

## **Audit & Governance Committee**

### **Minutes of the Meeting held in Council Chamber, County Hall on Monday 28 November 2022 at 10:00am**

#### **Present:**

Cllr Ian Mackie – Chairman  
Cllr Terry Jermy  
Cllr Mark Kiddle-Morris  
Cllr Robert Savage – Vice-Chairman  
Cllr Saul Penfold  
Cllr Tony White

Tracy Colman (Independent Person)

#### **1 Apologies for Absence**

- 1.1 All members were present. Apologies received from Chris Macdonald (independent person)

#### **2 Minutes**

- 2.1 The minutes from the Audit Committee meeting held on 28 July 2022 were agreed as an accurate record and were signed by the Chairman.

#### **3 Declaration of Interests**

- 3.1 Cllr Robert Savage declared an “Other Interest” as he is a Member of the Norfolk Pension Fund scheme.

#### **4 Items of Urgent Business**

- 4.1 None.

#### **5 Terms of Reference for the Governance and Audit Committee**

- 5.1 The Committee received the annexed report (5) by the Director of Governance which outlined the new terms of reference for the committee since the merging of the Audit and Standards committees. The report also detailed the procedure for dealing with standards hearings should the occasion arise and nplaw’s standard guidance for undertaking investigations.
- 5.2 In response to questions from the Committee, the following points were noted:

- The principal of a sub panel for standards hearings was to be established within the terms of reference and if need arises the panel would be selected from members of the committee, taking in to account balance of political parties and gender if possible.
- It was noted that the committee currently has a vacancy which had arisen when Cllr Vincent become the County Council Chair in May 2021.

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

1. **Endorse** the terms of reference agreed by Council on 19 July 2022 set out in Appendix A and suggest to Council that the Committee be titled, 'Audit and Governance Committee', as that is recognisable and more easily searched by interested parties who wish to find reports, particularly relating to matters of public interest such as the approval of the accounts
2. **Endorse** the current procedure for dealing with standards hearings set out in Appendix B
3. **Establish** a hearings sub-committee as set out at 4.3 (2) (f) of its terms of reference to be selected from committee members trained in dealing with standards hearings
4. **Note** nplaw's guidance for carrying out standards investigations (Appendix C)

## 6 Monitoring Officer Annual Report 2021-22

6.1 The Committee received the report by the Director of Governance which summarises the internal governance work carried out by the Monitoring Officer (MO) in 21/22 and provides assurance that the organisation's control environment which are the responsibility of the MO is adequate and effective.

6.2 In response to questions the following points were noted:

- The code of conduct was part of the County Council's constitution and training for members was available both at induction of a Councillor's term of office and upon request. The recent training from the Deputy Monitoring Officer had been well received and it was hoped to arrange similar training for members in the New Year.
- The committee acknowledged that conduct standards amongst members was good and the standards sub panel had only met once in the past 3 years.

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

- Note the contents of the report and the key messages in the above Executive Summary and Appendix A section 2.1; and
- continue to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

## 7 Anti-Fraud, Bribery and Corruption Report for the Quarter ending 30 September 2022

7.1 The Committee received the annexed report (7) report by the Director of Governance which provided an update in respect of anti-fraud, bribery and corruption activity undertaken during the 22/23 financial year to date.

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

- Members were advised that those cases which were investigated were a mix of straight forward thefts to complex frauds. The team had achieved national recognition for their work.
- The committee praised the team involved in alerting residents to scams, although concerns were expressed that those that did not use digital and social media platforms might be left unaware. It was suggested that the Council's communications team should give some thought on how this cohort of people could be reached.
- The report referred to £400,000 worth of savings and recoveries although no further detail was provided. The Assistant Director of Finance (Audit) committed to return to members with some further detail on how this figure was ascertained.

7.3 The committee considered the report and **RESOLVED** to:

- **Agree** the key messages featured in this report, that the work and assurance meet their requirements and advise if further information is required.

7.4 The Director of Governance was moving on to pastures new in early 2023 and the Chairman, on behalf of the committee, thanked her for the support and guidance given to the committee in her role during the past 5 years.

## 8 External Audit Update

8.1 The Committee received the annexed report (8) by the Executive Director of Finance and Commercial Services which provided an update on the audit of the annual statement of Accounts and Annual Governance Statement for 2021-22.

8.2 Due to national issues relating to accounting for infrastructure assets, the UK Government plans to push through statutory changes for Local Authorities regulations that will override the accounting standards relating to infrastructure assets temporarily. This legislation is expected to come into force in the next few weeks and as a result the completion and approval of the accounts will be delayed.

Debbie Hanson, External Auditor from Ernest Young LLP gave a verbal update around the complexities of the regulations and how historical differences in accounting procedures across local authorities have created issues. Good progress had been made on the audit, although there was still some work to consider once the regulations were in force. Currently no significant concerns to date had arisen. The audit is not expected to conclude until January / February 2023.

In addition, Debbie Hanson also advised:

- Assurance is still awaited from the Group Auditors for the 21/22

financial year. No significant concerns are expected from the Group Accounts.

- Information from officers was being sought with regard to the risk of land and buildings assets. However, no significant concerns have been identified within that risk area.
- Within the audit plan, a significant risk for the council was in relation to the incorrect capitalisation of revenue and also incorrect classification of expenditure (Revenue Expenditure Financed by Capital Under Statute – REFCUS). The work in this area is almost complete and to date no significant concerns have arisen.
- Pension liabilities was also noted as a high inherent risk within the audit plan due to the size of and a high level of estimation. The work on the Pension Fund had been substantially completed and once finalised the letter of assurance would be provided. No significant concerns have been raised to date.
- Ensuring that school transfers to academies had been undertaken correctly had been a focus for the audit and no significant issues had arisen from this area.
- Accounting for grants had also been focused on within the audit, due to the number of Covid grants received. The risk had been downgraded from last year and no significant issues had arisen.
- Going concern assessments are now a focus for local government auditing with both Covid and recent changes in auditing standards highlighting the need for consideration. A preliminary assessment has been made, taking in to account national and international pressures, such as inflation and the illegal invasion of Ukraine by Russian armed forces. This assessment is dated for the 12 month period from the date of the final audit report and the preliminary position may require updating.

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

- The Public Sector Audit Appointments (PSAA) board's fee scale is likely to significantly increase in the next contract, due in 2 years' time, because of the additional work now required to complete local authority audits. The fee scale, once agreed by the board, would be universally applied to all local authorities who had opted into the PSAA agreement and could not be negotiated.
- The External Auditor acknowledged that in regard to the incorrect capitalisation of revenue, although both revenue and capital were defined by accounting regulations, there were some grey areas that most of the audit work in this area concentrated upon. The Director of Finance and Commercial Services provided reassurance that the County Council's own procedures on this issue were sound and previous audit reports had provided no cause for concern.

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

- The plans to conclude the annual statement of accounts audit and their approval.

9.1 The Committee received the annexed report (9) by the Executive Director of Finance and Commercial Services setting out the External Auditor's (Ernst and Young) Norfolk Pension Fund Provisional Audit Results Report for consideration of matters which may be raised by the Council's external auditors.

9.2 Debbie Hanson, External Auditor from Ernest Young LLP gave a verbal update and advised:

- There had been no change in the materiality calculation and the level of £49m at planning stage was deemed appropriate. Performance materiality also remained unchanged at £36.8 million.
- There was still some outstanding work with regard to the going concern assessment and disclosure to complete the audit process.
- There were no uncorrected audit differences uncovered and a limited number of minor audit disclosure differences in the financial statements, which have been amended.
- Work on identified fraud risks during the planning stage had been completed with no significant issues arising.
- Risks concerning change of custodian, valuation of complex investments and actuarial value of promised retirement benefits had all been examined with no significant issues to report.
- Additional disclosures have been requested regarding a £43m differential in the valuation of the pension fund, although this was not considered to be a material concern.

Alex Younger, Head of Funding and Investment, added that the report would also be considered at the next Pensions Committee meeting. In addition, some concerns had arisen around negative cash flows from the fund, driven mainly by higher inflation rates pushing up increases in benefits. The forecast predicted the first cycle of negative cash flow would take place in 2024, although this would only happen if inflation remained stubbornly high and any workforce cuts of 10% or more reduced the pensionable payroll. This latter point was considered to be unlikely to happen because of the diversity of the portfolio of employers engaged with the pension fund.

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

The plan to conclude the audit; where that results report is presented to the Pensions Committee later this year for their consideration to allow the Pensions Committee to make final recommendation that the draft financial statements for the Norfolk Pension Fund be approved/not approved by the Governance and Audit Committee, before Ernst & Young issue their audit opinion.

## **10. Yearly Update of the Audit Committee 2021-22**

10.1 The Committee received the annexed report (10) by the Executive Director of Finance and Commercial Services which summarises the work of the Audit Committee for year end 31 March 2022.

10.2 Adrian Thompson, Assistant Director of Finance (Audit) presented the report and advised that a full programme of work has been undertaken by the committee during the year including reports from Executive Directors, the Monitoring Officer, and the Senior Information Risk Officer as well as regular updates from the Risk Management Officer and Investigations teams. Topics covered had been broad and far reaching, from the Census 2021 to consideration of the failure of adult social care providers. The committee had demonstrated a high degree of performance against good practice principles set out in Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

10.3 In response to a question from members it was acknowledged that a return visit by the Office for National Statistics was planned and had been scheduled within the work programme for the first meeting of 2023.

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

- that the arrangements are satisfactory and note that the Committee has terms of reference which are consistent with guidance and best practice:
- the key messages on the [CIPFA's position statement](#) for 'wider roles' reported on in October 2021 have been actioned
- the two-stage approach to engage member input into the CIPFA 'assessment tool – evaluating effectiveness', in particular appendix E of the toolkit.

## **11 Norfolk Audit Services Report for the Quarter ending 30 September 2022**

11.1 The Committee received the annexed report (11) report by the Executive Director of Finance & Commercial Services updating it on the overall opinion on the effectiveness of risk management and internal control and setting out the work to support the opinion and any matters of note.

11.2 The committee were advised by the Chief Internal Auditor that :

- Any deferred or cancelled audits were risk assessed with priority given to key topic areas.
- The monitoring of recommendations from previous audits undertaken was continuing to work well using the software introduced to ensure no lapses could go undetected.
- Health and Safety compliance checks at schools were actively being pursued to ensure robust action plans were being put in place.

11.3 The Chief Internal Auditor committed to reporting back to members regarding the need for Children's Services to contact non Building Maintenance Partnership schools regarding outstanding fire checks identified in the sample testing. In addition, it was requested for further detail regarding the stages of

progress in relation to the outstanding recommendations was provided in future reports.

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

- the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required.

## 12. **Norfolk Audit Services' Terms of Reference (Charter) and Code of Ethics 21/22**

12.1 The Committee received the annexed report (12) by the Executive Director of Finance and Commercial Services presenting the revised terms of reference and code of ethics.

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

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

## 13. **Risk Management Quarterly Report to November 2022**

13.1 The Committee received the report by the Executive Director of Finance and Commercial Services referencing the corporate risk register as it stood in November 2022, following the latest review conducted during October 2022

13.2 In introducing the report, the Risk Management Officer highlighted those risks which had been updated and agreed by Cabinet.

13.3 The following changes were noted:

### New risks

#### **RM035 - Inflationary pressure on revenue and capital budgets**

A new corporate risk had been agreed by Cabinet to capture the risk of inflationary pressure on revenue and capital budgets.

#### **RM036 - Environmental Policy**

A new corporate risk had been agreed by Cabinet to capture the risk of not delivering the key objectives of the NCC environmental policy.

### Score changes

#### **RM003b - Information and cyber security requirements**

There was an increase of the current impact score of this risk from 3 to 4, increasing the current overall risk score from 9 to 12.

### Risk scope change

#### **RM027 – myOracle**

There is a scope change to this risk, following the movement in time from a pre- go-live environment to a post- go-live environment. The nature of the risk had subsequently changed

### Risk closure

### **RM026 - Legal challenge to procurement exercise**

This risk had been closed, given that mitigations have now been implemented as far as possible, minimising the possibility of a legal challenge to a procurement exercise.

13.4 In response to member's questions it was noted:

- **Risk RM027.** The new myOracle system, whilst suffering some very minor issues initially with payments of suppliers and salaries was now performing in line with expectation. The system processes 20,000 transactions a month and a very small proportion of these require manual intervention.
- The District Councils carry the statutory duties of providing temporary and permanent accommodation for anyone homeless. However, support and guidance were provided by the County Council to ensure programmes, such as housing Ukrainian refugees, was successful.
- The County Council has a prudent position currently in respect of reserves. These are held in three forms – earmarked reserves for capital projects or grants, business reserves for departmental draw down if required and general fund reserves of £25m, which is budgeted for at 5% of the net budget.
- The Executive Director of Finance and Commercial Services agreed to revisit the references in the risk register concerning Covid. The position had fundamentally changed and some legacy references could now be updated or removed.

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

- a. key messages as per paragraphs 2.1 and 2.2 of this report
- b. key changes to the corporate risk register (**Appendix A**);
- c. corporate risk heat map (**Appendix B**);
- d. generic corporate risks (**Appendix C**);
- e. background Information (**Appendix D**);
- f. information in this report is sufficient.

## **12 Audit Committee Work Programme**

12.1 The Committee received the report by the Executive Director of Finance & Commercial services.

12.2 The Committee considered and **noted** the report and **agreed** to the programme. The date for the training session of the annual accounts would be agreed and circulated in due course.

**The meeting ended at 11.31 pm**





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.