

Audit Committee
Minutes of the Virtual Teams Meeting held on
Thursday 30 July 2020 at 2pm

Present:

Cllr Ian Mackie – Chairman
Cllr Colin Foulger
Cllr Chris Jones
Cllr Ed Maxfield
Cllr Judy Oliver – Vice-Chairman
Cllr Haydn Thirtle
Cllr Tony White

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Karen Vincent (Cllr Tony White substituted); Simon George, Executive Director of Finance & Commercial Services; Fiona McDiarmid, Executive Director of Strategy & Governance and Mark Hodgson, EY (External Auditors).

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 30 January 2020 were agreed as an accurate record and would be signed by the Chairman as soon as practicably possible.

3 Declaration of Interests

Cllr Haydn Thirtle and Cllr Judy Oliver declared an interest as they were both Members of the Norfolk Pension Fund.

Cllr Ian Mackie declared an interest as he was a Governor at Dussindale Primary School.

4 Items of Urgent Business

- 4.1 Although there were no items of urgent business, the Chairman took the opportunity to thank the Audit Team for the work they had carried out during the pandemic, as part of the Silver Response Team and for helping other departments whenever possible. He said it showed how Audit were coming to the fore and he wished them all well.

5 Norfolk Audit Services Report for the Quarter ending 30 June 2020.

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress of the delivery of the internal audit work and advised on the overall opinion of the effectiveness of risk management and internal control.

- 5.2 In response to questions from the Committee, the following points were noted:
- 5.2.1 Due to the covid-19 pandemic the audit plan had not been completed in the way it had been anticipated. Schools had been faced with unprecedented changes when reopening, making it difficult to carry out those planned audits. The Committee was reassured that the Audit Team was in contact with staff in Children's Services, who were best placed to ascertain how schools were operating and the Audit Team was liaising with the schools finance team to offer advice and assistance whenever possible. The Audit Team was aware of the situation and was currently considering how assurance could be given in the event of a second wave of the pandemic.
- 5.2.2 The Assistant Director of Finance (Audit) would make some enquiries as to how issues such as school food vouchers, etc. could be built into the audit process.
- 5.3 The Committee considered the report and **RESOLVED** to
- **Agree** the key messages featured in the report; that the work and assurance meet their requirements and advise if further information is required.

6 Norfolk Audit Services Annual Report for 2019-20

- 6.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work carried out to support the County Council's vision and strategy.
- 6.2 The Chairman thanked officers for the comprehensive report, the audit team for their achievements and the External Auditors EY for their work throughout the year. The Chairman welcomed the 'Acceptable' opinion for the overall adequacy and effectiveness of the County Council's Framework of Risk Management, Governance and Control for 2019/20.
- 6.3 The Committee liked the inclusion of the pie charts in the report, but questioned the reasons for how 60% of the audits appeared to be over budget. The Assistant Director of Finance (Audit) responded that when the budgets were set, the amount of time each audit would take was estimated. The Audit Team was working hard to develop their work in terms of the amount of time each audit took, although there were a number of things which could have an impact on those timescales, for example the amount of staff supervision time and the support given to apprentices could differ for each audit.
- 6.5 The Assistant Director of Finance (Audit) would include information in the next report about any traded school audits within the +/-5% range of the agreed cash budget as this aspect was not currently tracked.
- 6.6 The Committee considered the report and **RESOLVED** to **agree**:
- Our opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control for 2019-20 is 'acceptable'.

- The audit service provided by Norfolk Audit Services continues to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complies with the Accounts and Audit Regulations 2015.
- The Annual Governance Statement (AGS) for 2019-20 will refer to the report and will be reported to Audit Committee in October 2020 for its approval.
- The impact of the covid-19 outbreak for ongoing ways of working, internal controls, risks and governance are being continually monitored and managed and assurance will be provided to the Committee through regular report.

7 Risk Management Annual Report 2019-20

- 7.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with information on risk management for the financial year 2019-20, incorporating the main changes that had occurred within the year. The report was separate to the report detailing risk management for the first quarter for 2020-21.
- 7.2 The Committee considered the report and **RESOLVED** to agree the following key messages from the Annual Risk Management Report 2019-20:
- The overall opinion on the effectiveness of Risk Management for 2019/20 was 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
 - The Risk Management Function complied with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.
 - The Annual Governance Statement for 2019/20 would refer to this report.
 - The corporate risks were refreshed in July 2019 and represent the most significant risks to the Council for the financial year 2019/20.
 - The Risk Management Policy and accompanying procedures have been refreshed to incorporate the change to the Cabinet model.
 - That whilst the implications of COVID-19 became apparent late in the financial year 2019/20, it is considered largely outside of the scope of this annual report, except for section 7, which looks ahead to the financial year 2020/21. The risk implications of, and risk response to, COVID-19 will be reported in more detail separately.

8 Norfolk Pension Fund Governance Arrangements 2019-20.

- 8.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Director of the Norfolk Pension Fund outlining the ongoing governance arrangements of the Norfolk Pension Fund.
- 8.2 The Head of Funding & Investment, Norfolk Pension Fund, introduced the report, highlighting the Membership of the Scheme; the contributors to the scheme and the recent investment market fluctuations following the covid-19 pandemic, which was now nearly back to pre-covid-19 levels.

- 8.3 The Chairman thanked the Pensions Team and highlighted that the investment market fluctuations which had returned reasonably quickly was a remarkable result.
- 8.4 As the Chairman of the Pensions Committee, Cllr Judy Oliver advised that the Norfolk Pension Fund was in good health and that it was worth noting it was very lucky in having a good relationship with its Pensions Oversight Board.
- 8.5 The Committee considered the report and **RESOLVED** to:
- Agree the report which detailed Norfolk Pension Fund's governance arrangements being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

9 Governance, Control and Risk Management of Treasury Management.

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with assurance as to the adequacy and effectiveness of the arrangements for Treasury Management.
- 9.2 In introducing the report, the Corporate Accounting Manager drew attention to the Treasury Management Panel, the forum which controlled Treasury Management and of which the Chairman, Cllr Mackie, was a Member. The Panel met three times per year.
- 9.3 The following points were noted in response to questions from the Committee:
- 9.3.1 The Treasury Management Panel was mindful of the risks around increased borrowing interest rates, although current predictions indicated that no large increases in the next three years were anticipated.
- 9.3.2 The outcome of the PWLB consultation may affect Norfolk County Council borrowing rates, although once the details were known, consideration needed to be given to how the government would allow PWLB loan funding to be used.
- 9.4 The Committee considered the report and **RESOLVED** to:
- **Agree** the report provided assurance as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

10 External Auditor's Audit Plans 2019-20 – Norfolk County Council and Norfolk Pension Fund.

- 10.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Provisional Audit Plans for the year ending 31 March 2020 for Norfolk County Council and Norfolk Pension Fund.
- 10.2 The Chairman welcomed David Riglar from External Auditors EY to the meeting who introduced the Norfolk County Council Audit Plans.
- 10.3 The following points were noted in response to questions from the committee:

- 10.3.1 Because of the covid-19 pandemic all publishing of accounts deadlines had been moved back to the end of November 2020. The Committee was reassured that work was on track for the auditing of the Norfolk County Council accounts.
- 10.3.2 The vast majority of local authorities had been appointed the same Auditors for both their accounts and pension fund accounts by the PSAA who allocated the Auditors. There were 2 opinions, one for the Norfolk County Council accounts and one for the Norfolk Pension Fund accounts, therefore it was usual practice to have the same auditor for both sets of accounts.
- 10.3.3 When the lock-down had commenced, over 10,000 EY staff had started virtual working arrangements and had continued with their audit work. A client portal had been introduced which allowed council staff to upload files and documents which had negated any problems with receiving any necessary documentation. Regular virtual meetings were held to ensure all parties were kept up to date.
- 10.4 Mr Riglar, from External Auditors (EY) introduced the External Auditor's Audit Plans for the Norfolk Pension Fund. The Committee was asked to note that the report contained an error in the Fees which should read £20,866. This amount was set by PSAA.
- 10.5 The Committee considered the report and **RESOLVED** to **agree**:
- The External Auditor's Audit Plan for the Council for 2019-20 and the Norfolk Pension Fund Audit Plan for 2019-20, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable;
 - That the 2019-20 scale of fees for the Council was £98,361 and Norfolk Pension Fund is £20,866;
 - That the Executive Director of Finance & Commercial Services may negotiate the fee required to perform an ISA compliant audit for the Council, which may be in excess of the present scale fee; and
 - Whether there are any other matters which the Committee considers may influence their work.

11 Senior Information Risk Officer (SIRO) Annual Report 2019-20

- 11.1 The Committee received the report by the Executive Director of Strategy & Governance providing an annual assurance statement to confirm that there are adequate systems and processes in place around Information Governance, although areas for improvement had been identified and activity was underway to strengthen the Information Governance agenda further.
- 11.2 The Director of Governance & Monitoring Officer introduced the report and highlighted that the Annual Statement provided assurance which confirmed that adequate systems and processes were in place around Information Governance.

An external review had been carried by SOCITM Ltd, following a competitive procurement, and one of the key messages from that review had been the creation of the post of Head of Information Governance. The post had now

been filled and the Director of Governance & Monitoring Officer introduced Nigel Gollop who had recently joined the Council as Head of Information Governance.

11.3 The following points were noted in response to questions from the Committee:

11.3.1 One of the key aspects of monitoring any recurrences of data breaches was that no more breaches occurred. The Committee was assured that processes were in place to monitor data breaches and ensure the right controls were in place.

11.3.2 A suggestion was made that the Head of Information Governance could act as a liaison point for departments to provide additional support and “sense checks” which may help to prevent emails being sent to the wrong recipient. In reply, the Head of Information Governance advised that he worked with all departments to ensure they were aware of the impact of any mistakes and that staff understood their responsibilities.

11.4 The Committee considered the SIRO’s annual statement on Information Governance and **RESOLVED** to agree:

- There are appropriate actions to strengthen any potential weaknesses.
- The SIRO role, described in the Council’s Data Quality Policy, had been adequately discharged.

12 Risk Management

12.1 The Committee received the report by the Executive Director of Finance & Commercial Services referencing the corporate risk register as it stood in July 2020, following the latest review conducted during June 2020.

12.2 The Risk Management Officer introduced the report, which was a quarterly report looking at generic corporate risks and drew attention to the new risks relating to covid-19 as set out in Appendix D of the report, adding that the general risks prior to covid-19 were set out in Appendix C of the report.

The Risk Management Officer also drew attention to the closure of RM016 (Failure to adequately prepare for and respond to a major disruption to Norfolk County council Services). This risk had been replaced with risk SR016 on the strategic corporate covid-19 risk register which recognised the risk of concurrent major disruptions and the capacity of the council to manage a second wave of disruption.

12.3 The following points were noted in response to questions from the Committee:

12.3.1 The Corporate Risks Heatmap at appendix B of the report, showed that there had been no changes in movement of risks during the reporting period.

12.3.2 Members drew attention to the following risks and questioned how the scores had not changed and how they had all predicted significant reductions in scores by the target date.

- Risk RM004 (Potential risk of failure to deliver effective and robust contract management for commissioned services).

- Risk RM006 (Potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21)
- Risk RM022 (Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff (Brexit)).
- Risk RM023 (Failure to respond to changes to demography, funding and government policy, with particular regard to Adult Social Services).

The Committee was advised that the risks were regularly updated by the risk owners and reviewers. The Risk Management Officer would contact the risk owners and reviewers to ask them to provide more detailed information in the narrative together with justification for the risk scores for the next report.

12.4 The Committee considered the report and **RESOLVED** to:

- **Note** the key messages as set out in section 2.1 of the report.
- **Note** the key changes to the generic corporate risk register (Appendix A).
- **Note** the corporate risk heat maps (Appendix B)
- **Note** the latest generic corporate risks (Appendix C)
- **Agree** the newly introduced covid-19 strategic corporate risk register (Appendix D).
- **Note** Scrutiny options for managing corporate risks (Appendix E)
- **Note** Background information (Appendix F).

13 **Norfolk Audit Services Terms of Reference (Charter) and Code of Ethics 2020/21.**

13.1 The Committee received the report by the Executive Director of Finance & Commercial Services presenting the revised Terms of Reference for Norfolk Audit Services (Charter) and the Code of Ethics following review, in accordance with model of the Chartered Institute of Internal Auditors (CIIA).

13.2 In introducing the report, the Assistant Director of Finance (Audit) highlighted that the Terms of Reference were set out in Local Authority Audit Standards and no changes were required at the present time. Therefore the report was to help the Committee understand how the team worked and the standards it applied.

Regarding the Code of Ethics, the Assistant Director of Finance (Audit) clarified that this was the standard the Audit Team worked to, for example any member of the Audit Team would declare and record any interests, eg any links they had with schools, to ensure all the audits were appropriately managed and staff were not auditing schools they had any affiliation with.

13.3 The Committee considered the report and **RESOLVED** to:

- **Agree** the NAS Terms of Reference (Charter) as set out in Appendix A of the report and the Code of Ethics as set out in Appendix B of the report.

14 Counter Fraud, Bribery and Corruption Annual Report (including whistleblowing).

- 14.1 The Committee received the report by the Executive Director of Strategy & Governance providing an annual report in respect of the counter fraud activity undertaken by Norfolk Audit Services during the year, together with a copy of the recently updated Fighting Fraud and Corruption Locally national strategy.
- 14.2 The Chairman drew the Committee's attention to the "Fighting Fraud and Corruption Locally" document, set out at Appendix B of the report and thanked the Investigative Auditor for his participation in this national piece of work to fight fraud.
- 14.3 The following points were noted in response to questions from the Committee:
- 14.3.1 As fraud was a hidden crime, it was impossible to know exactly how many cases of fraud took place. Norfolk County Council focused on fighting fraud locally and worked proactively to encourage fraud prevention. Over the last three years, more buy-in from departments had been seen and prevention now played a big part in fighting fraud. It was noted that Local Authorities that managed housing benefits and council tax had more cases of fraud than the Local Authorities that didn't.
- 14.3.2 The Committee was reassured that if fraud was identified investigations would take place.
- 14.3.3 The Assistant Director of Finance (Audit) advised that the responsibility for the prevention of fraud rested with line managers who were required to ensure they had the necessary controls in place and to work with their teams in encouraging them to alert their manager to any potential risks.
- 14.3.4 Although not many cases of fraud had been identified, all cases of fraud which were investigated sent out a positive message to managers that the system worked. The Committee was also advised that where cases of fraud had been proven the funds were recovered.
- 14.3.5 The Investigative Auditor confirmed he had seen the MHCLG report into procurement fraud in Local Authorities and an audit on pre-contract procurement had been undertaken, the details of which were contained in the strategy. The Investigate Auditor would contact the Procurement Team to make sure the necessary controls were in place, for instance ensuring valuation panels consisted of more than one person, etc.
- 14.5 The Committee considered the report and **RESOLVED** to **agree**:
- That the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing annual report (Appendix A), the key messages, that the progress is satisfactory and arrangements are effective.

15 Monitoring Officer's Annual Report 2019-20.

- 15.1 The Committee received the report by the Director of Governance summarising the internal governance work carried out by the Monitoring Officer and Deputy

Monitoring Officer in 2019-20 and providing assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer was adequate and effective.

15.2 The Chairman highlighted the good news that there had been no reportable incidents during the period 2019/20; the systems of internal control administered were adequate and effective during 2019/20 and that there was one finding of a breach of the Council's Code of Conduct by the standards Committee in October 2019. The Chairman thanked the Director of Governance and Monitoring Officer for her work.

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

- The content of the report and in particular the key messages in the Executive Summary and Appendix A, section 2.1 of the report.

16 Work Programme

16.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.

16.2 In response to a question about the accounts being presented to the Audit Committee in October 2020 when they did not need to be published until November 2020, the Assistant Director of Finance (Audit) clarified that the regulations had changed as a result of Covid-19 and the absolute date for publication of accounts was now 30 November 2020. As the October Audit Committee meeting was already arranged and the External Auditors had confirmed they were able to achieve the October meeting report deadlines, the Committee would be able to consider the accounts at the October meeting.

16.3 The Committee considered and **noted** the report.

The meeting ended at 3.50 pm

Chairman



If you need this document in large print, audio, Braille, alternative format or in a different language please contact Customer Services on 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.