

Audit Committee
Minutes of the Meeting held on Thursday 19 April 2018 at 2pm
in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman
Mr S Aquarone
Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle – Vice-Chairman
Mrs K Vincent

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 23 January 2018 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Mr A Jamieson declared an other interest in agenda item 5 (Norse Care) as he was a Director of Norse.
- 3.2 Mrs K Vincent declared an other interest in agenda item 5 (Norse Care) as she was Chairman of the Norse Shareholder Committee.
- 3.3 Mr S Morphew declared an other interest in agenda item 5 (Norse Care) as he was a Member of the Norse Shareholder Committee.

4 Items of Urgent Business

- 4.1 The Committee received a presentation (Attached at Appendix A) from Geoff Connell, Head of IMT about preparations for the General Data Protection Regulations (GDPR), including summarising the key changes. Members were advised that Norfolk County Council would be fully prepared for implementation on 25 May 2018 and that a proposal was being developed to offer face-to-face training for all Councillors. The Committee requested an update at its July 2018 meeting on how the Regulations had embedded in, including FAQs, and also asked that all Members receive training prior to the implementation date of 25 May 2018
- 4.1.1 Members asked whether consideration could be given to identifying a case-work system to help Members manage their workload effectively and ensure data was used in a safe way.
- 4.2 The Chairman asked the Executive Director of Finance and Commercial Services to reassure the Committee about the current financial position of

Norfolk County Council following recent press reports, comparing it with Northamptonshire County Council. The Executive Director reassured Members that Norfolk County Council's financial position remained sound.

5 Norse Care

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Managing Director NorseCare in response to the Committee's request at its January meeting, that a representative of Norse Care be asked to attend to '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'.
- 5.2 The Committee welcomed Karen Knight, Managing Director NorseCare to the meeting, who gave a verbal presentation about the work of NorseCare, including examples of positive success stories; sponsorship; Scope for further investment and income generation; quality standards and return on dividends, during which the following points were noted:

5.2.1 Positive Success Stories:

- Since all Norfolk County Council care homes had been externalised to NorseCare seven years ago, the company was now nationally recognised for its quality of care as well as for providing a good return for its shareholders.
- Care Quality Commission (CQC) Inspections had rated 94% of all NorseCare homes "good", compared to 74% of care homes in the private sector.
- Norse Care participated in the "Your Care" ratings system which had been established to give all residents living in a care home the opportunity to provide views and feedback on the services they received. Following "Your Care" feedback, Lloyd Court at Kelling had been rated in the top third of care homes in the country.
- Approximately 1200 people across the county received front-line services from NorseCare teams.
- Out of approximately 60 nominations, NorseCare had reached the final three in the EDP Care Awards.
- NorseCare was now nationally recognised as being a well-run care provider.

Sponsorship events

- NorseCare sponsored and took part in many community events, including fetes, dementia café's, brownie groups and church groups. NorseCare supported the charity Break and also offered small discretionary grants that various organisations could apply for.

Scope for further investment and income generation:

- Significant investment had been made in new build care homes, such as Eva Court at Gorleston and the Bowthorpe Care Village, with other properties being extended and refurbished to bring them up to an acceptable standard.
- Approval had just been received for a housing with care home and dementia care home in the west of the county. Other sites were being investigated to assess prospects for possible use as care homes.
- Any opportunities for investment companies who wished to invest in NorseCare on the back of the CQC ratings were being identified and assessed as appropriate.

- It was considered that Norfolk County Council was well placed to invest in NorseCare services as it owned land and property and had established a reputation for developing good facilities.

Quality Standards

- Excellent feedback about the services provided by NorseCare had been received, from both the Care Quality Commission and also “Your Care” which used feedback from residents and their families.
- NorseCare had a staff turnover rate of 15% compared to the national average of 25% and also had a low use of agency cover.
- NorseCare staff sickness absence rate was lower than the national average at 5%.

Principle of return on dividends

- Over the lifetime of the contract, £7m had been returned to the County Council to date, including the sum of £1.2m being returned to Adult Social Care last year.

- 5.3 In response to general questions from the Committee, the following points were noted:
- 5.3.1 The Managing Director of NorseCare agreed to let Members have details of the areas where there was a shortfall of places for nursing and healthcare. Across Norfolk, there was a demand for approximately 5000 care home places, excluding nursing and dementia places. As there was currently a shortfall of care places, it was felt that there was more than sufficient business in the care market for NorseCare to expand its share of the market.
- 5.3.2 One of the reasons NorseCare had a staff turnover rate of 15% compared to the national average of 25% was due to the fact that NorseCare paid its care staff more than the national minimum wage. NorseCare also used fewer agency staff than some other organisations, with the Managing Director of NorseCare reassuring the Committee that the quality of care given to residents would never be compromised. NorseCare provided an excellent training programme to ensure that staff were well-trained and kept up to date with changes in regulations.
- 5.3.3 In an effort to attract more care staff, NorseCare attended job fairs and offered work placements to some students working towards Health and Social Care qualifications at college. In addition, as NorseCare wished to ensure business continuity when members of staff left or retired, a talent programme to develop team leaders and deputy team leaders had recently been very successful, resulting in 11 members of staff being promoted out of the 47 who had attended the programme.
- 5.3.4 Once it had been renovated, Mountfield, a recent NorseCare acquisition, would become a dementia care home.
- 5.3.5 As Chairman of the Norse Shareholder Committee, Mrs Vincent reassured Members that the finances of NorseCare were regularly reviewed by the Norse Shareholder Committee.

5.4 The Chairman thanked the Managing Director of NorseCare for attending the meeting and giving Members an understanding of its work. The Committee endorsed the excellent work carried out by NorseCare.

5.5 The Committee **RESOLVED** to note the update from the Managing Director of NorseCare.

6 Liquid Logic/Social Care System Replacement Implementation

6.1 The Committee welcomed Janice Dane, Assistant Director Early Help and Prevention (Adult Social Services), Amy Lees (Social Care Systems Support Manager), John Baldwin (Head of Finance Exchequer Services), Andrew Pettitt (Senior Project Manager - Adults) and Miles Fox-Boudewijn (Senior Project Manager – Childrens) to the meeting who had attended to provide an update about how the project was progressing. The Committee heard that the Adults and Finance stage of the project went live on schedule on 22 November 2017 and that the Children's Services and Finance stage of the project was on target to go live on 2 May 2018. The Committee asked Officers to provide an update and presentation at its July 2018 meeting.

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

6.2.1 Three suitable software suppliers had been identified and had submitted a tender to bid for the project, with LiquidLogic winning the tender and being awarded the contract.

6.2.2 The Assistant Director Early Help and Prevention (Adult Social Services) would provide a written response explaining how much money was spent per annum on the software.

6.2.3 All care providers had been contacted and offered support to help them use the new software. The challenge had been in making providers aware of how important the system would be to them, with the main aim being for providers to self-serve the information, which for some providers was proving to be a technological challenge.

6.2.4 With regard to direct payments, the system did not allow care payments to be disseminated directly to clients and people in receipt of Adult Social Care Services. There were currently approximately 1800 individuals who were in receipt of Direct Payment cards.

6.2.5 The Chairman thanked the team for attending and for the work they had carried out on the programme. The Committee requested an update following the implementation of the programme at its meeting on 31 July 2018, together with a demonstration of the Liquid Logic programme.

6.3 The Committee **RESOLVED** to:

- **Note** the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and **requested** a further report at the July 2018 meeting of the Committee.

7 Norfolk Audit Services Half Yearly Report ended 31 March 2018.

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services.
- 7.2 During the presentation of the report, the Chief Internal Auditor drew attention to the amendments (attached at Appendix B) which were noted by the Committee.
- 7.3 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;
 - That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Line, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function.

8 Norfolk Audit Services Annual Internal Audit Report 2017-18

- 8.1 The Committee received the report by the Executive Director of Finance & Commercial Services demonstrating how Internal Audit had sought "To enhance and protect organisational value for the Council, by providing risk based and objective assurance, advice and insight", as defined in best practice.
- 8.2 In response to questions from the Committee, the following points were noted:
- 8.2.1 The Committee asked what recommendations to further strengthen some areas were made and if they had been implemented, as outlined on page 47 of the agenda. The Principal Client Manager agreed to provide a written response, together with a list of the areas that were recommended for strengthening as mentioned in paragraph 8.5 on page 55 of the agenda.
- 8.2.2 An explanation was given as to "qualified" and "unqualified" and other value for money audit opinions:
- Unqualified - was where the auditor was satisfied that they had sufficient evidence that, in all significant respects, the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year
 - Qualified except for - was where the auditor was satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year, in all significant respects, except for weakness(es) that were sufficiently significant to warrant reporting but were limited to specific issues or areas
 - An Adverse opinion - was where the auditor was not satisfied that the body made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year, as the weaknesses identified were significant in terms of their impact, or numerous in terms of the number of different aspects of proper arrangements affected.

8.2.3 Norfolk County Council no longer participated in the CIPFA Audit benchmarking club as the low participation rate meant there was no value in continuing with the membership.

8.3 The Committee **RESOLVED** to **note**:

- The overall opinion on the effectiveness of risk management and internal control for 2017-18 is 'acceptable' and therefore considered 'sound' (part 2 of the report).
- The internal audit function has enhanced and protected organisational value for the Council, by providing risk based and objective assurance, advice and insight; and fulfilled its Terms of Reference, Strategy through its delivery of the Committee's approved revised Internal Audit Plan for 2017-18, including traded schools audits and grant certifications and unplanned audits (part 4 of the report).
- Work is continuing to manage performance and the cost of audit assignments as part of the Council's new ways of working (part 6 of the report).
- The work of Norfolk Audit Services for the year (part 7 of the report) and the assurance provided, assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud.
- The Annual Governance Statement for 2017-18 will refer to this report and will be reported to this Committee in July 2018 for its approval.
- The Internal Audit Function continues to comply with the Accounts and Audit Regulations 2015 and recognised standards, including the United Kingdom Public sector Internal audit Standard (UKPSIAS) (part 8 of the report).

9 External Auditor's Audit Plan 2017-18

9.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Audit Plan 2017-18

9.2 The Committee welcomed Mr M Hodgson from Ernst & Young who attended the meeting to present the report and answer questions from the Committee. During the presentation of the report, the following points were noted:

9.2.1 Materiality of Norfolk County Council's accounts had now been set at 2% of the prior year's gross expenditure on provision of services, rising from £13.4m to £24m. This was good news for the Audit Committee who were reassured to note that the Auditors would continue to report adjustments over £1.4m. The Committee was reassured by the Executive Director of Finance and Commercial Services that he was happy with 2% as it showed confidence in Norfolk County Council's financial management and preparation of the accounts.

9.2.2 The Audit Fees as set out in the report were in line with the fee set by the Public Sector Audit Appointments (PSAA).

9.3 In response to a question about Minimum Revenue Provision, it was clarified that the last financial year had provided an opportunity for Norfolk County Council to review its Minimum Revenue Provision which had resulted in a changed model

and released a notional cost of £60m over two years. 2017/18 was the second year of releasing the money, so the Auditors had needed to check to ensure it had gone through the appropriate accounting checks. In response to a further question about releasing all the money at once, it was clarified that the Regulations did not allow all the money to be released in one year.

9.5 The Committee considered the report and **RESOLVED** to note:

- The External Auditor's Audit Plan for the Council for 2017-18 at Appendix A of the report, including their assessment of the Audit Risks and Value for Money Risks and the new reporting timetable at part 7 of the plan.
- The External Auditor's Audit Plan for the Norfolk Pension Fund for 2017-18, including their assessment of the Audit Risks, at Appendix B of the report.

10 Risk Management

10.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register as at April 2018, along with an update on the Risk Management Strategy 2018-20 and other related matters, following the latest review conducted during March 2018.

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

10.2.1 The background details which had resulted in the drop in the level of savings under risk RM014b (The savings to be made on Adult Social Services transport are not achieved) would be provided.

10.2.2 A written response would be provided about where business cases for changed priorities to address key shifts which needed to be made had been identified and who had made the appropriate decisions.

10.2.3 The Committee requested an update at its meeting on 31 July about risk RM024 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing within agreed budget and to agreed timescales (construction completed early 2023).

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

- Note the changes to the corporate risk register (Appendices A and B of the report), the progress with mitigating the risks;
- Note the scrutiny options for managing corporate risks (Appendix C of the report).
- Note the movement of corporate risks since the last meeting (Appendix D of the report).
- Receive an update on the Great Yarmouth 3rd River Crossing risk at its July 2018 meeting.

11 Risk Management Annual Report 2017-18

11.1 The Committee received the report by the Executive Director of Finance and Commercial Services.

11.2 The Committee **RESOLVED** to note:

- The overall opinion on the effectiveness of Risk Management for 2017-18 is 'acceptable' and therefore considered 'sound' (part 3 of the report).
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2017-18 will refer to this report and will be reported to Audit Committee in July 2018 for its approval.
- The Risk Management Policy has been refreshed, with a Risk Management Strategy currently being developed.

12 Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority).

12.1 The Committee received the report by the Executive Director of Finance & Commercial Services presenting it with the revised Internal Audit Terms of Reference and the Code of Ethics following a review, in accordance with CIPFA's and the IIA'S UK Public Sector Internal Audit Standards.

12.2 The Committee **RESOLVED** to:

- **Approve** the amended Internal Audit Terms of Reference as set out in Appendix A of the report, and the Code of Ethics as set out in Appendix B of the report.

13 Audit Committee Work Programme

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

13.2 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 at future meetings:

- Liquid Logic – update following the implementation on 30 June 2018.
- Update on the Great Yarmouth 3rd River Crossing risk at the 31 July 2018 meeting.
- Overview of the work of the Corporate Property Team and how the portfolio was being rationalised.

The meeting ended at 3.45pm

Chairman



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GDPR AND NCC'S COMPLIANCE – GO LIVE IN 6 WEEK'S TIME!

• What we have done in the last months:

- Breach: Procedures produced and pilot commenced (no high risk breaches as yet!)
- Consent and Privacy Notices (PNs): work commenced in producing PNs for high risk services in CS, ASS, CES and HR by 25/05/18
- Record of Processing Activity (ROPA): work commenced completing ROPAs for high risk services in CS, ASS, CES and HR by 25/05/18
- Contracts: where service providers are acting as data processors: work commenced to amend all high risk contracts by 25/05/18
- Data Privacy Impact Assessment (DPIA): Procedures written; intending to arrange training for staff undertaking DPIAs in May/June
- Subject Access Request (SAR): work commenced on revising procedures
- GDPR E-learning launched on 14 March

• What we are going to do over the next 6 weeks:

- Develop guidance materials and training for members.
- Comms for the public and staff - look out for snippets in the Friday Takeaway, Your Norfolk (Extra), Blogs, Norfolk Manager and the intranet
- Bringing policies and procedures in-line with the GDPR
- Continuing work on high risk services' PNs. (Other services' PNs will be completed after 25/05/18.)
- Producing guidance and training on PNs for high risk services
- Continuing work on completing the ROPA for high risk services' PNs. Other services' ROPAs will be completed after 25/05/18. A ROPA for those services we provide as data processors (e.g. traded services) will be produced after 25/05/18
- Data Sharing Agreements template review
- DPIA training for staff who complete such assessments
- Review of reporting systems to cover privacy by design and document how we protect systems
- Review of on-line consents for children

Corrections for Norfolk Audit Services Report for the Half Year ending 31 March 2018

Table 1: Final Audit Reports (2016-17 B/fwd* and 2017-18)

Report type	Q1	Q2	Q3	Q4	Corrections	Total
Final audit reports (non-schools)	6	2	9	5	9	31
Final audit reports (schools – compliance/themed Audits)	0	0	0	1	1	2
Management Letters	7	0	1	1	7	16
Total Audits for opinion work	13	2	10	7	17	49
Traded Schools (including traded audits and health checks)	8	3	5	4	-	20
Certified grant claims	7	5	1	4	-	17
Follow-up report	0	0	0	0	-	0
Pension Audits	3	0	3	2	-	8

*These figures include final reports issued in relation to finalisation of carried forward 2016-17 audits

Corrections for Norfolk Audit Services Annual Internal Audit Report 2017-18

Appendix 1 - Internal Audit Work Summary 2017-18 (2016-17)

	Approved Plan (revised plan September 2017)	Net Additions/ Cancelled/ Postponed During Quarter 3&4	Revised plan	Final Reports Issued	Percentage Final	Draft Reports Issued	Total Reports Issued (draft and final)	Percentage Delivery of the revised 2017-18 (and c/f 2016-17) <u>draft and final</u>
2017-18 Audits in Approved Plan – Non Schools traded	41	3	44	22+6	64% (33%)	6	34	77% (51%)
Audits c/f 2016-17 non schools traded	28	-5	23	11+10	91%	1	22	96%
Total Audits – Non Schools	69	-2	67	49	73% (53%)	7	56	84% (67%)
Traded audits - 80 days were included in the strategy	16 + 4 C/fwd	0	20	19	95% (91%)	0	19	95% (97%)
Total excl. Grants	89	-2	87	68	78% (65%)	7	75	81% (76%)
Grant Certifications	24	0	24	24	100% (94%)	0	24	100% (94%)
Overall Total	113	-2	111	92	83% (69%)	7	99	89% (79%)
Audits c/f from 2017-18 – non-schools (5 work in progress, 6 at draft report and 6 c/fwd)	17							15%