

Audit Committee
Minutes of the Meeting held on Tuesday 23 January 2018 at
10am in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman
Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle – Vice-Chairman

1 Apologies for Absence

1.1 No apologies for absence were received.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 21 September 2017 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

3.1 Mr A Jamieson declared an other interest as a Director of Norse.

4 Items of Urgent Business

4.1 There were no items of urgent business.

5 Risk Management Report

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register as at January 2018, along with an update on the Risk Management Strategy 2016-19 and other related matters, following the latest review conducted during December 2017.

5.2 In presenting the report, the Risk Management Officer advised the Committee that, following the recent publication of the Ofsted Report which had judged Norfolk County Council Children's Services as "Requires Improvement", risk RM018 (Potential failure to move out of intervention) would be updated to reflect the work the department was doing towards achieving a "good" judgement.

5.3 The Committee was advised that Environment, Development and Transport Committee, at its meeting on Friday 19 January 2018 had considered risk RM 14336 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023). It was agreed that risk RM 14336 should be managed both on the departmental Environment, Development and Transport risk register and the corporate risk register, given its corporate significance.

- 5.4 The Committee welcomed Tom McCabe, Executive Director Community and Environmental Services to the meeting, who gave the Committee a brief update on the Third River Crossing and Northern Distributor Route (NDR) projects, during which the following points were noted:
- 5.4.1 RM017 – Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m).
- 5.4.1.1 The Executive Director advised that the NDR was on target to open at the end of March 2018 and that the contract would finish within the next 6-7 weeks.
- 5.4.1.2 Ongoing negotiations with the contractor were taking place to justify the historic costs and the Committee noted that, since October 2017, costs had been successfully contained. The expectation was that the final cost would be within the £205m budget allocation.
- 5.4.2 RM 14336 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)
- 5.4.2.1 The Executive Director of Community and Environmental Services advised that the Environment, Development and Transport (EDT) Committee had considered the risk and it was agreed that risk RM14336 should be managed both on the departmental Environment, Development and Transport risk register and the corporate risk register, given its corporate significance.
- 5.4.2.2 It was expected that the Official Journal Notice of the European Union (OJEU) notice would be served early to mid-February 2018 after which engagement with potential contractors could begin.
- 5.4.2.3 EDT Committee had agreed to ask the NDR Working Group to continue its work after the NDR project had finished so it could oversee the Great Yarmouth 3rd River Crossing project and bring its contractual learning to the project. The working group would be able to use the knowledge it had gained to help it understand the issues and risks involved.
- 5.4.2.4 EDT Committee had agreed on a two-stage design and build procurement route for the Great Yarmouth 3rd river crossing scheme and had also agreed that NEC4 Engineering and Construction Contract (ECC) form of contract was the right one in commercial terms.
- 5.2.2.5 The Government had provided a grant of £98m for the project and expected the remaining costs to be met by local authorities and enterprises.
- 5.4.2.6 The Executive Director outlined the following timescales for the project:
- | | |
|--|---------------------------------|
| Submission of the OJEU (Official Journal Notice) | End January/early February 2018 |
| Contract and Procurement | Spring/Summer 2018 |
| Public Enquiry | Late 2018 |
| On site | Winter 2020 |

5.4.3 NDR – Western Link

The Committee was advised that the preferred route for the Norwich NDR Western Link remained under development and it was hoped to be in a position to move to the development of a business case within 12 months.

5.5 In response to questions by the Committee, the following points were noted:

5.5.1 Members were pleased that the NDR Working Group would have oversight of the Great Yarmouth 3rd River Crossing Project, and expressed the view that the Terms of Reference needed to be clear and updated to reflect the new aspect of its work.

5.5.2 The Executive Director of Community & Environment Services would circulate details of the NEC4 type contract to the Audit Committee members. The report considered by the EDT Committee at its meeting on 19 January 2018 could be found at the following link:
<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1364/Committee/18/Default.aspx>

5.5.3 Once the Great Yarmouth 3rd river crossing project contract procurement had taken place, responsibility for signing off the contract rested with full Council.

5.5.4 Due to the nature of the scheme, there was a limited pool of Contractors in a position to bid for the contract. A market engagement day had been held in Great Yarmouth in July 2017 and this had resulted in five interested bidders being taken through to initial dialogue stage. It was anticipated that three bidders would be taken through to the detailed dialogue and evaluation stage.

5.5.5 The Committee thanked Tom McCabe for attending the meeting.

5.6 The Committee considered all the corporate risks within the report, during which the following points were noted:

5.6.1 Due to their similarities, the Risk Management Officer agreed to liaise with the Executive Director of Finance and Commercial Services to explore the possibility of joining risk RM003 (Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice relating to information compliance and information security) and RM007 (Potential risk of organisational failure due to data quality issues).

5.6.2 With regard to the Committee's request to receive an update on Risk RM019 (Failure to deliver a new fit for purpose social care system on time and to budget) at its April 2018 meeting, the Executive Director of Finance & Commercial Services suggested that it may wish to receive the presentation given at the Digital Innovation & Efficiency Committee meeting on 22 January 2018 at its next meeting. The presentation had included a system demonstration on the Liquid Logic reporting system.

5.6.3 With regard to risk RM006 (The potential risk of failure to effectively plan how the Council would deliver services over the next three years commencing

2018/19 – 2021), the Committee was reassured that Key Performance Indicators would be picked up as part of the development of the County Plan.

- 5.6.4 Regarding Risk RM014a (The amount spent on home to school transport at significant variance to predicted best estimates), the Committee asked what the direction of travel currently was and what was being done to reduce the cost of using taxis to transport service users. The Executive Director of Finance and Commercial Services reported that home to school transport was recognised as a big issue and the Acting Chairman of Children's Services Committee was looking at ways to reduce costs. The Committee was reassured that the risk was regularly monitored by the Children's Services management team.
- 5.6.5 The Committee agreed that the Director of NorseCare should be invited to attend the Audit Committee meeting in April 2018 so the Committee could further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee
- 5.7 The Committee **RESOLVED** to note:
- a) The changes to the corporate risk register (Appendices A and B of the report), the progress with mitigating the risks; and
 - b) The scrutiny options for managing corporate risks (Appendix C of the report);
 - c) The movement of corporate risks since the last meeting (Appendix D of the report).

6 Norfolk Audit Services Report for the Quarter ended 30 September 2017

- 6.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work would contribute to the County Council's priorities around 'Caring for our County'.
- 6.2 In response to a question about the allocation of an appropriate investigator when a whistleblowing complaint was received, the Investigative Auditor clarified that he would carry out investigations involving finance fraud; any safeguarding complaints would be allocated to the appropriate safeguarding team; any specialist cases would be allocated to an appropriate senior manager. The Chief Internal Auditor had overall responsibility for overseeing whistleblowing complaints and these would be tracked, keeping the whistle blower informed of progress. The Whistleblowing Policy included a list of expected timescales for dealing with disclosures.
- 6.3 The Committee requested an internal bulletin be drafted and issued for publication on the Norfolk County Councils intranet which could signpost employees to the whistleblowing policy, including the whistleblowing telephone numbers.
- 6.4 The Committee **RESOLVED** to note:
- 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 operation of the Audit Authority for the France Channel England Interreg programme.
- Plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function.

7 External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Annual Audit Letter 2016-17. The letter was one of certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee would receive a separate letter for its approval. The letter was available on the Council's website.
- 7.2 The Committee welcomed Mr D Riglar from Ernst & Young who had attended the meeting to present the report and answer questions from the Committee. In presenting the report, Mr Rigler reminded the Committee of the earlier timescale for the signing off of the 2017-18 accounts, which was by 31 July 2018. He also advised that there would be no change to fees, apart from the core audit fee which was similar to the 2015-16 charges.
- 7.3 The Committee wished to place on record its thanks to the Finance Team and the Internal Audit Team for their excellent work in achieving an unqualified audit opinion.
- 7.4 The following points were noted in response to questions from the Committee:
- 7.4.1 Although the deadline for signing off the accounts by 31 July 2018 would be tight, the Committee was reassured that the timescale was achievable and that staff had been working toward this new deadline for some time.
- 7.4.2 The Executive Director of Finance and Commercial Services would let Mr Jamieson have a written response about where Norse and Independence Matters could be found within the NCC group accounts.
- 7.5 The Committee **RESOLVED** to note:
- The External Auditor's Audit Letter 2016-17.
 - The key messages and questions contained in the briefing.

8 Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19.

- 8.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out the Internal Audit Strategy, Approach, Strategic Plan and Internal Audit Plan.
- 8.2 The Committee **RESOLVED** to note:

- That Internal Audit's strategy and plan, contribute to an effective system of internal audit and risk management and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.
- The strategy and plan being the; Internal Audit Strategy 2018-21, the Approach 2018-19, the Three Year Strategic Audit Planned Days to support the Audit Opinion, the Summary Internal Audit Plan for the first half of the year 2018-19 for work supporting the Internal Audit Strategy and the Detailed Internal Audit Plan for the first half of the year 2018-19 and mapping of Corporate Risks to the Plan. (As set out in Appendices A to F of the report).

9 Counter Fraud, Bribery and Corruption Audit Committee Progress Report

- 9.1 The Committee received the report by the Chief Legal Officer providing it with an update in respect of the counter-fraud activity undertaken by Norfolk Audit Services (NAS) during the reporting period 1 July 2017 to 31 December 2017.
- 9.2 In presenting the report, the Investigative Auditor advised that the Fraud and Bribery e-learning course was now in the final stages of preparation and would be going live by the end of January 2018. Initially, the course would be rolled out to finance staff and adult social care staff, after which it was hoped it could be rolled out across the County Council.
- 9.3 The Committee was very pleased to note the excellent achievement of getting the e-learning rolled out and asked for an update to be brought to a future meeting. It was suggested that the topic should be included as a standing item on all Audit Committee agenda.
- 9.4 The following points were noted in response to questions from the Committee:
- 9.4.1 Ways to measure success would be reviewed against criteria once the first year had been completed. Year 2 would have year 1 information to measure against and CIPFA benchmarking would be used to evaluate progress.
- 9.4.2 Ways of informing staff about the importance of fraud, fraud e-learning, whistleblowing policy and the code of conduct, etc. were being explored.
- 9.5 The Committee **RESOLVED** to note:
- The content of the Anti-Fraud, Bribery and Corruption Audit Committee Progress Report set out at Appendix A of the report.

10 Norfolk County Council's Insurance Cover

- 10.1 The Committee received the report by the Executive Director of Finance & 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, overseen by the Policy and Resources Committee. 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.

10.2 In introducing the report, the Insurance Manager advised the Committee of the following:

- 10.2.1 A sum of £120m for terrorism cover was in place for the County Hall site only. The cover would enable County Hall to be brought back on line in the event of a terrorist attack.
- 10.2.2 No subsidised cover was offered to subsidiaries of the County Council, they were charged the same rate as the rest of the authority.
- 10.2.3 It would be difficult to obtain a breakdown of non-highway related claims as claims were often paid out in a different accounting year to when the original claim was made. The Insurance Manager would circulate a list showing the total figures paid out in insurance claims in the last 12 months (without highways claims) to identify any niche areas which could be targeted in an attempt to reduce claims.
- 10.2.4 The Insurance Manager gave the Committee an overview of how Public Liability Claims were dealt with and how potentially fraudulent claims were identified and dealt with.

10.3 The Committee **RESOLVED** to:

- Note that proper insurance provision existed where appropriate, as confirmed by external and internal reviews and accept the report.

11 Audit Committee Work Programme

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

11.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report, with the addition of updates to the following subjects for consideration future meetings:

- Director of NorseCare should be invited to attend the Audit Committee meeting in April 2018 so the Committee could further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee
- Update from representative from Adult Social Care regarding Risk RM019 (Failure to deliver a new fit for purpose social care system on time and to budget)
- Update on the roll-out of fraud e-learning.

The meeting ended at 11.15 am.

Chairman



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