

Audit Committee
Minutes of the Meeting held on Thursday 30 January 2020 at
2pm in the Edwards Room, County Hall, Norwich

Present:

Cllr Ian Mackie – Chairman
Cllr Stefan Aquarone
Cllr Penny Carpenter
Cllr Chris Jones
Cllr Judy Oliver – Vice-Chairman
Cllr Bev Spratt
Cllr Haydn Thirtle

The Committee **agreed** to consider agenda item 11 (Norfolk County Council's Insurance Cover) after agenda item 5 (Norfolk Audit Services Report for the Quarter ending 31 December 2019).

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Colin Foulger (Cllr Penny Carpenter substituted) and Cllr Karen Vincent (Cllr Bev Spratt substituted).

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 24 October 2019 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

Cllr Penny Carpenter declared an interest in agenda item 8 (Norfolk Pension Fund – External Audit Plan 2019-20) as she was in receipt of a pension from the Norfolk Pension Fund.

Cllr Haydn Thirtle declared an interest in agenda item 8 (Norfolk Pension Fund – External Audit Plan 2019-20) as he was in receipt of a pension from the Pension Fund.

Cllr Chris Jones declared an interest in agenda item 5 (Norfolk Audit Services Report for the Quarter ending 31 December 2019 (including the approach to the Annual Review of the Effectiveness of the System of Audit)) as he was a Governor of Future Education.

4 Items of Urgent Business

- 4.1 There were no items of urgent business.

5 Norfolk Audit Services Report for the Quarter ending 31 December 2019 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit).

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services updating the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.
- 5.2 In response to questions from the Committee, the following points were noted:
- 5.2.1 The three descriptors of green, amber and red used for the overall annual opinion were:
- Green – Acceptable.
Amber – Key issues that needed to be addressed. These issues were ones which were being actioned by the relevant department.
Red – Key issues.
- 5.2.2 The Assistant Director of Finance (Audit) clarified that Norfolk County Council had been advised that there were no changes to the current arrangements for the France Channel England Interreg Programme and that projects would continue. It was also confirmed that new projects could be added if required and that the France Channel England programme was expected to conclude in 2024/25. Once National Government advice had been received more information on how the projects would be taken forward would be available.
- 5.2.3 The Norfolk Audit Service had sufficient capacity to carry out the planned audits. The Audit Plan was regularly reviewed with the Executive Director of Finance & Commercial Services and the Assistant Director of Finance (Audit) to ensure sufficient capacity was available within the team. The Committee noted that a new Auditor would be commencing in April/May 2020, the costs of which would be covered by income from the traded service audits. BDO also carried out work on behalf of the County Council and sufficient budget provision had been made available to cover those costs.
- 5.2.4 The Committee was pleased to see Norfolk Audit Services (NAS) had championed the apprenticeship scheme and noted that the current apprentice in NAS had passed her apprenticeship and was working towards taking the necessary exams to enable her to become a qualified Auditor.
- 5.2.5 Norfolk Audit Services carry out audits at Local Authority maintained schools only.
- 5.2.6 The audit team's main focus when reviewing Repton Property Developments Ltd was to focus on the governance side of the company and how it managed pre-operationally as the Acle site had not obtained planning permission at that time. The next audit would focus on the business internal controls.
- 5.2.7 Regarding Contract Management and Monitoring in the non-maintained Independent Sector (Key Issues – red), it was clarified that the relevant departments would formulate the action plans to address the recommendations. Included in the Audit Plan were 'follow-up' days where checks would be carried out to ensure detailed plans had been actioned on the audits that had high priority findings.

The contracts referred to were mostly around where Special Educational Needs placements were and/or children with, for example, autism who attended specialist schools.

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, and
- **Confirm** the continuation of a self-review approach of Public Sector Internal Auditing Standards (PSIAS) until the next external quality assessment in 2022.

6 Norfolk County Council's Insurance Cover

6.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function was part of the Finance and Commercial Services Department. The report provided Members with assurance as to how the insurance provision was delivered for the County Council and how claims against the Council were managed by the Insurance Team.

6.2 Since the report had been published, the Insurance Manager highlighted that the full tender process for the four main policy types (Employers Liability, Public Liability, Property or material damage insurance, motor insurance) had now been completed. Initial contract awards had been made and the successful bidders notified. The Insurance Manager reassured the Committee that the procurement process had been robust.

6.2.1 The Insurance Manager advised that there had been a large increase in the number of claims received during January 2020 and that it was likely more would be received than during the whole year of 2018 as it was anticipated that a further increase may be seen. The Committee noted that the Insurance Team successfully defended and effectively managed claims and that the Highways Team were proactive in dealing quickly with reports of potholes to try to reduce the risk of damage and claims.

6.3 In response to questions from the Committee, the following points were noted:

6.3.1 Three main bidders had tendered for 5 lots. The current property insurance market was reluctant to cover high-rise buildings and as Norfolk County Council did not have any high-rise buildings in its portfolio, apart from County Hall, it was in a better position in the insurance market than some other local authorities.

6.3.2 Although it did not fall under the remit of the Insurance Manager, Cllr Bev Spratt highlighted two cases he knew of where genuine claims had been made and which he felt should have a simple process for the claimant.

6.3.3 The airside cover provided cover for emergency services, for example fire appliances, attending incidents at the airport.

6.3.4 The five policy lots included in the tendering process were:

- 1 – Casualty – covering employers and public liability
- 2 – Motor Policy
- 3 – Property Policy
- 4 – Travel – which covered schools, officer and Members expenses.
- 5 – Fidelity – which covered officers and Members who had had their actions questioned when acting on behalf of the council.

Lots 4 and 5 above were smaller value which could potentially allow smaller insurance companies to tender.

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

- **Agree** that proper insurance provision exists where appropriate, as confirmed by external and internal reviews and accept the report.

7 Risk Management

7.1 The Committee received the report by the Executive Director of Finance and Commercial Services referencing the corporate risk register as it stood in January 2020, following the latest review conducted during December 2019.

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

7.2.1 The Norfolk County Council Environmental Policy had recently been launched and a Working Group had been appointed to ascertain how the Policy could be implemented. The risk was around Norfolk County Council not delivering on the Policy and not making sufficient contingency arrangements to mitigate the risks. The risks would be managed corporately, and each department was likely to have ownership of elements of the risks.

7.2.2 The current overspend in Adult Social Care and Children's Services departments was noted and the Departments would be asked for further information on the mitigation actions being taken.

7.2.3 To promote the risk management framework and policy and encourage staff to undertake training, the Risk Manager regularly attended departmental Management Team Meetings to help teams understand the risks and provide challenge. The Risk Manager would provide an update at the next meeting on the methodology of how risks were managed and control management.

7.2.4 The Committee welcomed the clearer narrative and heat map and thanked officers for the new report format.

7.2.5 Regarding 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')), the Assistant Director of Finance (Audit) clarified that this topic had been difficult to monitor as it was continually changing. The risk had been classified as Amber which meant the Risk Manager and Department were keeping an eye on it. Once the UK had left the EU on 31 January, the risk would be reviewed and reframed to reflect the new transitional period and identify new risks once

the advice from the Government had been received. Members felt it should be reframed with a target date of 2021.

- 7.2.6 Some Members of the Committee considered there should be a risk included about Highways England and Section 106 CIL money. The Committee agreed that the topic should feature on the agenda at the next meeting to see if it could do anything to help raise the profile of the issue.

- 7.3 The Committee considered the report and **RESOLVED** to **Note**:

- a) the key changes to the corporate risk register (Appendix A).
- b) the corporate risk heat map (Appendix B).
- c) the latest corporate risks (Appendix C).
- d) the scrutiny options for managing corporate risks (Appendix D).
- e) the background information to the report (appendix E).

The Committee considered agenda items 7 and 8 together.

8 Norfolk County Council – External Audit Plan 2019-20 and Norfolk Pension Fund – External Audit Plan 2019-20.

- 8.1 The Committee received the reports by the Executive Director of Finance & Commercial Services setting out how EY intend to carry out their responsibilities as auditors.

- 8.2 Mr Mark Hodgson and Mr David Riglar attended from External Auditors Ernst & Young and gave a verbal update on their approach to the Annual Audit of the Council for 2019-20, during which the following points were noted:

- 8.3 The External Auditors had met with the Norfolk County Council Finance team in December 2019 and had reviewed the accounts. The Finance Team had undertaken training on the new accounting standards and some risks had been identified.

The Committee noted that there were no changes to the anticipated audit opinion and both Norfolk County Council and Norfolk Pension Fund had achieved a stable accounting year.

- 8.4 In response to questions from the Committee, the following points were noted:

- 8.4.1 EY were not aware of any authorities auditing carbon footprint and this was not something that would be covered within the accounts audit.

- 8.4.2 Regarding the Norfolk Pension Fund, it was clarified that the McLeod Judgement had been recognised and any ramifications and treatment would be applied as part of the audit remit.

- 8.4.3 It was confirmed that EY had made a commitment to PSAA about its responsibilities and although there were challenges in completing the work, EY had made a commitment to complete the work it had agreed to carry out.

- 8.4.4 Norse Board had the autonomy to appoint their own external auditors to ensure they achieved the best value for money for their specification, although as the

Norse accounts formed part of the Norfolk County Council accounts, information was provided as and when needed to EY. Norse had brought their accounting year in line with Norfolk County Council end of year accounts, as part of a coterminous arrangement.

- 8.5 The Committee considered the report and **RESOLVED** to **Note**:
- the External Auditor's Audit Plan approach for the Council for 2019-20, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable.
 - the scale fee for the Council is £98,361.
 - the External Auditor's Audit Plan approach for the Norfolk Pension Fund for 2019-20, including their assessment of the Audit Risks and the reporting timetable.
 - that the scale fee for the Norfolk Pension Fund is £20,866.

9 Internal Audit Strategy, Approach, Strategic Plan 2019-2022 and Internal Audit Plan for 2020-21.

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the background; Internal Audit Strategy; the approach to developing the Audit Plan 2020/21; the Audit Plan for 2020/21 and Performance.
- 9.2 The following points were noted in response to questions from the Committee:
- 9.2.1 The Committee welcomed the fact that the work of Norfolk Audit Services was planned to support the Council's vision and strategy 'Together, for Norfolk'.
- 9.2.2 The Committee felt that the title for the proposed audit "auctions" should be wider, for example "Asset and Property Disposal at Auction". As the property team was disposing of unutilised properties through auctions more often, Norfolk Audit Services was ensuring the process was robust.
- 9.3 The Committee considered the report and **RESOLVED** to **approve**:
- The Internal Audit Strategy, the approach to developing the Audit Plan for 2020/21 and the Audit Plan for 2020/21, supported by the 'days available to deliver NAS services 2020/21 and the 'detailed audit plan for the first half of the year for 2020/21' and that this work would deliver the assurances required.
 - That the arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Assistant Director of Finance (Audit) (described at paragraph 5.7 of the report) and any other relevant statements of best practice.

10 Counter-Fraud, Bribery and Corruption Progress Report.

- 10.1 The Committee received the report by the Chief Legal Officer providing an update in respect of the proactive and reactive anti-fraud bribery and corruption activity undertaken during the current financial year (2019/20); including Whistleblowing.

- 10.2 The Committee congratulated the Investigative Manager, for the work carried out on the Count-Fraud Strategy created in 2017 which built on the National counter-fraud strategy and which had been reviewed by Fighting Fraud locally.
- 10.3 The following points were noted in response to questions from the Committee:
- 10.3.1 The counter-fraud e-learning programme was awaiting compliance before being rolled out.
- 10.3.2 The Chartered institute of Public Finance and Accountancy (CIPFA) had carried out its national benchmarking and had identified that the £253m of identified fraud detected was a national figure.
- 10.3.3 It was recognised that single person discount fraud was a national issue and work was being undertaken with District Council colleagues to work with credit reference agencies to match up data and work with District Councils to share information if it was identified that more than one person was likely to be living at a property.
- 10.4.4 The Investigative Manager would be attending a meeting on 2 March 2020 with representatives from other Councils, including Essex County Council. The aim of the meeting would be to share information on emerging threats and risks.
- 10.4.5 Although the recovery of £27k was a modest sum, it was noted that Norfolk County Council didn't hold housing stock or manage benefits.
- 10.4.6 The Investigative Manager worked across the whole county when required to carry out investigations and was not office-based.
- 10.4.7 Any incidents of fraud by elected members would be dealt with through the Monitoring Officer as there was a clear separation of duties.
- 10.4.8 The Investigative Manager would follow up if the procurement process took into account a code of ethics around modern slavery, bribery and corruption as well as incentives.
- 10.5 The Committee considered the report and **RESOLVED** to:
- **Agree** that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing progress report (Appendix A), the key messages, that the progress was satisfactory and arrangements were effective.

11 Work Programme

- 11.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.
- 11.2 The following topics to be added to the Forward Plan:
- Highways England Risks.
Update on Risks.

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

The meeting ended at 3.40 pm

Chairman



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