

Audit Committee

Minutes of the Meeting held on Thursday 19 June 2014 at 2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr B Bremner

Mr J Dobson

Mr A Gunson

Mr J Timewell

Mr R Parkinson-Hare

Ms J Virgo

Officers Present:

Mr P King

Mr R Murray

Ms V McNeil

Mr S Rayner

Mr P Timmins

Mr A Thompson

Miss N Tuck

Ernst & Young (Audit Manager)

Ernst & Young (Director)

Monitoring Officer / Practice Director NPLaw

Strategic Risk Manager

Interim Head of Finance

Chief Internal Auditor

Committee Officer

1 Election of Chairman

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

2. Election of Vice-Chairman

- 2.1 Mr J Dobson was elected Vice-Chairman for the ensuing year.

3. Apologies for Absence

Apologies were received from Mr J Joyce and Mr R Smith who were substituted by Mr J Timewell, and Ms J Virgo respectively.

4. Minutes

- 4.1 The minutes of the meeting held on 24 April 2014 were agreed as a correct record and signed by the Chairman.
- 4.2 The Committee asked if there had been a response to Item 11.2 in the minutes of the last meeting. The Chief Internal Auditor agreed to circulate an answer after the meeting.

5. Declaration of Interests

- 5.1 Ms Virgo expressed an interest that she received added years interest through the Teacher's Pension which was paid by Norfolk Pension Fund.

6. Items of Urgent Business

There were no items of urgent business declared.

7. Email Outage Risk Report

- 7.1 The Committee received the report by the Interim Head of Finance and Head of ICT and Information Management (annexe 7). The report provided information with respect to business continuity and risk management associated with the recent e-mail outage.

- 7.2 During the discussion, the following points were noted;

- There was concern raised at the length of time taken for the e-mail system to work effectively again. This was primarily due to a second issue that was pinpointed by ICT staff who were assisted by Microsoft. The primary issue had been identified as relating to a bug and a new environment had to be built. Once this was completed, another issue had arisen due to the age of the infrastructure.
- It was noted that Members found the inconvenience extremely difficult and it had emerged for some that emails still had not been fully recovered. The public did not seem to know that Members had been affected. This had caused issues as Members had not been able to respond to constituents. Communication needed to be improved and a plan put in place to respond to the risk of any future problems.
- Assurance was given to the Committee by the Head of ICT and Information Management that the impact of the problem had not been underestimated. Programs would be migrated to two new data centres which would mean for critical events there would be stronger disaster recovery plans in place. There was a large programme of activity in place to tighten up ICT networks and the data which shaped the services. Members of the Committee were offered the chance to visit the ICT Shared Service Centre at any time to witness the work which was taking place.

7.3 RESOLVED

- The Head of ICT and Information Management and the Strategic Risk Manager to highlight the above risks to Policy and Resources Committee

8. Monitoring Officer's Annual Report 2013-14

- 8.1 The Committee received the report by the Monitoring Officer (annexe 8) which summarised the internal governance work carried out in 2013/14 and provided assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective.

- 8.2 During the discussion, the following points were noted;

- In response to a question about the Monitoring Officer's role in notifying the County Council of legal risks, the Monitoring Officer highlighted the different roles of the legal team and the Monitoring Officer. The legal team advises the Council on a range of legal matters but on occasion external legal specialists are retained where the necessary expertise cannot be provided in-house. The Monitoring Officer's principal duty is to inform the Council if it is proposing to do something illegal or constituting maladministration.

8.3 The Committee **NOTED** the report.

9. Risk Management Policy and Framework

The Committee received the report from The Interim Head of Finance (annexe 9) which provided the Committee with an update following the full review of Norfolk County Council's management of risk policy and framework documents, "Well Managed Risks". These documents set out the County Council's commitment to the management of risk in accordance with the Accounts and Audit (England) Regulations 2011.

RESOLVED

- To note the report
- To consider the contents of the updated risk management policy and framework "Well Managed Risk".
- To approve the revised policy and framework "Well Managed Risk".
- To recommend adoption of the policy and framework "Well Managed Risk" to Full Council.

10. Risk Management Report (1st Quarter 2014/15)

10.1 The Committee received the report from the Interim Head of Finance (Annexe10) which provides the Committee with an update of the Corporate Risk Register and other related matters. This was following the latest review conducted during the first quarter of 2014/15. The update included details of twenty-one risks approved by Chief Officers Group for inclusion within the Corporate Risk Register.

10.2 During the discussion, the following points were made

- Each service committee was developing a plan, with Officers from the Corporate Planning and Performance Service, so that there was adequate reporting of risk to each committee
- There was no detailed risk on the register for the threat of fire at County Hall. However there was a risk which related to the refurbishment and this had been developed with the team who were delivering that project and included increased fire threat mitigation.
- There are business continuity plans in place for all types of incidents including fire at County Hall. It was suggested that business continuity, in the broader sense, could be reviewed by the Committee at a future meeting.
- It was confirmed that the risk regarding the introduction of the Committee Systems had been taken off the register but there still remained a further

potential risk, regarding the embedding of the new system, on the register. That embedding risk would not be removed until the six month review of the system had passed.

10.3 RESOLVED

- To note the changes to the risk register
- To agree the twenty-one corporate risks
- To note that the arrangements for the risk management were acceptable and fulfil Norfolk County Council's "Well Managed Risk – Management of Risk Framework."

11. Risk Management Report, Waste Management Risk Reporting

11.1 The Committee received a report by the Interim Head of Finance (annexe 11) which provide further information into the risk management process relating to waste management in Norfolk. The report provided the Committee with a review of the risk management and the recording process for risks relating to waste management from 2006 to the present. . The report identified when risks were developed and recorded on risk registers and noted the circumstances around changes to those risks. The report also noted the review process for all such risks and risk registers.

11.2 The following points were noted during the discussion:

- Following a report by the National Audit Office (on DEFRA's PFI Waste Credits), some Members of the Committee expressed concern over the risk assessment of the penalties associated with the compensation payments upon termination of the contract. It was noted that Chief Officers would have been aware of the corporate risks as set out in the report however, their meetings were not in the public domain.
- A proposal was made as follows; 'In respect of the Willows Waste PFI Project (Mass Burn Incinerator) the Audit Committee asks for a further report giving clarification of the Chief Officer Group's (COG) detailed assessment of the corporate risk of not getting planning permission for the project in the time stipulated in the contract at the time it was drawn up, as well as their further detailed assessment of the same corporate risk as a consequence of the warning to the County Council from DEFRA in 2010 over the contract compensation arrangements, as revealed in the recent (2014) NAO report'.

11.3 RESOLVED

- With 4 votes to 3 the proposal fell.
- To note the report.

12. Norfolk Audit Services Quarterly Report for Quarter ended 31 March 2014

12.1 The Committee received the report by the Interim Head of Finance (annexe 12) which summarised the results of recent work by Norfolk Audit Services (NAS). The report gave an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and also gave assurance that, where improvements were required, remedial action had been taken by Chief Officers.

12.2 **RESOLVED that:**

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore was considered 'sound'.
- The changes to the approved 2014-15 internal audit plan, as described in Appendix D.
- The summary High Priority Findings results, at 4.7 Table 1, being satisfactory with action planned for outstanding findings.
- Satisfactory progress regarding the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

13 Annual Internal Report 2013-14

13.1 The Committee received a report by the Interim Head of Finance (annexe 13) introducing the Chief Internal Auditor's Annual Internal Audit Report for 2013-14.

13.2 The Committee considered the report and **RESOLVED** to note the key messages that;

- Based on the report the Interim Head of Finance assured the Committee that the adequacy and effectiveness of system of internal control including the arrangements for the management of risk during 2013-14 was acceptable and therefore considered sound.
- Internal audit was effective during 2013-14
- The work of Norfolk Audit Services for the year 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 risks of Fraud and Corruption have been reviewed and planning and resources are considered adequate.
- For 2014-15, the team have plans to strengthen controls over costs and to further develop our approach and skill sets to provide new perspectives on how we approach audits to add value, be independent but also a partner to the business and take an active role in transformational change through 'critical thinking' and value creation.

14 Statement of Accounts 2013-14 – Verbal Update

14.1 The Chief Internal Auditor reported that the accountants were preparing to publish the draft accounts at the end of June.

14.2 It was confirmed that although the Norse Group Ltd had a separate set of accounts, they were incorporated into the Council's group accounts which were audited by Ernst and Young.

15 Anti-Fraud and Corruption Update

15.1 The Committee received a report by the Practice Director NP Law (annexe 15) which provided an update for the Committee on the Council's Anti-Fraud and Corruption activity for the period from January to May 2014.

- 15.2 During the discussion, the following points noted;
- Anti-fraud training had been launched and was being rolled out for staff on the Council's e-learning hub.
- 15.3 The Committee considered the recommendations and **RESOLVED**
- That there had been adequate progress made
 - To agree the plan for future work, as set out in section 7 of the report.

16. Norfolk Pension Fund – Governance Reports relevant to the Audit Committee

- 16.1 The Committee received the report (annexe 16) by the Interim Head of Finance which briefed members on Norfolk Pension Fund governance reports relevant to the Audit Committee in accordance with the Audit Committee's Terms of Reference.
- 16.2 The Committee noted the report.

17. Audit Committee Work Programme

- 17.1 The Committee received the report (annexe 17) by the Interim Head of Finance which set out the programme of work for the Committee.
- 17.2 The Committee noted the report.

The meeting ended at 3.55pm

CHAIRMAN



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