee meeting held on 26<sup>th</sup> January 2017 were agreed as an accurate record and signed by the Chair.

**5 Declaration of Interests**

- 5.1 Mrs K Vincent declared an interest in Item 8 as she was a member of the Norfolk Pension Scheme.
- 5.2 Mr H Thirtle declared an interest in Item 8 as he was a member of the Norfolk Pension Scheme.
- 5.3 Mr S Morphew declared an interest in Item 8 as his wife was a member of the Norfolk Pension Scheme.

**6 Items of Urgent Business**

- 6.1 The Chief Internal Auditor informed the Committee that an email had been circulated to Members updating them on issues raised at the January meeting, including the progress against the ICO Audit Actions.
- 6.2 In light of the tragic events the previous week of the fire at the Grenfell Tower in Kensington, the Chairman proposed that the Committee commission a short report investigating the safety of the cladding recently installed on the exterior of

the main County Hall building. He asked that the review also address the following issues: review of fire escape routes in County Hall; fire alarm system and drills; whether the fire alarm system was linked to Diamond Jubilee Carrow Fire Station and provisions for Fire Wardens in the building. The Committee fully supported and agreed the proposal and added that the review should also address business contingency plans that would be implemented to provide vital services should the County Hall building become dysfunctional. The review would also investigate the cladding used on other buildings in the County Council estate.

- 6.3 The Head of IMT attended the Committee to provide an update on ICT and Information management (IM) and the external report from the Information Commissioners. He reminded the Committee that they had visited the County Council against a backdrop of high profile data loss cases. He was pleased that the County Council had received the second highest level of positive feedback that could be received and that all immediate actions had been actioned, if they had not already been in progress.

## **7. Monitoring Officers' Annual Report 2016-17**

- 7.1 The annexed report (7) by the Chief Legal Officer was received.

### **7.2 The Committee resolved to:**

Note the contents of the report and in particular the key messages in the Executive Summary and Appendix A section 2.1.

## **8. External Auditor's Audit Plan 2016-17**

- 8.1 The annexed report (8) by the Executive Director of Finance and Commercial Services was received.

- 8.2 During the ensuing debate the following issues were raised:

- 8.3
- Following an issue raised by the Chairman, the External Auditor agreed to bring benchmarking comparison data to the next meeting on the achievement of savings required over the medium term and comparisons with other similar Councils.
  - The Committee noted that the County Council accounts had been drafted and would soon be available on the County Council's website alongside the draft Annual Governance statement. The final documents would be signed by the Leader and Managing Director before being published by the 30 June deadline.
  - It was noted that the External Auditors were responsible for the audit of both the Norfolk Pension Fund and the County Council. Procedures were in place to ensure that they complied with a separate audit engagement.
  - It was noted that the gender pay gap was one of the areas of external audit activity and suggested that this be brought to the attention of the newly appointed Head of Human Resources.

- In response to an issue raised, the External Auditor said that they were appointed to undertake the audit for a set fee set under a competitive process. If the scope of the audit was changed by the County Council then this fee might also change however, the number of days and staff required to complete an audit was commercially sensitive information.

#### 8.4 **The Committee resolved to consider:**

- The External Auditor's Audit Plan for the Council for 2016-17 at Appendix A, including their assessment of the Financial Statement Risks and Value for Money Risks
- The External Auditor's Audit Plan for the Pension Fund for 2016-17, including their assessment of the Financial Statement Risks and Value for Money Risks, at Appendix B
- Whether there are any other matters which they consider may influence their work
- The key messages in the briefings at Appendices C and D.

### 9. **Risk Management Annual Report 2016-17**

9.1 The annexed report (9) by the Executive Director of Finance and Commercial Services was received.

9.2 During the ensuing discussion the following issues were raised:

- It was noted that the County Leadership Team (CLT) were aware of and addressing the risks presented at Appendix A. The Committee agreed that an update be provided at the next meeting on how these issues were being addressed at CLT level.
- Audit Committee had previously recommended that all relevant risk registers should be shared with Committees however, it was noted that currently only those risks scored over a certain level were being reported to Members on a regular basis. The Committee agreed that all Committees should receive a copy of their full risk register report annually in order to highlight any particular risks that Members may need more information on, with a summary of key risks at other times.

9.3 **The Committee resolved to** consider and comment on these key messages from the Annual Risk Management 2016-17 Report (Appendix A):

- The overall opinion on the effectiveness of risk management for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 7 of the report)
- In November 2016, the annual CIPFA (Chartered Institute of Public Finance and Accountancy) Risk Management Benchmarking Club

exercise was carried out, and the Council was assessed against other Local Authorities on its' risk management capabilities. A summary of the Benchmarking Club exercise can be found at Appendix 1 of Appendix A of this report.

- The permanent position of Risk Management Officer was ratified by the Council in September 2016, and the current Risk Management Officer was appointed to this role in October 2016.
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The current Risk Management Policy is being refreshed, with a Risk Management Strategy to be developed from this in 2017/18.

## **10. Risk Management**

10.1 The annexed report (10) by the Executive Director, Finance and Commercial Services was received.

10.2 Geoff Connell, Head of IMT attended the Committee to provide an update on risk number RM010 - 'Risk of the loss of key ICT systems' during which the following issues were raised:

- There was a need for the County Council's ICT security systems to be robust, particularly in light of the recent cyber-attacks on some NHS systems. A cyber security audit had recently been completed and feedback received had been positive, with the 25 recommendations providing opportunities for the Council to move from 'good' to 'excellent'. An update on the report would be brought to the September Audit Committee meeting.
- The County Council was becoming less dependent on the County Hall building as a data processing facility for ICT systems and increasingly services were being moved into cloud based arrangements to reduce the risks involved.
- The Corporate Risk Register and departmental risk registers were looked at as part of the annual planning process to feed into the annual Audit Plan
- Following an issue raised on risk number RM004 ('Potential risk of failure to deliver effective and robust contract management for commissioned services') regarding the link between the client and customer role in Norse, it was noted that the National Audit Office had published related guidance on contract management. The Committee asked to receive further information on this.

10.3 **The Committee resolved to consider:**

- a. The changes to the corporate risk register (Appendices A and B), the progress with mitigating the risks; and

- b. The scrutiny options for managing corporate risks, (Appendix C);
- c. The movement of corporate risks since the last meeting (Appendix D);
- d. The Finance and Commercial Services departmental risk summary (Appendix E);
- e. If any further action is required.

## **11. Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)**

The annexed report (11) by the Executive Director of Finance and Commercial Services was received.

- 11.1 The Committee discussed the impact of the exchange rate on the project and whether funding was ring fenced when the exchange rate was favourable to Sterling. The Chief Internal Auditor agreed to seek clarification on this issue and confirm this with the Committee.

### **11.2 The Committee resolved to:**

Approve the amended Internal Audit Terms of Reference as set out in Appendix A, and the Code of Ethics as set out in Appendix B of the report.

## **12. Norfolk Audit Services Report for the six months ending 31 March 2017**

- 12.1 The annexed report (12) by the Executive Director of Finance and Commercial Services was received.

- 12.2 The Committee made reference to their recommendation to full Council that fraud and corruption e-learning packages be made mandatory for all employees and whether this had been implemented. It was acknowledged that the training might not be appropriate for all staff but it would be useful for Managers to identify those that should undertake it.

### **12.3 The Committee resolved to consider and comment on:**

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.
- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function.

## **13. Norfolk Audit Services Annual Internal Audit Report 2016-17**

- 13.1 The annexed report (13) by the Executive Director of Finance and Commercial Services was received.

### 13.2 The Committee resolved to:

Consider and comment on these key messages from the Annual Report (Appendix A):

- The overall opinion on the effectiveness of risk management and internal control for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 2 of the report)
- The internal audit function has fulfilled its Terms of Reference, Strategy and provided assurance and added value through its delivery of the Committee's approved revised Internal Audit Plan for 2016-17, including traded schools audits and grant certifications and unplanned audits (part 4 of the report)
- Work is continuing to manage performance and the cost of audit assignments (part 6 of the report)
- The work of Norfolk Audit Services for the year (part 7 of the report) and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud
- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 8 of the report)
- The Internal Audit Function continues to comply with the Accounts and Audit Regulations 2015 and recognised standards including the United Kingdom Public Sector Internal Audit Standard (UKPSIAS) (part 8 of the report). We commissioned an independent review from CIPFA of our compliance with the PSIAS (part 8 of the report). The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these. One change is a statement on the independence of internal audit, covered at part 8.6 of the report

## 14. Audit Committee Work Programme

- 14.1 The annexed report (14) by the Executive Director, Finance and Commercial services was received.
- 14.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report.

The meeting ended at 3.30pm.



## **CHAIRMAN**

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