

Audit Committee
Minutes of the Meeting held on Thursday 24 October 2019 at
2pm in the Edwards Room, County Hall, Norwich

Present:

Cllr Ian Mackie – Chairman
Cllr Stefan Aquarone
Cllr Chris Jones
Cllr Bev Spratt
Cllr Haydn Thirtle
Cllr Karen Vincent

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Judy Oliver (Cllr Bev Spratt substituted).

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 29 July 2019 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

Cllr Karen Vincent declared an other interest as she was a Member of the Norfolk Pension Fund.

Cllr Haydn Thirtle declared an interest in agenda item 8 (Addressing Risks in the Care Market) as he had privately funded his mother's care in a care home for the last 7 years.

4 Items of Urgent Business

- 4.1 There were no items of urgent business.

5 External Auditor's Annual Audit Letter and Audit Certificate 2018-19.

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Annual Audit Letter and Certificate 2018-19. The documents were required to be provided by Ernst & Young to the Audit Committee of the audited client following completion of audit procedures for the year ended 31 March 2019. The report complemented the External Auditor's Annual Results Report for 2018-19 reported to Audit Committee in July 2019.
- 5.2 In introducing the report, the Executive Director of Finance & Commercial Services stated that the report provided assurance to the Committee and fulfilled the relevant terms of reference by formalising the unqualified audit opinion.

5.3 The Audit Committee placed on record its thanks to the Finance and Audit teams in the excellent result of achieving the Unqualified audit opinion.

5.4 The Committee considered and **noted** the External Auditor's Letter and Certificate for 2018-19.

6 Norfolk Audit Services Report for the Quarter ending 30 September 2019.

6.1 The Committee received the report by the Executive Director of Finance and Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress with the delivery of the internal audit work and advised on the overall opinion on the effectiveness of risk management and internal control by setting out the work to support the opinion and other matters of note.

6.2 In response to a question about how the schools audit offer was promoted, the Principal Client Manager informed the Committee that a second reminder letter to those schools who had not had a traded audit in the last 8, 9 and 10 years was sent in June 2019 and a management information (MI) sheet explaining the process was sent to schools in March 2019. Over 30 schools had not booked a traded audit in response to the last reminder letter. As no response had been received, the next letter sent would inform those schools that a traded audit had been booked for them in 2020/21 as per the MI sheet and those schools would be notified to the Executive Director of Children's Services, the Executive Director of Finance & Commercial Services and the Chairman of the Audit Committee. The Chairman of the Audit Committee endorsed this action.

6.3 Norfolk Audit Services carried out an audit at Local Authority maintained schools only. To date no academy schools had contracted Norfolk Audit Services to carry out an audit.

6.4 In response to a question about the capacity of the Internal Audit Team following the resignation of an Auditor in May 2019, the Executive Director for Finance & Commercial Services reassured the Committee that there were no budgetary constraints in recruiting to the post. There was a national difficulty in recruiting auditors and the team was currently exploring other options for recruitment, for example offering the post as an apprenticeship and training locally. An external contractor (BDO) held a contract with the County Council to carry out audits on behalf of Norfolk Audit Services when needed.

6.5 The Principal Client Manager would include a written update as to the key issues found during audits when the overall opinion was either rated Key Issues – red or Key Issues – Amber in the quarterly update report going forward in response to a member request.

6.6 The Norfolk Audit Services Dashboard Audit Plan 2019/20 was not a fixed plan and could change to include newer priorities as they arose.

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

- **Agree** the key messages featured in the quarterly report.

7 Risk Management

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services which referenced the corporate risk register as at October 2019, following the latest review conducted during August and early September 2019. Risk management was reported separately to the performance and finance report, but was aligned with and complemented, the performance and financial reporting.
- 7.2 The following points were noted in response to questions from the Committee:
- 7.2.1 Regarding the new risk (RM026 – Legal challenge to procurement exercise), the Head of Procurement had asked that the risk be included on the risk register to help address risks around legal challenges by organisations that had tendered for a contract and been unsuccessful. The Executive Director of Finance & Commercial Services added that there was a need to ensure policies and procedures were in place to allow the authority to refute any challenges to the tendering process. The risk applied to the procurement of goods and services only.
- 7.2.2 Regarding Risk RM006 (The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21), the Executive Director of Finance & Commercial Services said that, although finances remained a challenge, the recently announced spending review and the proposed increase in council tax would help the Council to meet the target. He added that tasks to mitigate the risk were in place.
- 7.2.3 The public consultation on the budget for 2020/21 was now available and was being carried out in line with statute.
- 7.2.4 Regarding Risk RM023 (Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need), tasks had been planned to mitigate the risk for it to meet its target date of March 2020. The Executive Director of Finance & Commercial Services stated that Members had the ability to flex the budget to decide where local funding was spent and the raising of the council tax precept by 2% would help mitigate the risk.
- 7.2.5 The Risk Manager would provide a written response about whether, or how many, cyber attacks had been successful in the reporting period, together with information about any services which may have suffered any disruption and the recovery timescales. (Risk RM010 (The risk of the loss of key ICT systems including – internet connection; telephony; communications with cloud-provided services; or windows and Solaris hosting platforms)).
- 7.2.6 Regarding Risk RM027 (Risk of failure of new Human Resources and Finance system implementation), at the request of the Chairman of the Corporate Select Committee, the Risk Manager would include in the progress update that the Corporate Select Committee had attended a workshop on the project implementation plan which had been well received.
- 7.3 The Committee considered the report and **RESOLVED** to:

- a) **Agree** that there continued to be an effective governance structure in place to manage corporate risks under the adopted Cabinet system.
- b) **Note** the changes to the corporate risk register for information.
- c) **Note** the refreshed corporate risks.
- d) **Note** the scrutiny options for managing corporate risks.
- e) **Note** the heat map of corporate risks.
- f) **Note** the background information to the report.

8 Addressing Risks in the Norfolk Care Market

- 8.1 The Committee received the report by the Executive Director of Adult Social Services outlining the key risks and governance arrangements in place to ensure the appropriate management of the risks of market failure in the Norfolk Care Market. The risks were managed at a departmental level, overseen by the Executive Director and the report concluded that the current governance arrangements were robust and the mitigation actions were appropriately monitored and reviewed.
- 8.2 The Committee welcomed Lucy Hohnen (Assistant Director Workforce, Markets & Brokerage, Adults Social Services) and Tim Weller (Quality Assurance Business Partner, Adult Social Services) to the meeting, who presented the report and answered questions from the Committee.
- 8.3 In response to questions from the Committee, the following points were noted:
 - 8.3.1 The Assistant Director Workforce, Markets & Brokerage, Adult Social Services reassured the Committee that, under the recent restructuring within Adult Social Services, the department had made market development a strong priority, giving more focus on strengthening assurance which led to a much clearer offer for providers.

A suggestion made about supporting care home staff if they wished to take on a cooperative to run small care homes could be pursued if there was an appetite for it.
 - 8.3.2 The closure of the Austhorpe House Nursing Home was recognised as a loss to the community, but the decision had been made by the providers outside the control of Norfolk County Council. One of the reasons given for the closure was the difficulty in recruiting nursing staff and this was recognised as a national problem. By the time Norfolk County Council had been informed of the potential closure, the provider had already made their decision.
 - 8.3.3 The Quality Assurance Business Partner, Adult Social Services advised that the Care Quality Commission (CQC) was the statutory regulator of health and social care provision in England. The regulator worked closely with the Council under a nationally established Joint Working Protocol (adopted February 2019). The Audit Committee was reassured that the Council's Quality Assurance Team offered support to any commissioned care service found to be failing to meet standards to promote improvement in quality of provision.
 - 8.3.4 It was confirmed that 26% of all registered nurses who worked in care homes were from the EU.

8.4 The Chairman thanked the Assistant Director Workforce, Markets & Brokerage, Adults Social Services and the Quality Assurance Business Partner, Adult Social Services for attending.

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

- **Agree** the governance arrangements in place to manage the operational and strategic risks of market failure in the Norfolk Care Market, including from a quality assurance perspective are adequate and effective.
- **Note** the existing and emerging key risk areas highlighted at the June 2019 risk workshop on the Norfolk Care Market.

9 Norfolk Audit Services – Report for the second half of the year Internal Audit Plan 2019-20.

9.1 The Committee received the report by the Executive Director of Finance and Commercial Services detailing the revised Audit Plan (titled ‘The 2nd Half of the Year Internal Audit Plan 2019-20) for approval by the Committee.

9.2 The Committee considered the report and **RESOLVED** to **approve**:

- The 2nd Half of the Year Internal Audit Plan 2019-20.

10 Counter-Fraud, Bribery and Corruption Progress Report.

10.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing an update in respect of the ongoing counter fraud activity undertaken by Norfolk Audit Services during the current financial year.

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

10.2.1 Processes had been established and adopted which had made it safer for anyone to blow the whistle on an unsafe practice in the workplace. Leaflets had been introduced signposting a safe route for individuals, together with details of who they could contact.

10.2.2 The Counter-Fraud, Bribery and Corruption Annual Report would include headline statistics about whistleblowing, although it was recognised that these details needed to remain anonymous in order to protect the individuals concerned. The statistics would also include workers contracted to Norfolk County Council such as temporary agency staff, etc.

10.2.3 The Committee congratulated the Investigative Auditor for the work he had carried out since he joined the County Council and asked if the 90% of work carried out focusing on counter-fraud was a fair reflection of the division of work undertaken. The Investigative Auditor confirmed this and highlighted that there had been no instances reported relating to the Bribery Act during the reporting period.

10.2.4 The Fraud, Bribery and Corruption e-learning for office-based staff would be live by the end of 2019. The e-learning would be mandatory for all new staff, then would be undertaken on a three-yearly programme after that.

10.3 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 is 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 In response to a question about the recent letters sent by the school admissions team to bereaved families about ensuring their child was enrolled at a school, the Chairman advised that the Leader had formally responded to the parents concerned and an investigation carried out by the Chief Internal Auditor. An action plan following the investigation had been produced and the Audit Committee would receive an update at a future meeting.

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

The meeting ended at 3.15 pm

Chairman



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