

Audit Committee
Minutes of the Meeting held on Thursday 31 January 2019 at
2pm in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman

Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle
Mrs K Vincent

1 Apologies for Absence

- 1.1 An apology for absence was received from Mr S Aquarone.

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 27 September 2018 were agreed as an accurate record by the Committee and signed by the Chairman.

3 Declaration of Interests

Mr H Thirtle declared an other interest in agenda item 7 (Counter Fraud, Bribery and Corruption (and Whistleblowing) Audit Committee Progress Report) as he was a Member of the nplaw Board.

Mrs K Vincent declared an interest as she was a Member of the Norfolk Pension Fund and an other interest as she was a Norfolk County Council representative on the Norse Shareholder Board.

Mr S Morphew, declared an other interest as his wife as a Member of the Norfolk Pension Fund and he was a Norfolk County Council Member on the Norse Shareholder Committee.

Mr I Mackie declared an other interest in agenda item 7 (Counter Fraud, Bribery and Corruption (and Whistleblowing) Audit Committee Progress Report) as he worked in the Cabinet Office.

4 Items of Urgent Business

- 4.1 There were no items of urgent business.

The Committee agreed to consider agenda item 12 (Norfolk County Council's Insurance Cover) as its next item of business.

5 Norfolk County Council's Insurance Cover

- 5.1 The Committee received the report by the Executive Director Finance & Commercial Services providing it with information relating to the current position of the insurance provision for Norfolk County Council. The report also provided assurance to the Committee as to how the insurance provision was delivered for the County Council and how claims against the Council were managed by the Insurance Team.
- 5.2 In response to a question about whether Norfolk County Council policies covered people employed by wholly owned companies, eg Repton Homes, and whether this money was recharged back, the Insurance Manager confirmed that if the land was owned by Norfolk County Council cover would be included. Norfolk County Council held a professional indemnity policy to cover incidents such as faulty buildings, although this would only apply when they had been involved in the design.
- 5.3 The Insurance Manager reassured the Committee that the Insurance Team was responsible for carrying out investigations and making decisions on all claims below the policy excess level of £260,000 and that the majority of the claims were not upheld.
- 5.4 The Committee considered the report and **RESOLVED** to **agree**:
- that proper insurance provision existed where appropriate, as confirmed by external and internal reviews and to accept the report.

6 Norfolk Audit Services Performance Reporting for the quarter ending 31 December 2018.

- 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 new priorities through the activity set out in the Policy & Resources Committee Service Plan.
- 6.2 In response to questions from the Committee, the following points were noted:
- 6.2.1 Positive feedback had been received from those schools that had taken part in the traded schools audits. The Principal Client Manager advised that Educator Solutions identified schools which showed signs of potential problems and advised those schools to contact the Audit Team to arrange an audit. A reminder to all those schools overdue for an audit had been issued in September 2018 and this had resulted in several schools booking a health check or full audit. The audit team would review the audits over the next year and ascertain the value of offering the service.
- 6.2.2 The over-subscribed figures quoted in the report reflected a positive outcome.
- 6.3 The Committee considered the report and **RESOLVED** to **agree**:
- the overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.

- Satisfactory progress with the traded school's audits and the operation of the Audit Authority for the France Channel England Interreg Programme.
- The Plans to strengthen corporate development themes.

7 External Auditors Plan of Work

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Audit Plan for the year ending 31 March 2019.
- 7.2 The Committee welcomed Mr M Hodgson and Mr D Riglar from External Auditors Ernst & Young, who attended the meeting to present the report and answer questions from the Committee.
- 7.3 In introducing the report, Mr Riglar advised the Committee about a printing error in the published Audit Plans. A correct copy of the documents can be found [here](#).
- 7.4 In response to a question about the reliance on financial implications for the Norse Group and if there was a significant cost for checking Norse Group accounts, the Executive Director EY advised that this was subject to a separate fee as the audits were carried out by PWC. EY would write to PWC requesting them to undertake testing, the results of which would be reported to the finance team and that this was consistent with other similar organisations.
- 7.5 The Committee considered the report and **RESOLVED** to **agree**:
- The External Auditor's Audit Plan for the Council for 2018-19 and the Norfolk Pension Fund Audit Plan, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable.
 - That the scale fee had reduced to £98,361 (from £127,742 for 2017-18).

8 Counter Fraud, Bribery and Corruption (and Whistleblowing) Audit Committee Progress Report.

- 8.1 The Committee received the report by the Chief Legal Officer providing an update in respect of the counter fraud activity undertaken by Norfolk Audit Services during the current financial year.
- 8.2 Since the report had been published, the Investigative Auditor advised that a Norfolk Counter-Fraud Hub had now been agreed between the Norfolk Local Authorities and that the contract had been signed. The hub would be looking at data matches to identify areas of possible fraud.
- 8.3 The Investigative Auditor confirmed that all information shared was compliant with the General Data Protection Regulations (GDPR) and a data sharing agreement was in place.
- 8.4 The Committee welcomed the roll-out of the fraud e-learning course as well as the establishment of a working group to ensure conflicts of interest and gifts and hospitality were robustly managed throughout the Council.

8.5 The Local Government Ethical Standards Report from the Committee on Standards and Public Life would be presented to the next Working Group meeting for discussion as to how the recommendations could be adopted by the County Council.

8.6 The Committee considered the report and **RESOLVED** to **agree**:

The content of the Anti-Fraud, Bribery and Corruption and Whistleblowing Audit Committee Progress Report, the key messages, that the progress was satisfactory and arrangements were effective.

9 Audit Committee Terms of Reference

9.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the Committee's Terms of Reference which were considered as part of a regular formal review as set out in its terms of reference.

9.2 In response to a question about the arrangements for the Audit Committee under the new Governance arrangements which would come into effect in May 2019, in order that the good work of the Audit Committee would not be lost, the Chief Internal Auditor agreed to ascertain the latest position with the Deputy Monitoring Officer.

The Committee requested an update at its next meeting about how the Audit Committee would fit into the new system of governance.

9.3 Mr A Jamieson would email the Chief Internal Auditor for clarification about how the Audit Committee Terms of Reference protected and enhanced the value of the assets owned by Norfolk County Council.

9.4 The Committee considered the report and **RESOLVED** to **agree**:

- The proposed Terms of Reference; and
- That the Chief Legal Officer would make the necessary consequential changes as outlined in Appendix A of the report.
- To bring a report about how the Audit Committee would fit into the new system of governance to the next meeting.

10 Internal Audit Strategy, Our Approach and the Audit Plan 2019-20

10.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work was planned to support the County Council's vision and strategy.

10.2 The Principal Client Manager confirmed that the Internal Audit Team would work closely with departmental management teams to consider priorities etc. to ensure audits added value.

10.3 Members requested some further information on the risks and to ensure value for money, from an audit perspective, around the proposed High Needs Block in the capital programme. The Chief Internal Auditor advised that an audit had

been planned to look at the funds Policy & Resources Committee had committed to the project, as well as the risks surrounding the project.

10.4 The Committee agreed to add the following topics to the Audit Committee forward work programme:

- High Needs Block – risks and ensuring value for money.
- Market failure in the housing with care sector and what was being done to address the risks.

10.5 The Committee considered the report and **RESOLVED** to **agree**:

- The Internal Audit Strategy, the approach to developing the Audit Plan for 2019-20 and the Audit Plan for 2019-20, supported by the 'Days Available to Deliver NAS Services 2019-20 and the 'Detailed Audit Plan for the first half of the year for 2019-20' and that this work would deliver the assurances required.
- That the arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Chief Internal Auditor and any other relevant statements of best practice.

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

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

11.2 In response to a question about what could happen to the grant funding for the Interreg VA France Channel England Programme Audit Authority in the event of a no-deal Brexit, the Executive Director of Finance and Commercial Services advised that a meeting was being arranged between himself, the Chief Internal Auditor and the Interim Head - Economic Development to consider the advice received from the Government and also if there were any decisions or liabilities required to ensure Norfolk County Council's interests were protected.

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

- **Agree** the amended Internal Audit Terms of Reference and the Code of Ethics.

12 Risk Management Report

12.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with the corporate risk register as it stood in January 2019, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during December 2018.

12.2 The following points were noted during the discussion:

12.2.1 **Risk RM010** (The risk of the loss of key ICT systems including internet connection, telephony, communications with cloud-provided services or the windows and solaris hosting platforms).

The Committee noted that a business continuity exercise would be held over the weekend of 2/3 February 2019 to test that the recovery arrangements at the Millennium Library, in the event of a major power outage at County Hall, were effective.

12.2.2 **RM021** (Failure of estate management) –

The replacement IT system had now been procured and was awaiting installation.

12.2.3 **RM023** (Failure to respond to changes to demography, funding and government policy, with particular regard to Adults Services) – mitigation against market failure.

The Risk Manager would ascertain if there was anything in the Adult Social Care departmental risk that could be dealt with at a corporate level and feed this back to the next Audit Committee meeting.

12.2.4 **RM002** (The potential risk of failure to manage significant reductions in local and national income streams).

The Executive Director of Finance and Commercial Services agreed to review the level of risk and adjust if it was considered necessary.

12.2.5 With regard to the RSG (Revenue Support Grant), the Executive Director of Finance and Commercial Services advised that it was unlikely the level of funding would be known before summer 2019.

12.2.6 **RM006** – (The potential risk of failure to deliver our services within the resources available over the next 3 years commencing 2018/19 to the end of 2020/21).

The Executive Director of Finance & Commercial Services advised that an overspend was forecast for Children's Services Department this year. The Committee **agreed** to request a representative from Children's Services Committee attend its meeting on 18 April 2019 to provide information about the High Needs Block as well as how the £2m from the Transformation Programme Fund was being spent.

The Committee also noted that some discussions were being held between the Assistant Director, Children's Services (Education) and the Chief Internal Auditor to potentially include the High Needs Block on the Corporate Risk Register.

12.2.7 The Committee agreed that they would like to review all the departmental risk registers at a future meeting.

12.3 The Committee **RESOLVED** to **agree**:

- a) The changes to the corporate risk register, the progress with mitigating the risks;
- b) The scrutiny options for managing corporate risks;

- c) The heat map of corporate risks.
- d) The draft summary of the Benchmarking Club 2018 results.
- e) The background information to the report.

13 Work Programme

13.1 The Committee received and **noted** the report by the Executive Director of Finance and Commercial Services setting out the Committee's work programme and added the following topics:

- Representative from Children's Services to attend to update the Committee on the risks around the High Needs Block as well as how the £2m from the Transformation Programme Fund was being spent.
- Market failure in the housing with care sector and what was being done to address the risks.
- Update on how the Audit Committee would fit into the new system of governance.

The meeting ended at 3.15 pm

Chairman



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