

# Audit Committee Minutes of the Meeting held on Thursday 18 April 2019 at 2pm in the Edwards Room, County Hall, Norwich

### Present:

Mr I Mackie – Chairman

Mr S Aquarone Mr A Jamieson Mr S Morphew Mr H Thirtle Mrs K Vincent Mr A White

### 1 Apologies for Absence

1.1 An apology for absence was received from Mr C Foulger (Mr A White substituted).

#### 2 Minutes

2.1 The minutes from the Audit Committee meeting held on 31 January 2019 were agreed as an accurate record by the Committee and signed by the Chairman.

#### 3 Declaration of Interests

Mr H Thirtle declared an other interest in agenda item 5 (Norfolk Pension Fund Governance Arrangements 2018-19) as he was in receipt of a Norfolk County Council Pension and Chairman of the Broads Authority, who as an employer, subscribed to the Norfolk Pension Fund.

Mrs K Vincent declared an interest in agenda item 5 (Norfolk Pension Fund Governance Arrangements 2018-19) as she was an ex-employee of Norfolk County Council and a member of the Norfolk Pension Fund.

Mr S Morphew declared an other interest as his wife was a Member of the Norfolk Pension Fund.

Mr A Jamieson declared an interest as a representative of the Norse Shareholder Committee.

### 4 Items of Urgent Business

4.1 There were no items of urgent business, although the Chairman wished to place on record his thanks to all NCC Officers for the security arrangements they had put in place at public meetings.

4.2 The Chairman confirmed that the Terms of Reference for the Audit Committee under the new governance arrangements would remain the same. The exact details could be found in the latest working draft of the Constitution as described in item 13 of the agenda.

### 5 Norfolk Pension Fund Governance Arrangements 2018-19

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services outlining the ongoing governance arrangements of the Norfolk Pension Fund.
- 5.2 The following points were noted in response to questions from the Committee:
- 5.2.1 When the LGPS Guidance was published, one important feature of the ACCESS (A collaboration of Central, Eastern and Southern Shires) pooling arrangement was that each Fund should retain sovereignty for its own asset allocation, which was why the 11 Funds in the Access Pool remained singly responsible for their own investment strategies. The Pension Committee continued to make key decisions, deciding how much to invest in asset classes, with the Access Pool providing the investment vehicles to implement those decisions.
- 5.2.2 The drop in the number of NCC members of the Norfolk Pension Fund was mainly due to the number of schools that had moved from Norfolk County Council control to become academies. The Chief Investment Manager advised that there were no concerns about the fall in the NCC membership. Overall membership of the scheme had held up, which was particularly attributed to auto enrolment and the staffing practices of academy schools.

The Chief Investment Manager added that of the 369 contributing employers, approximately 250 were academy schools which was a real growth area.

5.2.3 It was requested that the purpose of the Pension Fund and the roles of Norfolk County Council as Administering Authority and the Pensions Committee be captured in the minutes of the meeting as follows:

Norfolk County Council was defined as an Administering Authority under the statutory local government pension scheme (LGPS) regulations. Under these regulations it was charged with administering a funded pension arrangement under statutory regulations for its own employees and those of other eligible employers in its appropriate geographic area (generally the county of Norfolk). The Fund was currently administered on behalf of around 400 participating employers and nearly 90,000 scheme members. Scheme members may be current employees, employees that had left an eligible employer but were yet to draw their pension, those in receipt of pension or dependents of former members. Collectively, this group were the beneficiaries of the fund.

The County Council delegated LGPS pension matters to the Pensions Committee. The Pensions Committee had a fiduciary responsibility to the beneficiaries of the scheme and a duty of care to the employers that sponsored it and meet the substantial balance of costs over and above the employees contributions. As a funded pension arrangement, the Norfolk Pension Fund held a substantial pool of investment assets (currently circa £3.8bn). These assets were held solely for the purpose of securing and administering the accrued pension rights of the beneficiaries. They could not be used for any other purpose and the Administering Authority (via the Pensions committee) must be aware of its fiduciary responsibility when investing these assets on a long term basis. The assets secured the pension benefits of the beneficiaries and the investment returns earned supported some of the costs of providing the scheme that would otherwise be directly borne by the participating employers.

5.3 The Committee considered and **agreed** the report, which detailed Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

## 6 Norfolk Audit Services Report for the Quarter ending 31 March 2019.

- 6.1 The Committee received the report by the Executive Director Finance & Commercial Services setting out how Internal Audit's work would contribute to the new priorities through the activity set out in the Policy & Resources Committee Service Plan.
- 6.2 The Committee considered the report and **RESOLVED** to **agree**:
  - the overall opinion on the effectiveness of risk management and internal control was 'Acceptable' and therefore considered 'Sound'.
  - Satisfactory progress with the traded school audits and the operation of the Audit Authority for the France Channel England Interreg Programme.
  - The Plans to strengthen corporate development themes.

# 7 Norfolk Audit Services Annual Report for 2018/19

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how the Annual Report concluded on the overall opinion of the adequacy and effectiveness of the Council's framework of risk management, governance and control, following the completion and outcomes of the audit opinion and traded school work.
- 7.2 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 2018/19 was 'Acceptable'.
  - The audit service provided by NAS continued to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complied with the Accounts and Audit Regulations 2015.
  - The Annual Governance Statement (AGS) for 2018/19 would refer to the report and would be reported to Audit Committee in July 2019 for approval.

# 8 Monitoring Officer Annual Report 2018-19

8.1 The Committee received the report by the Chief Legal Officer summarising the internal governance work carried out by the Monitoring Officer and Deputy

Monitoring Officer in 2018/19 and providing assurance that the organisation's control environment, in the areas which were the responsibility of the Monitoring Officer, was adequate and effective. The annual report supported the assurance statements included in the draft Annual Governance Statement for 2018/19.

- 8.2 The key messages in the Monitoring Officer's report included:
  - That there had been no 'reportable incidents' during 2018/19;
  - That the systems of internal control administered by the Monitoring Officer were adequate and effective during 2018/19 for the purposes of the latest regulations;
  - That there were no findings of breach of the Council's Code of Conduct during 2018/19.
- 8.3 The Committee wished to place on record its thanks to Abdus Choudhury, Deputy Monitoring Officer, for his work in producing the very comprehensive report.
- 8.4 The Committee considered the report and **RESOLVED** to **agree** the contents and the key messages in the Executive Summary and Appendix A of the report.

## 9 Risk Management Annual Report 2018/19

- 9.1 The Committee received the report by the Executive Director of Finance & Commercial Services presenting the Annual Risk Management report 2018/19.
- 9.2 The Committee considered the report and **RESOLVED** to **agree** that the key messages be reported to full Council, in accordance with the Council's Financial Regulations which are part of the Constitution:
  - The overall opinion on the effectiveness of Risk Management for 2018/19 is 'Acceptable' and therefore considered 'Sound'.
  - The Risk Management Function complied with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit Standards.
  - The Annual Governance Statement for 2018/19 would refer to the report and would be reported to Audit Committee in July 2019 for approval.
  - The Risk Management Policy had been refreshed, with a Risk Management Strategy currently being developed from this.

### 10 Risk Management Report

- 10.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register at April 2019, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during March 2019.
- 10.2 The following points were noted in response to questions from the Committee:
- 10.2.1 With regard to Risk RM014a (The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant

variance to predicted best estimates), the Business Design and Change Lead, Children's Services advised that costs were driven by the need to provide transport for some disabled children who had very complex needs, requiring vehicles with specialist facilities to transport them to school. Part of the overall spend on transport was driven by the preferences expressed by parents for their child to attend a particular school as well as the needs of a child in the school environment at whatever school they attended.

Children's Services Management Team regularly reviewed the risk and as part of the review would raise any concerns at a corporate level if necessary.

- 10.2.2 Following the approval of the motion on climate change by Council at its meeting on 15 April 2019 the relevant Select Committee would be responsible for reviewing the risks and spend on SEN transport.
- 10.2.3 With regard to Risk 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 Executive Director of Finance & Commercial Services reassured the Committee that Norfolk County Council was required to balance its budget at the end of the financial year and this would be achieved.
- 10.3 The Committee received a presentation from the Business Design and Change Lead, Childrens Services and Finance Business Partner (Children's Services) about the work carried out using the £2m Transformation Fund, the high needs block and the planned use and impact of the council decision to invest £120m in capital funding. A copy of the presentation is attached at Appendix A.
- 10.4 Following the presentation, in response to questions from the Committee, the following points were noted:
- 10.4.1 There was no change to the threshold in the quality of help offered to families in need, and certainly no suggestion of cases being offloaded to other services. The programme had been set up to identify where help was needed and respond to those needs, in an attempt to prevent cases escalating.
- 10.4.2 Any offer of financial help to families would depend on individual circumstances. There were a number of families who received some support to enable them to remain together and to avoid children becoming looked after, and Norfolk County Council was actively facilitating extended families and communities who could offer help and support, often without much or any additional cost. Where it was necessary for children to be looked after, the option of care by extended family members was explored where it was appropriate, including the use of Special Guardianship and Kinship Fostering Orders, with financial support dependent upon individual circumstances.
- 10.4.3 The Transformation Programme was a very wide-ranging programme with a comprehensive portfolio of targets and measures, although the ultimate measure was ensuring the right outcomes for families. One good indication of a successful outcome was settled children and families who no longer needed help and support from Norfolk County Council.
- 10.4.4 Some work would be carried out to try to break down the target and measure information into tangible results and circulate this to the Committee.

- 10.5 The Committee thanked James Wilson and Dawn Filtness for attending the meeting.
- 10.6 The Committee considered the report and **RESOLVED** to **agree**:
  - The changes to the corporate risk register, the progress with mitigating the risks, and
  - The scrutiny options for managing corporate risks;
  - The heat map of corporate risks;
  - The background information to the report;

### 11 Governance, Control and Risk Management of Treasury Management

- 11.1 The Committee received the report by the Executive Director of Finance & Commercial Services. The Corporate Accounting Manager gave assurance that Treasury was well managed in accordance with best practice and relevant regulations.
- 11.2 The Committee agreed an additional recommendation that the Treasury Management Panel should continue and should report to Cabinet under the new Governance arrangements.
- 11.3 The Committee considered and **agreed** the report and that the Treasury Management Panel should continue, reporting to Cabinet under the new Governance arrangements.

### 12 Counter Fraud, Bribery and Corruption Audit Committee Annual Report

- 12.1 The Committee received the report by the Chief Legal Officer providing it with an annual summary against the criteria set out in the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017) (The Strategy) based upon the work undertaken during the reporting period in accordance with the agreed activity plan.
- 12.2 The Committee wished to place on record its thanks to the Investigative Auditor for his work in producing the report.
- 12.3 Mr I Mackie moved, seconded by Mr A White, that the Committee include an additional recommendation that all office-based staff undertake e-learning on fraud, bribery and corruption. The proposal was **agreed**.
- 12.4 In response to a question on the value of the staff survey carried out in 2018 to gain information from staff about their views and knowledge of the Council's anti-fraud provision, Members felt that little value could be given to the survey results due to the low number of responses received. The Committee was advised that the Investigative Auditor would carry out a further survey in the future.
- 12.5 The Committee considered the report and **RESOLVED** to **agree** 
  - the Anti-Fraud, Bribery and Corruption Audit Committee Annual Report set out in Appendix A of the report.

• To recommend that all office-based staff undertake e-learning on fraud, bribery and corruption.

# 13 Yearly Update of the Audit Committee

- 13.1 The Committee received the report by the Executive Director of Finance & Commercial Services summarising the work of the Audit Committee from the 1 April 2018 to 31 March 2019 and confirmed that during 2018-19 its function had been consistent with best practice, demonstrated the impact of its work and explained how it added value.
- 13.2 The Committee considered the report and **RESOLVED** to:
  - **agree** that the arrangements were satisfactory and
  - **note** that the Committee had terms of reference that were consistent with guidance and best practice

### 14 Work Programme

14.1 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 3.30 pm.

Chairman



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# Appendix A

## Safer Children and Resilient Families Presentation to Audit Committee

Project Sponsor: Sara Tough, Executive Director of Children's Service: Business Lead: James Wilson, Business Design and Change Lead

April 2019

Norfolk County Council





























