

Audit Committee
Minutes of the Meeting held on Thursday 27 September 2018 at
2pm in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman

Mr P Duigan
Mr C Foulger
Mr K Kiddie
Mr A Jamieson
Mr S Morpew

1 Apologies for Absence

- 1.1 Apologies for absence were received from Mr S Aquarone; Mr H Thirtle (Mr P Duigan substituted); Mrs K Vincent (Mr K Kiddie substituted) and Mr S George, Executive Director of Finance & Commercial Services.

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 31 July 2018 were agreed as an accurate record by the Committee and signed by the Chairman.

3 Declaration of Interests

There were no declarations of interest.

4 Items of Urgent Business

- 4.1 The Committee congratulated Thomas Osborne, Risk Management Officer, on achieving the International Certificate in Enterprise Risk Management and the Chairman presented him with his certificate.

5 Norfolk Audit Services Report for the Quarter ended 30 September 2018.

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work would contribute to the Norfolk County Council priorities through the activity set out in the Policy & Resources Committee Service Plan.
- 5.2 In presenting the report the Principal Client Manager advised that 10 audits were completed (target of 6) in the first half of the year. Overall 24 audits had been progressed (target of 18).
- 5.3 In response to a query about the number of school audits carried out, the Principal Client Manager confirmed these were at local authority maintained schools only. A letter had been sent to approximately 40 schools and academies that had not participated in a recent audit and opportunities were being explored to encourage academies to take advantage of the audit offer.

5.4 The Committee considered the report and **RESOLVED** to **note**:

- the overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- Satisfactory progress with the traded school's audits and the operation of the Audit Authority for the France Channel England Interreg Programme.
- The Plans to strengthen corporate development themes.

6 Risk Management Report

6.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with the corporate risk register as it stood in September 2018, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during August 2018.

6.2 The Risk Management Officer highlighted the main changes to the Risk Register since the last meeting during which the Committee noted the following:

6.2.1 One new risk (RM025 – Change of governance in the Fire & Rescue Service) had been added to the corporate risk register. The Communities Committee had agreed a recommendation at its last meeting to ask the Policy & Resources Committee to consider and agree to management of the risk on the corporate risk register.

6.2.2 One risk title had been amended (RM006 – The potential risk of failure to deliver our services within the resources available over the next 3 years commencing 2018/19 to the end of 2020/21). The risk title had been amended to reflect the progression from planning how the Council would deliver services to how the Council would deliver services over the next three financial years.

6.2.3 One risk (RM019 – Failure to deliver a new fit for purpose social care system on time and to budget) had been closed as the new social care system LiquidLogic had been delivered on time and to budget for Adults, Children's and Finance & Commercial Services.

6.3 The Risk Management Officer updated the Committee on the actions from the last Audit Committee meeting in July 2018, during which the following points were noted:

6.3.1 The Committee's suggestion of having a risk register in place for all possible risks arising from the Brexit negotiations had been considered and preparations and implications to the County Council of the UK leaving the European Union will continue to be monitored by the County Leadership Team. The Chairman reminded everyone that there were a number of risks to be taken into account and reassurance was needed that work was being undertaken to mitigate potential risks. The Risk Management Officer agreed to meet with the Head of Procurement to consider the implications around procurement of goods and services.

The Chairman advised that the Government had prepared a range of policy notes and suggested Officers may wish to view and consider these documents. <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>

- 6.3.2 Regarding the action to ascertain the details of the sector based plans for providers which modelled expected needs and demand associated with demographic and social change, the Risk Management Officer had contacted the Executive Director of Adult Social Care and was awaiting an update. Once the update had been received it would be circulated to the Committee.
- 6.3.3 The Risk Management Officer advised that Policy & Resources Committee should receive details from the Head of Human Resources of agency and contract staff spending at its meeting in October 2018.
- 6.4 The Committee noted that the final costings were not yet available for the Broadland Northway project. (RM017 – Failure to deliver the Broadland Northway within agreed budget £205m).
- 6.5 It was queried why RM006 (The potential risk of failure to deliver our services within the resources available over the next 3 years commencing 2018/19 to the end of 2020/21) was shown as green. In reply, the Risk Management Officer clarified that the risk had been broken down into a 3 year period and was considered annually so the prospects of meeting target risk score by the target date did not necessarily reflect the end of the period (2020/21).
- 6.6 The Risk Management Officer agreed to contact the Strategy Director to discuss the risk implications and impact on the Council regarding returning to a Cabinet System of Governance.
- 6.7 The Committee **RESOLVED to Note:**
- a) The changes to the corporate risk register, the progress with mitigating the risks;
 - b) The scrutiny options for managing corporate risks;
 - c) The heat map of corporate risks.
 - d) The background information to the report.

7 External Auditor's Annual Audit Letter 2017-18.

- 7.1 The Committee received the report by the Executive Director Finance & Commercial Services introducing the External Auditor's Annual Audit Letter 2017-18.
- 7.2 The Committee welcomed Mr M Hodgson and Mr D Riglar from External Auditors Ernst & Young, who attended the meeting to present the report and answer questions from the Committee.
- 7.3 In presenting the report, Mr D Riglar from EY confirmed that the Audit Results Report had been issued on 19 July 2018 for Norfolk County Council and 20 June 2018 for Norfolk Pension Fund and that the Governance Statement was consistent with EY's understanding of the Council. Mr Riglar also advised that the Certificate confirming that the audit had been completed in accordance with

the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice had been issued on 17 August 2018.

7.4 The Committee thanked the Executive Director of Finance & Commercial Services, the Finance Team and Ernst & Young for their work in achieving the unqualified audit opinion.

7.5 The Committee considered the report and **RESOLVED** to **note**:

- The External Auditor's Audit Letter 2017-18.

8 Revised Internal Audit Plan 2018-19

8.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the revised Internal Audit Plan for 2018-19.

8.2 The following points were noted in response to questions by the Committee:

8.2.1 The 15 days allocated for each audit included planning the work, field work and reporting times. The Committee was reassured that each audit was monitored to ensure the number of audit days remained appropriate, some audits took more time and some less which balanced out the number of days per audit.

8.2.2 Although no audits were specifically planned for Integrated Commissioning within Adult Social Services, the Principal Client Manager reassured the Committee that 2 audits were planned for Adult Social Care and Children's Services in terms of Carefirst Liquid Logic audits. The Committee was also reassured that contract management and monitoring audits linked in with both Adult Social Services and Children's Services departments, although they appeared under Finance & Commercial Services.

8.2.3 The Chief Internal Auditor advised that Grant Thornton had been commissioned to audit demand-led care budgets. The report issued to the Executive Director of Adult Social Care and had included some recommendations about how LiquidLogic had been applied. Grant Thornton had also carried out a demand-led care budget audit for Children's Services. The Chief Internal Auditor confirmed he was satisfied that commissioning had been fully covered and the recommendations had been reported back to the relevant Executive Director. The Audit Committee would receive an update at its January 2019 meeting.

8.2.4 The Committee was reassured that the Commissioning of education placements for Children with High Needs audit would be rescheduled in 2019/20. The audit had been deferred because the Joint SEND Inspection had taken place around the same time as the scheduled audit.

8.3 The Committee considered the report and **RESOLVED** to **agree**:

- That Internal Audit's Strategy and Plan contributes to meeting the Council's priorities of 'Norfolk Futures', an effective system of internal audit and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the

Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

- That the 2018-19 Internal Audit Strategy has been revised for the second half of the year. The actual days available to deliver the audit opinion work within the Strategy by Norfolk Audit Services (NAS) and external contractors has increased from 743 to 765 and this is sufficient to support the opinion.
- The revised Internal Audit Plan to support the opinion for the whole year is 765 days which includes 100 days of external contractor time as part of our planned mixed economy delivery model. This opinion work plan will be managed flexibly to support the traded schools approach. Some audits which commenced in quarters 1 and 2 will continue into the second half of the year as work in progress.
- The three year Internal Audit Strategy, Approach, Strategic Plan 2018-21 agreed in January 2018, remains largely unchanged and will be refreshed in January 2019.
- The overall target for 2018-19 final reports and draft reports for audits is for 35 final audit reports to support the annual opinion, nine draft reports and seven audits in progress (51 topics), to be reported on in the Annual Internal Audit Report.

9 Work Programme

- 9.1 The Committee received and **noted** the report by the Executive Director of Finance and Commercial Services setting out the Committee's work programme.

The meeting ended at 2.35p.m.

Chairman



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