

**Audit Committee**  
**Minutes of the Meeting held on 26 September 2013 at 10.30pm**  
**in the Colman Room, County Hall, Norwich**

**Present:**

Mr B Bremner  
Mr A Gunson  
Mr B Long  
Mr I Mackie (Chairman)  
Mr M Smith  
Mr R Smith

**Also Present:**

Mr R Bearman

**Officers Present:**

Mr S Andreassen	Strategic Risk Manager
Mr P Brittain	Head of Finance
Mr H Bullen	Head of Budgeting and Financial Management
Mr G Cossey	Investment Manager
Mr P King	Ernst & Young (External Auditor)
Mr R Murray	Ernst & Young (External Auditor)
Mrs N Mark	Head of Norfolk Pension Fund
Mr S Rayner	Strategic Risk Manager
Mr A Thompson	Chief Internal Auditor
Miss S Blythe	Committee Officer

**1 Apologies for Absence**

- 1.1 An apology for absence was received from Mr J Dobson (Mr Long substituting) and Mr J Joyce.

**2 Minutes**

- 2.1 The minutes of the meeting held on 24 June 2013 were agreed as a correct record and signed by the Chairman, subject to the following amendment:-

9.3 Second bullet point should read:- "Ernst and Young had been appointed as auditors for the Pension Fund".

**3 Declarations of Interest**

No declarations were made.

**4 Matters of Urgent Business**

- 4.1 The Chairman welcomed the external auditors from Ernst and Young and officers from Norfolk Pension Fund to the meeting.
- 4.2 The Chairman acknowledged that it was the last meeting of the Head of Finance and thanked him for the support he had offered all Members during his time with the County Council.
- 4.3 The Chairman noted that a report into the remuneration package of the former Chief Executive when he had left the County Council had been published. This had covered all points which the Audit Committee had planned to investigate. Members confirmed that they were happy with the published report.

## **5 Norfolk Audit Services Quarterly Report for the quarter ended 30 June 2013**

- 5.1 The Committee received the report by the Head of Finance which summarised the results of recent work by Norfolk Audit Services (NAS) and gave assurances that, where improvements were required, remedial action had been taken by Chief Officers.
- 5.2 The following points were noted in response to questions from the Committee:-
- It remained the view that the arrangements for the County Council's systems of internal audit were both sufficient and best value. An external review of the arrangements would be completed at the appropriate time.
  - In June 2013 Cabinet had approved the proposal for the County Council to submit a bid for the France Channel Interreg Programme as Managing Authority, which had been successful. As part of the Managing Authority an Audit Authority would be set up which would be run in-house. This could report to the Audit Committee to keep Members apprised, but the Committee was not responsible for it. NAS was looking to recruit a bi-lingual auditor who would be funded by the programme. Members requested that they receive a regular brief summary of the Audit Authority's work in order to oversee it. All costs would be recovered from the programme.
  - Opportunities to generate income such as moving into shared Internal Audit services were currently being investigated.
  - The Chief Internal Auditor confirmed that he had attended a recent meeting of the Schools Forum. They had approved the changes to audit delivery within schools.

### **5.3 RESOLVED** to note:

- That the effectiveness of risk management and internal control be considered sound.
- The effectiveness of the management processes and corporate control functions being provided by self assessment, customer feedback and any existing external performance reviews, including periodic independent assurance on the application of the relevant internal audit standards, thus developing the approach agreed in April 2007 and January 2009.

- Internal Audit's policy to include unannounced 'spot' checking in the audit planning process and its promotion to all staff and managers across the Council as agreed by Chief Officers
- That satisfactory progress had been made with the preparations for an Audit Authority for the France Channel England Interreg Operational Programme
  - the changes to the approved 2013-14 internal audit plan, described in
- Appendix D of the report.

**RESOLVED** that the schools audit offering described in paragraph 4.5 of the report be approved.

## **6 Work Programme**

- 6.1 The Committee received a report by the Head of Finance setting out the work programme for the Audit Committee until June 2013.
- 6.2 Members noted that they would monitor the frequency of meetings and consider whether the Committee should meet on a bi-monthly basis in future.

**RESOLVED** to note the report.

## **7 Norfolk Pension Fund Governance Arrangements and Management of Market Fluctuations**

- 7.1 The Head of the Norfolk Pension Fund and the Investment Manager were welcomed to the meeting in order to answer questions about the governance arrangements and market fluctuations of the pension fund.
- 7.2 The following points were noted in response to questions from the Committee:-
- Market fluctuations were a matter for the Pensions Committee, which is representative of all main political parties within the County Council. Due to the long-term nature of its liabilities, the Pension Fund takes a long-term view of its investments rather than short term tactical asset allocations.

The Norfolk Pension Fund is a self-governed body, separate from the County Council. Separate opinions were provided by the External Auditors on the statement of accounts for the County Council and for the Norfolk Pension Fund. The Pensions Committee receives and considers the draft statement of accounts for the Norfolk Pension Fund and makes recommendation to the Audit Committee that they be approved/not approved.

- In signing off the annual statement of account the Audit Committee was also signing off the Norfolk Pension Fund accounts.
- Ultimately the Pensions Committee had responsibility for the Norfolk Pension Fund and it was that Committee's duty to take professional advice.

- 120 days per year were allocated by NAS to carry out internal auditing of the Norfolk Pension Fund. The Chief Internal Auditor gave updates to the Pensions Committee and believed that adequate arrangements were in place.
- The figures being signed off were a snapshot taken at the 31<sup>st</sup> March. The Norfolk Pension Fund was actually valued on a tri-annual basis, which considered assets and liabilities. This was signed off by the Fund Actuary in consultation with trustees and confirms that in the long term enough money was available to pay pensions. Currently the Norfolk Pension Fund was considered to be a well funded pension fund.
- Members requested that summaries of any internal and external audit reports be presented to them in order to provide extra assurances and to ensure that they had access to full facts.

7.3 **RESOLVED** to note the report.

## **8 Governance, Control and Risk Management of Treasury Management**

8.1 The Committee received a report by the Head of Finance which reported on the County Council's treasury management operations.

8.2 The Investment Manager advised that this was an annual report which looked at the governance of the treasury management function. Regular monitoring reports were presented to the Treasury Management Panel, Cabinet and full Council throughout the year.

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

- Key controls of the treasury management function were checked annually, with an audit being carried out every three years.
- The County Council has followed good practice and set up a dormant bank account with another banking provider, unrelated to the Council's incumbent bank, for business continuity purposes.

8.4 **RESOLVED** to note the report.

## **9 Ernst and Young – Annual Governance Report Audit 2012/13**

9.1 The Committee received the Annual Governance Report Audit for 2012/13

9.2 The external auditor advised that he expected to issue an unqualified audit opinion by the statutory deadline of 30 September 2013. One small amendment had been made to the whole of government accounts which meant that they could not close the audit until 4 October, instead of 30 September. This was an administration issue; the accounts would not be late, they would just be confirmed later than usual.

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

- Enhanced work had been carried out in relation to the auditing of Norse in the past year due to its growth. The work had been carried out by Grant

Thornton who had reported back to the external auditor, Ernst and Young. Historically Norse worked to a different year-end than the County Council. This did not affect the audit completion but did cause a slight risk around disclosure and the work that needed to be done around consolidation. The Chairman agreed to write to the Managing Director of Norse to enquire whether the dates could be reconciled.

- There had been a small number of insignificant errors in the accounts which had since been amended. No areas of weakness within the internal controls had been identified.
- Additional charges of £21,800 had been made by Ernst and Young for instructing and liaising with group auditors, and for responding to issues raised by electors in relation to the Waste PFI credits. Ernst and Young did not often have cause to enter into communication with the public so this was not included in the general fees, but it was important that the public could raise their views and concerns in this way.

9.4 **RESOLVED** that the report be noted and that the Chairman should write to the Managing Director of Norse regarding the year-end date.

## **10 Norfolk County Council Annual Statement of Accounts 2012/13**

10.1 The Committee received the Annual Statement of Accounts and Annual Governance Statement 2012.13 which summarised the statement of accounts for the County Council, which had been subject to external audit by Ernst and Young.

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

- The County Councils net assets had reduced due to a large increase in personal liabilities. In addition the Norse pension liability had also increased. The County Council was backed by taxation so, if the assets did go into negative figures, it would always have a means to pay with.
- Appropriate procedures were in place to ensure that the County Council remained financially viable.

10.3 **RESOLVED** that:-

- The report be noted.
- The annual governance statement be approved.
- The Council's 2012/13 Statement of Accounts be approved.

## **11 Letter of Representation**

11.1 The Committee received the report which detailed the letters of representation in connection with the audit of financial statements 2012/13. This was required in order to confirm that all relevant matters had been disclosed to the external auditors for their opinion.

11.2 **RESOLVED** that the letter be endorsed and signed by the Chairman.

## **12 Risk Management Report – 2<sup>nd</sup> Quarter 2013/14**

12.1 The Committee received the report which provided an update on the corporate risk register and other related matters, following a quarterly review. The update included details of 19 risks which were proposed for inclusion within the corporate risk register.

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

- Risk MN14028 “Failure to comply with landfill allowance for 2012/13” had been completed and removed.
- Risk RM14116 “Failure to fully implement the improved standards contained within A Good School for Every Norfolk Learner” had been added.
- Consideration would be given to adding risks around the county hall building works to the register.
- The risk register was taken to the Chief Officer Group on a quarterly basis. Risks could be added and removed by the Chief Officers.
- Based on current CIPFA joint benchmarking, the County Council had delivered good results.
- Members raised concerns around RM14097 – “Shortage of Personnel through illness, sustained industrial action etc including loss of key senior personnel” due to the high level of interim staff currently within the organisation, which could lead to risks around continuity of service.
- The Icelandic banks were on the register due to an outstanding £10m still to be received.
- Some Overview and Scrutiny Panels tended to consider the corporate risks on departmental risk registers at their meetings as opposed to the departmental risks. The Chairman agreed to write to the Chairs of all Overview and Scrutiny meetings to suggest that both the corporate risks and departmental risks were looked at in detail in order to ensure that regular challenges were being made.

12.3 **RESOLVED:-**

- To note the changes to the risk register.
- To note the nineteen corporate risks.
- To note that the arrangements for risk management were acceptable and complied with the County Councils “Management of Risk Framework”
- That risk management training throughout the County Council be

endorsed.

**RESOLVED** that a letter would be sent by the Chairman to the Chairmen of Overview and Scrutiny panels regarding the use of the corporate risk register at meetings.

### **13 Internal Audit Plan 2013-14 for Quarter 4**

13.1 The Committee received the report which documented the proposed internal audit plan for quarter four 2013-14.

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

- The report noted several staff vacancies. One had successfully since been filled on a temporary basis. Currently NAS had sufficient resources to manage all work. Extra staff had been brought in on temporary contracts for special projects.
- A £102k reduction in the base budget had been achieved over a three year period by working differently and by reorganising the NAS team.

13.3 **RESOLVED** to:-

- Note that there had been a reduction in the overall plan from 1,840 audit days (plus £25,000 contractor allowance) in the total strategy, down to 1,543. As a result of some changes in planned audits for Quarter 3 and 4, there were 575 overall audit days proposed for quarter 4 (up from 554 in the previous plan)
- Note that the proposed audit plan met the legislative requirements of the Accounts and Audit (England) Regulations (2011)
- Note that the allocation of days set out in Appendix A met the various elements of the strategy approved by the Audit Committee on 31<sup>st</sup> January 2013
- Note that it did not wish to amend the schedule of audits, for 419 days, set out in Appendix B1 of the report to deliver the audit work to support the opinion
- Note that the internal audit plan for Quarter 4 of 2013-14 made adequate provision for the risks arising from organisational change, the economic downturn and that resources were sufficient to accomplish the plan.

### **14 Audit Committee Terms of Reference**

14.1 The Committee received the report which proposed changes to the Audit Committee's responsibilities in relation to the Norfolk Pension Fund and changes to the terms of reference.

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

- Mention of the Norfolk Pension Fund had been struck through in section G

as it was also mentioned in part E.

- Members of the Committee were unclear of their authority to call items in to the Cabinet Scrutiny Committee. The terms of reference should clarify this.

**RESOLVED** that the changes to the terms of reference be commended to full Council for agreement.

The meeting ended at 12.40pm

#### **CHAIRMAN**



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