

Audit Committee
Minutes of the Meeting held on Thursday 28 January 2016 at
2pm in the Edwards Room, County Hall, Norwich.

Present:

Mr I Mackie (Chairman)
Mr J Childs (substitute for Mr D Ramsbotham)
Mr T Garrod (substitute for Mrs S Gurney)
Mr H Humphrey
Mr J Joyce
Mr N Shaw (substitute for Mr R Smith)

Also Present:

Mr D Roper
Mr Mark Hodgson (Executive Director, External Auditor – EY)
Mr David Riglar (Manager, External Auditor – EY).
Mr Simon George - Executive Director of Finance
Mr Mark Crannage – Information Management Service Manager
Mr Howard Jones – Corporate Accounting Manager
Mr Steve Rayner – Insurance Manager
Mr Adrian Thompson – Chief Internal Auditor
Mr Tim Shaw - Committee Clerk

(For ease of reference, items appear in these minutes in the order in which they appear on the agenda. This was not necessarily the order in which these items were considered at the meeting).

1 Apologies for Absence

Apologies for absence was received from Mr D. Ramsbotham (with Mr J Childs attending as his substitute), Mr R Smith (with Mr N Shaw attending as his substitute), Mrs S Gurney (with Mr T Garrod attending as her substitute) and from Mr B Bremner.

2 Minutes

The minutes of the meeting held on 24 September 2015 were agreed as a correct record and signed by the Chairman.

3 Declaration of Interests

There were no declarations of interest.

4 Item of Urgent Business: Data and Staff Leaving Norfolk County Council

4.1 The Chairman reminded Members that at its previous meeting the Committee had identified that the County Council's exit interviews and staff leaver processes were not entirely satisfactory, with staff who were either moving internally or leaving the organisation maintaining passwords, ICT and access to data. To address this situation the Chairman had asked that the Information Management Service Manager should attend today's meeting to provide Members with an update about the steps that were being taken to secure the Council's data systems, and the information contained within those systems, by ending the ICT systems access of those leaving the County Council. The Chairman agreed that the Committee should consider this matter as urgent business because maintaining the security of the data systems was an essential and integral part of the County Council's work.

4.2 The Information Management Service Manager explained the significant steps that had been taken by officers from across the County Council since the previous meeting to enhance the Joiner, Mover and Leaver (JML) arrangements and to give assurance that information, including that relating to vulnerable groups, was secure. He also described how the JML arrangements would be further enhanced as technological solutions continued to be developed. It was noted that a confidential briefing note about the new JML arrangements had been sent to the Chairman of the Committee in advance of today's meeting.

4.3 The following key points were noted during the discussion:

- As part of the Digital Norfolk Ambition programme, a collaborative project mainly of ICT, Information Management, and HR staff had been initiated to support the automatic set up of new starters within the County Council with basic systems access, and to allow system access to be automatically ended as an employee's contract terminated. As the new process, which had started to go live from October 2015, became more automated it would remove the risk that the employee's manager failed to raise a CAR form at the appropriate time that then had to be processed within ICT.
- The new process continued to rely on managers taking action in that they were required to notify HR that their team member was leaving but this was much simpler than raising a separate CAR form.
- The costs of the procurement and implementation of the new system were contained within the DNA programme.
- While a useful start had been made during the first phase of the new system, and this had delivered key benefits, the full benefits of the new system would be derived in the next 18 months, as more applications and the facility to control systems access and staff who moved within the County Council, were brought within scope.

4.4 **RESOLVED:**

That the Audit Committee be provided with an opportunity to consider an action plan and an update about the work that remained to be done on this collaborative project (with input from the various contributors) at a future meeting.

5 External Auditor's Annual Audit Letter 2014-15 and Audit Committee Briefing

5.1 The Committee received a report by the Executive Director of Finance that introduced the External Auditor's Annual Audit Letter 2014-15 that was enclosed as Appendix A to the report.

5.2 Representatives of the External Auditor, Ernst and Young LLP (EY), were in attendance to answer Members' questions.

5.3 The following key points were noted during the discussion:

- There were no adverse matters in the External Auditor's Annual Audit letter to report to the Audit Committee.
- The Pensions Committee would receive a separate letter for their approval.
- A key change in the Accounts and Audit regulations was that from the 2017/18 financial year the timetable for the preparation and approval of the accounts would be brought forward; this key change would provide more challenges for both those preparing and those auditing the accounts.
- Members said that robust governance and accounting arrangements for the Better Care Fund that took account of partnership working with the NHS would be a major task for Norfolk Audit Services going forward.

5.4 RESOLVED:

That the Audit Committee:

- Note the External Auditor's Audit Letter 2014-15 that was attached as Appendix A to the report;
- Note the Briefing Notes to the Committee that were attached as Appendices B and C to the report.

6 Norfolk County Council's Insurance Cover

6.1 The Committee received a report by the Executive Director of Finance that aimed to provide Members with the information and assurances that they had requested about the levels of insurance cover that were in place for Norfolk County Council. The report explained how claims against the County Council were managed by the Insurance Team in the Finance Department, which was overseen by the Policy and Resources Committee.

6.2 The following key points were noted during the discussion:

- Currently that are seven claims in excess of the £250,000 level of deductible self-insurance where the insurer is responsible for the balance.
- The County Council carried a "stop loss" provision that placed a maximum value or limit per year on the aggregated insurance claims against the Council.
- The position taken by the County Council on insurance cover was similar to that taken by other Local authorities of a similar size.

- Members' asked for an analysis at their next meeting of the Council's properties that were at risk of flooding, and for information to explain the costs to the County Council of providing a number of different insurance policies, some of which were a legal requirement and others that were of necessity.

6.3 **RESOLVED:**

That the Audit Committee:

- Approve the report;
- Agree that adequate insurance provision exists across the Council and note that, where appropriate, this was confirmed by external and internal audit reviews.

7 **Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2015**

7.1 The Committee received a report by the Executive Director Finance that monitored (for the period that ended 30 September 2015) the adequacy and effectiveness of the systems of risk management, internal control and internal audit in the County Council, as set out in the Committee's terms of reference, its agreed strategy and the relevant regulations.

7.2 The following key points were noted during the discussion:

- There were no preliminary assessments or investigations currently in progress.
- With reference to the table at paragraph 2.7 of the report it was pointed out that none of the remaining sixteen high priorities were rated as having a red or amber risk rating.
- With reference to paragraph 3.3 of the report it was pointed out that 30 % of audits had kept to their original budget. This position was being kept under continual review.
- The Committee noted that there continued to be an increase in the take up of the traded schools audits. A letter had been sent to the Academies to explain the considerable expertise that was available to schools from Norfolk Audit Services.
- The Committee also noted the work undertaken by Norfolk Audit Services in preparation for becoming the Audit Authority for the France Channel England Interreg Programme. This matter was reported to the Committee as a separate report on the agenda.

7.3 **RESOLVED:**

That the Audit Committee note:

- That the overall opinion on the effectiveness of risk management and internal audit control in the County Council was 'Acceptable' and therefore considered 'Sound';

- That satisfactory progress was being made with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

8 Risk Management Report

8.1 The Committee received a report by the Executive Director of Finance that set out the Corporate Risk Register at January 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during December 2015 and January 2016.

8.2 The following key points were noted during the discussion:

- It was noted that Children's Services had put in place satisfactory arrangements for the completion of the Caldicott audit recommendations. Norfolk Audit Services was working with Don Evans, Assistant Director (Performance and Challenge) in Children's Services, on the implementation of these recommendations and they were keeping the Children's Services Committee informed of developments.
- Steps were also continuing to be taken to address rising transport costs (particularly for adults and children with special needs) within a mixed economy of transport providers, the rising numbers of children who were being excluded from school and the ageing Norfolk population.

8.3 RESOLVED:

That the Audit Committee note:

- A Risk Management Strategy 2016-19 was being prepared;
- The changes to the Corporate Risk Register (that were set out in Appendix A (i) and (ii), and Appendix B of the report).

9 Audit Committee Chairman's Report

9.1 The Committee received a report by the Chairman that summarised the work of the Audit Committee between 1st April 2015 and 31st December 2015, confirmed that its function was consistent with best practice and demonstrated the impact of its work and how this added value. The Committee's work was reported to Full Council.

9.2 The Chairman said that he was continuing to take up with officers the recommendation of the Committee that fraud awareness online training was mandated for all staff.

9.3 RESOLVED:

- That the Audit Committee consider the arrangements for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, that were set out in the Committee's terms of reference (that formed part of the Council's Constitution) to be satisfactory.

- That the Audit Committee note:
 1. It was independent of the executive function, reported directly to full Council and had terms of reference that were consistent with CIPFA's guidance and best practice;
 2. It provided effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public;
 3. It could demonstrate the impact and value of its work; and was monitoring the Secretary of State's plans for the Future of Local Public Audit.

10 Anti-Fraud and Corruption Update

10.1 The Committee received a report by the Practice Director Norfolk Public Law (NPLaw) that provided an update on the Council's Anti-Fraud and Corruption activity for the period from April 2015 to December 2015.

10.2 RESOLVED:

That the Audit Committee note:

- The Anti-Fraud and Corruption Strategy 2014 remained fit for purpose and would be fully reviewed in 2016 to incorporate the latest best practice;
- The Anti-Fraud and Corruption Plan at Appendix A to the report;
- There was adequate progress to date.

11 Internal Audit Strategy, Approach, Strategic Plan 2016-2019 and Internal Audit Plan for 2016-17

11.1 The Committee received a report by the Executive Director of Finance that explained the effectiveness of the system of internal audit relating to Internal Audit's strategy and Annual Plan for 2016-17 and that these arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

11.3 RESOLVED:

That the Audit Committee note:

- That internal audit's strategy and plan contributed to an effective system of internal audit and that these arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice;
- That the strategy and plan were the Internal Audit Strategy 2015-18 (Appendix A to the report), the Approach 2016-17 (Appendix B to the report), the Three Year Strategic Audit Planned Days to support the Audit Opinion (Appendix C to the report), the Summary Internal Audit Plan 2016-17 for work supporting the Internal Audit Strategy (Appendix D to the report) and the Detailed Internal Audit Plan for 2016- 17 (Appendix E to the report).

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 a report by the Executive Director of Finance that presented 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 following key points were noted during the discussion:

- Norfolk Audit Services had been designated the Independent Audit body for the Interreg VA France Channel England Programme.
- The role that Norfolk Audit Services had been designated was determined by European Union Regulations.
- An update on this work would be provided at future meetings.

12.3 RESOLVED:

That the Audit Committee:

- Note the significant additional function that would be delivered by the team (EU Audit Authority) for the next 10 years and the associated changes to the terms of reference (set out in Appendix A – Part 2 to the report, subject to approval from DCLG);
- Agree the amended Terms of Reference as set out in Appendix A, and the Code of Ethics as set out in Appendix B to the report.

13 Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17

13.1 The Committee received a report by the Executive Director of Finance that proposed a revision to the Council's "Minimum Revenue Provision" policy that would be taken into account when preparing the final report for Policy and Resources Committee and the County Council.

13.2 The Committee also received a presentation from the Executive Director of Finance about the reasons for and the impact of the proposed change to the MRP policy. This can be found on the Committee pages website.

13.3 The following key points were noted during the discussion:

- The recommendation from the Executive Director of Finance for the way in which the MRP was calculated and the likely implications for the County Council were shown in the draft report to Policy and Resources that was enclosed as an appendix to this report.
- The proposed policy changes would result in all Council debt paid in line with current maturities and would not result in more long term borrowing
- The proposed changes would release £9.2m to fund services in the 2016-17 budget.
- The effect of increasing cash balances and low interest rates meant that the Executive Director of Finance could see no reason for an increase in Council's borrowing in the foreseeable future.

13.4 **RESOLVED:**

That the Audit Committee approve the Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17 Policy that would be presented through Policy and Resources Committee (as set out in the draft report to Policy and Resources Committee) for decision at County Council.

14 **Highways Network Asset – impact on 2016-17 Accounts**

14.1 The Committee received a report by the Executive Director of Finance that explained a change in the Code of Accounting Practice for 2016-17 that would result in a material change to the Council's policy for accounting for its Highways Network Asset from April 2016.

14.2 The following key point was noted during the discussion:

- Members and officers expressed some concern at the material change to the Council's Financial Statements that would be brought about by the requirements to account for Highway Network Assets under Depreciated Replacement Costs instead of the existing Depreciated Historic Cost that will be effective from 1 April 2016. This change in accounting policy will require significant changes to existing asset management systems and valuation procedures. This will require close working with highways and other relevant departments and result in significant additional costs to the County Council for very few (if any) improvements in accounting practice.

14.3 **RESOLVED:**

That the Audit Committee note:

- The impact that the change in accounting treatment of the Highways Network Asset would have on the 2016-17 Statement of Accounts;
- Current progress was satisfactory.

15 **Audit Committee Work Programme**

15.1 The Committee received and noted a report by the Executive Director of Finance that set out a work programme for the Committee for the period up to September 2016. In doing so, the Committee asked for a report about the Northern Distributor Route project risks in 6 months.

The meeting ended at 16.05 pm

CHAIRMAN



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