

Audit Committee
Minutes of the Meeting held on Thursday 21 April 2016 at 2pm
in the Cranworth Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr M Castle
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Mr N Shaw
Mr R Smith (Vice-Chairman)

Also Present:

Mr J Childs
Mr B Spratt
Mr A White
Mr A Dearnley

1 Apologies for Absence

Apologies for absence were received from Mr B Bremner (Mr M Castle substituted) and Mrs S Gurney (Mr N Shaw substituted).

2 Minutes

- 2.1 The minutes of the meeting held on 28 January 2016 were agreed as a correct record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Following advice from the Monitoring Officer, Mr I Mackie informed the Committee that, as Chair of the County Farms Advisory Board, he would vacate the Chair and leave the room for the discussion regarding agenda item 10 (County Farms).
- 3.2 As an IT Consultant, Mr N Shaw declared an interest in item 6 (Risk Management Report).
- 3.3 As Lead Member for Children's Services, Mr J Joyce declared an interest in item 6 (Risk Management Report).
- 3.4 Mr M Castle and Mr R Smith declared an interest in agenda item 8 (NORSE Governance Review) as they were Members of the NORSE Shareholder Committee.

4 Items of Urgent Business

- 4.1 The Committee expressed their sincere condolences to the representatives of Ernst & Young on the sad passing of Rob Murray.

The Committee **AGREED** to consider agenda item 10 (County Farms) as its next item of business.

Mr I Mackie left the room and Mr R Smith, Vice-Chair, took the Chair.

5 County Farms

- 5.1 The Committee received the report by the Executive Director of Finance introducing the County Farms Report.
- 5.2 The Vice-Chair read out a statement reminding the Committee that, for confidentiality reasons, no individual cases outlined in the review could be discussed.
- 5.3 In response to questions from the Committee, the following points were noted:
- 5.3.1 The report had made it very clear that the current situation with regard to the running of the County Farms Estate was not of a standard Officers, Members and the residents of Norfolk should expect and there was a considerable amount of work to do to remedy the situation.
- 5.3.2 The Executive Director of Finance informed the Committee that there had been three strands to the work completed – the Governance Audit, producing the report on the key lines of enquiry and a disciplinary case involving a member of staff. He added that one of the reasons for the delay in publishing the reports was to ensure a thorough investigation was conducted and that for various reasons the staff disciplinary case had taken longer to complete than had been anticipated, although he was unable to comment on any delays which occurred before he joined Norfolk County Council.
- The report had been shared with the Leader, the Chair of the County Farms Advisory Board (CFAB) and the Chair of Economic Development Sub-Committee on Friday 15 April. Members of the CFAB had received a copy of the report on Monday 18 April before it had been published on the Norfolk County Council website on Tuesday 19 April.
- 5.3.3 The Committee considered whether a Task and Finish Group of Councillors should be convened to identify a scheme of Governance for the County Farms estate that satisfied all Councillors.
- 5.3.4 Some Members' considered it had been inappropriate that Members of the CFAB had not been interviewed during the review and therefore had not had an opportunity to respond. The Chief Internal Auditor, in reply, stated that he had not considered it was necessary to interview Members of the CFAB as there had been a wealth of information available when reviewing the systems and documents in place and that he had prepared his reports from that evidence. The formal evidence had been gathered from files, including interview notes and scoring sheets from letting interviews, files from individual farms, as well as

formal minutes from the Economic Development Sub-Committee which had included verbal updates given by the Chair of CFAB. That formal evidence had led to the comprehensive report and recommendations.

5.3.5 The Committee recommended that all future County Farms Advisory Board meetings should be formally minuted.

5.3.6 The Executive Director of Finance confirmed that the County Farms Portfolio was held by the Corporate Property Team which came under his Directorship.

It was agreed that this minute be amended and was corrected at the committee meeting on 16th June 2016. Please view the minutes of that meeting to view the correction made.

5.3.7 # The Committee's view was that it would not be appropriate to stop Members from having any input into the lettings process for the County Farms Estate. #

5.3.8 The Committee proposed that

- a) The recommendations in the report be agreed;
- b) The report should be presented to a specially convened meeting of the County Farms Advisory Board, which should be formally minuted, to give Members of the Board an opportunity to formally respond.
- c) The report and the response from the CFAB meeting should then be presented to the Economic Development Sub-Committee, requesting that the Chair establish a Task and Finish Group to consider the report and the CFAB response and make any formal recommendations regarding governance arrangements to the Policy and Resources Committee. It was noted that any proposed governance changes would need to be presented to the Constitution Advisory Group before being formally presented to full Council for consideration and adoption.
- d) An update report to be presented to the Audit Committee at its June meeting.

5.3.9 With 5 votes in favour, 1 vote against and 0 abstentions, the proposal in paragraph 5.3.8 above was **AGREED**.

5.4 The Committee **RESOLVED**:

1) To recommend that Policy and Resources Committee:

- Clarify and strengthen decision making for County Farms by asking the Council to consider, in accordance with the Council's provisions for changes to the Constitution, to
 - Place County Farms functions of decision making with the Policy and Resources Committee
 - Define the County Farms Advisory Board's role of scrutiny of the County Farms operational decisions, reporting back to Policy and Resources Committee, as part of an annual review and make required recommendations for Member's approval
- Require the Managing Director to review (in consultation with the Executive Director of Finance) how the Council's County Farms landlord functions are

exercised, including the selection of tenants, the allocations of County farm assets and Estate Strategies and then make recommendations to Policy and Resources for Member's approval

- Require County Farm leases to be approved in accordance with the Constitution, for the avoidance of doubt, this will mean that Members no longer have a direct role in the selection of County farm tenants. Members will continue to set policy direction for the County Farms estate (including the lettings policy) via decisions at the relevant committee
- 2) To note:
 - The opinion that, there are 'key issues that need to be addressed' for both reports; and
 - The findings, recommendations and agreed action plans in the reports
 - 3) To note that:
 - Responses will be made to the complainants; and
 - A County Farms systems audit has been included in the 2016-17 Internal Audit Plan, which will include following up the agreed actions.
 - 4) The County Farms report should be presented to a specially convened meeting of the County Farms Advisory Board, which should be formally minuted, to give Members of the Board an opportunity to formally respond.
 - 5) The report and the response from the CFAB meeting should then be presented to the Economic Development Sub-Committee, requesting that the Chair establish a Task and Finish Group to consider the report and the CFAB response and make any formal recommendations regarding governance arrangements to the Policy and Resources Committee. It was noted that any proposed governance changes would need to be presented to the Constitution Advisory Group before being formally presented to full Council for consideration and adoption.
 - 6) An update report to be presented to the Audit Committee at its June meeting.

Mr I Mackie in the Chair.

6 Norfolk Audit Services Quarterly Report for the Quarter ended 31 December 2015.

- 6.1 The Committee received the report by the Executive Director of Finance setting out the work of the Internal Audit team.
- 6.2 The Committee was asked 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.
- 6.3 During the discussion, the following points were noted;

- 6.3.1 Schools Financial Value Statement (SFVS) governance and finance arrangements had been audited and audit reports produced as Children's Services had a responsibility for collating schools financial information.
- 6.3.2 With regard to the Better Care Fund, it was confirmed that the Section 75 Agreements had been sense checked and some recommendations made. The action plan would be reviewed as part of the planned 2016-17 audit.
- 6.3.3 Constant monitoring took place with regard to governance arrangements for the Better Care Fund and the risks to the organisation and Members were pleased to note that no specific issues had been identified.
- 6.3.4 The Chief Internal Auditor confirmed that the Executive Director of Finance was responsible for the Internal Audit function and that he had confirmed he was happy with the current resourcing arrangements. The function had been identifying efficiencies and ways to work more efficiently and the Chief Internal Auditor confirmed that there were sufficient staff within the team to deliver the work of the function.
- 6.3.5 It was confirmed that the County Council had an anti-fraud strategy in place.
- 6.3.6 Following the recommendation by the Audit Committee to introduce mandatory fraud awareness training for all staff, the Managing Director had requested further information on the risks of fraud within the Authority and how this training could be mandated. A response would be presented to the Managing Director in the near future. In the meantime departments would offer fraud awareness training as appropriate.
- 6.3.7 The Committee was pleased to note there had only been one detected case of theft which had led to disciplinary action and that this held no significant value.
- 6.4 The Committee **noted** the report.

7 Risk Management report.

- 7.1 The Committee received the report by the Executive Director of Finance setting out the Corporate Risk Register at April 2016, along with an update on the Risk Management strategy 2016-19 and other related matters, following the latest review which was conducted in March 2016.
- 7.2 During the discussion, the following points were noted;
 - 7.2.1 Risk RM010 (Risk of the loss of key ICT systems) did not contain any specific reference to the risk of hacking. The Chief Internal Auditor would raise the issue with the risk owner to check if the risk of hacking had been included and discuss whether the mitigating actions needed to be updated to reflect this potential risk.
 - 7.2.2 Risk owners were responsible for applying scores as part of the risk management process.
 - 7.2.3 As Chair of Children's Services Committee, Mr J Joyce confirmed that Risk 018 (Failure to improve at the required pace) remained a risk at the present time.

- 7.2.4 The Committee was reassured that all risks were regularly reviewed to ensure they reflected the latest position.
- 7.2.5 The Committee welcomed Janice Dane, Assistant Director Early Help and Prevention (Adult Social Services) who attended the meeting to provide an update on Risk RM019 (Failure to deliver a new fit for purpose social care system on time and to budget). The Committee noted that the project was still in its early stages. Invitations to tender would be sent to potential providers in the near future. Once tenders had been received and evaluated, it was intended that a system would be selected in the summer and would be implemented in March 2017. The system would pay providers, bill service users and monitor personal budgets and resource allocation. Members would receive regular updates on the progress of the project through briefings and Members' Insight. The Committee thanked the Assistant Director for attending and providing the update.
- 7.2.6 The Committee **RECOMMENDED** that the relevant Service Committees be asked to review Risks RM014a (The amount spent on home to school transport) and RM014b (The amount spent on adult social care transport) and the outcomes from those discussions be recorded in future risk management reports presented to the Audit Committee.
- 7.3 The Committee **noted** the progress with Risk Management since the last Audit committee meeting and the changes to the Corporate risk register as set out in Appendices A and B of the report and the progress with the mitigating risks.

8 External Auditor's Audit Plan 2015-16

- 8.1 The Committee received the report by the Executive Director of Finance introducing the External Auditor's Audit Plan for the year ending 31 March 2016.
- 8.2 The Chairman welcomed Mr M Hodgson and Mr D Riglar from Ernst & Young LLP (EY) who attended the meeting to answer questions from the Committee.
- 8.3 The Committee was asked to consider:
- The External Auditor's Audit Plan for 2015-16, including their assessment of the Financial Statement Risks and Value for Money Risks.
 - Whether there were any other matters which the Committee considered may influence their work.
- 8.4 The following key points were noted in response to questions from the Committee:
- 8.4.1 Members were reassured that plans were in place to mitigate the significant challenges identified in the External Auditor's Report.
- 8.4.2 Independence Matters was confirmed as being within the scope of the external audit.
- 8.4.3 The Executive Director of Finance agreed to circulate the full details about the loss incurred by the Great Yarmouth Development Company in not repaying the loan to the Norfolk infrastructure Fund.

8.5 The Committee **NOTED** the report.

9 NORSE Governance Review

9.1 The Committee received the report by the Executive Director Finance, introducing the Norse Governance Review report which was reported to the Policy & Resources Committee on 21 March 2016. Members were asked to consider the progress that had been made with implementing the Norse Governance Review.

9.2 The Executive Director of Finance informed the Committee that a progress report had been presented to the County Leadership Team at its meeting on 21 April. The Constitution Advisory Group would receive the report at its meeting in May and it was expected that the NORSE Governance arrangements would be in place by Autumn 2016. The Audit Committee would receive an update report at a future meeting.

9.3 The Committee **noted** the report.

10 Audit Committee Work Programme

10.1 The Committee received and **noted** the report by the Executive Director of Finance setting out the programme of work for the Committee and agreed the following items to be included on the agenda for the June meeting:

- Northern Distributor Route – Project Risk Update
- Anti-Fraud & Corruption Update – including an update on the mandatory training.
- County Farms Update.
- Update on the ICT Security risk – as part of the risk management report.

The Committee agreed to have a training session on the accounts prior to its September meeting. The Chief Internal Auditor would canvas Members of the Audit Committee for a training topic to be held prior to the June Committee meeting.

The meeting ended at 3.55pm.

CHAIRMAN



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