

Audit & Governance Committee
Minutes of the Meeting held in Council Chamber, County Hall
on Thursday 15 February 2024 at 2pm.

Present:

Cllr Ian Mackie – Chairman
Cllr Robert Savage - Vice-Chairman
Cllr Karen Vincent
Cllr Mark Kiddle-Morris
Cllr Tony White

Christine MacDonald (independent person)
Tracy Colman (independent person)

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Terry Jermy.

2 Minutes

- 2.1 The minutes from the Audit & Governance Committee meeting held on 10 October 2023 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Cllr Robert Savage declared an “Other Interest” as he was a Member of the Norfolk Pension Fund scheme.
- 3.2 Cllr Karen Vincent declared an “Other Interest” as she was a Member of the Norfolk Pension Fund scheme and she was the newly elected Chair of the Norfolk County Council owned companies Governance Panel.

4 Items of Urgent Business

- 4.1 The Chairman highlighted that they had received correspondence from Department for Levelling Up, Housing and Communities regarding the consultation of measures to solve the back log of audits that existed. The Assistant Director of Finance (Audit) read aloud the following statement;
“Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

A consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). The deadline is 7 March 2024.

System partners have published a joint statement explaining the package of measures and how the various elements are intended to interact.

A wider package of measures consists of 3 stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The National Audit Office (NAO) is also consulting, in parallel to this consultation.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors, which we welcome.

The government has published a draft statutory instrument alongside the consultation.

Core elements of the proposed amendments to the 2015 Regulations are:

Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Under these proposals:

- the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form
- the published, audited accounts must also be approved in accordance with the regulation and therefore the approval must be given before the backstop date."

5 Norfolk Audit Services' Terms of References (Charter) and Code of Ethics

- 5.1 The committee received the report which presented the Terms of Reference for NAS (the Charter) and the Code of Ethics following review, in accordance with the model of

the Chartered Institute of Internal Auditors (CIIA).

- 5.2 The Chief Internal Auditor reassured the committee that he could operate without the undue influence of the Chief Executive or others within the Council and that he was covered to act under his membership of the professional body the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.3 Having considered the NAS Terms of Reference (the Charter) as set out in Appendix A, and the Code of Ethics as set out in Appendix B, the Committee **AGREED** the report.
- 5.4 The Chairman and the Director of Strategic Finance signed the Charter.

6. Norfolk Audit Service Quarterly Report ended 31 December 2024

- 6.1 The Committee received the report which introduced the results of the work that the internal audit team had completed in the period. The report enabled the Committee to fulfil their role, as those charged with governance, in accordance with their terms of reference.
- 6.2. With regards to page 33, point 2.17 and 2.18 of the report, Members noted that there will be a risk developed for the preparations of the County Deal. Officers explained that although there was not a corporate risk associated with the proposed County Deal, the overall picture was being considered and was developing rapidly with a desktop review of the project governance arrangements of the set up of the adult education budget and as part of that a risk register would be considered.
- 6.3 A written response would be given to a question regarding how many employees within the Council were working with visas or permits.
- 6.4 With regards to page 30, point 2.7, the Assistant Director of Finance (Audit) explained that a Principle Client Manager within the team had left to work at South Norfolk and he was in the process of recruiting their replacement. He was also recruiting to a senior audit role and hoping to develop the resources within the counter fraud team. Whilst there had been more turnover than he had wanted, there was reasonable reasons for leaving and he was comfortable that there was sufficient resources within the team. He was also able to use the budget to contract-in any specialist advice work if this was deemed necessary.
- 6.5 **The Committee AGREED:**
- The opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control, for the quarter ending 30 September 2023, was 'Acceptable'.
 - The Audit Plan for the Audit Year 2023-24 (Appendix C), and that this work would deliver sufficient scope for the required assurances.
 - The audit service provided by NAS continued to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) as verified via an external Quality Assurance Assessment

during late 2022 and complied with the Accounts and Audit Regulations 2015 (as amended).

- That the Committee continued to review information on the effectiveness of the management processes and corporate control functions (legal, financial, information, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

7 Risk Management Report

- 7.1 This quarterly report references Norfolk County Council's corporate risk register as it stands in February 2024, using risk data that was presented within the risk management report to Cabinet on 10th January 2024. This report set out the key corporate risk management messages, agreed at the January 2024 Cabinet meeting following the review of corporate risks over the third quarter of 2023/24. Corporate risks continue to be monitored and treated appropriately in line with the Council's risk management framework and the Full Council-agreed strategy 'Better Together, For Norfolk'.
- 7.2 Officers reported that following the successful opening of the Great Yarmouth Third River Bridge, Cabinet would consider the closure of risk RM024 at the meeting in April. Residual risks would continue to be addressed at service or departmental level dependant on the nature of the risks.
- 7.3 In referring to risk RM031, the Chairman commented that although the Children's Services overspend was bigger than expected, given the level of demand this was not surprising. He suggested that a deeper dive into the overspend elements particularly the inflationary issues surrounding elements such as home to school transport could be considered at a future meeting. He was particularly interested in the forecasting of the budget.
- 7.4 Officers clarified that the delivery of the Environmental Policy was in the remit of Al Collier who was Director of Procurement and Sustainability,
- 7.5 The committee thanked the Risk Management Officer for the recently held risk management training sessions that had been held for members of the select committees. These were well received. It was reported that there were some more planned.
- 7.6 Officers clarified that the original score of RM031 was 25. It dropped to 20 but with the increases in demand it has returned to its original score of 25.
- 7.7 In referring to RM013 on page 66 of the report, Members clarified that under the governance protocols, the term 'shareholder committee' had been renamed the Norfolk County Council owned companies Governance Panel which met quarterly and considered all the corporate entities, not just Norse. It also had a work programme. The Chairman suggested that an update report could be brought to the next meeting.
- 7.8 Members reported that with reference to RM031, work was currently underway to

review some of the cost pressures of the Children's Services overspend and how those cost pressures could be mitigated particularly home to school transport and how that service could be delivered whilst managing those costs.

7.9 Having considered the report, the Committee AGREED the:

- a. key messages as per paragraphs 2.1 and 2.2 of this report
- b. key changes to the corporate risk register (**Appendix A**);
- c. corporate risk heat map (**Appendix B**);
- d. corporate risks as at January 2024 (**Appendix C**);
- e. information in the report was sufficient.
- f. Committee to explore in more detail at the next meeting; the Children's Services financial and demand forecasting and the governance of entities owned by Norfolk County Council, such as Norse.

8. Anti-Fraud, Bribery and Corruption Report (including Whistleblowing) for the period ending 31 December 2023

- 8.1 The Council's Anti-Fraud, Bribery and Corruption Policy continued to direct the proactive anti-fraud work undertaken by Council. This report provided an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period ending 31 December 2023.
- 8.2 The report stated on page 101 that there had been 22 whistleblowing referrals made in the current financial year to date. Officers explained that this indicated that individuals were keen to report things they felt were an issue. There had also been work carried out within the organisation to encourage reporting to be made.
- 8.3 In referring to page 99, point 3.7 of the report, Officers explained that work was being carried out to develop the counter fraud team. Government published an expectation of the pro-active work that should be done in a year but the more reporting that happened, the more work this created and then more prevention work was needed.
- 8.4 Where possible, whistleblowers were updated throughout an investigation and asked if they were satisfied with the outcome and the actions that had been carried out to resolve the matters. It was always assessed on a case-by-case basis. Some whistleblowers preferred to remain anonymous and some investigations had to be confidential.
- 8.4 Having considered the report, the committee **AGREED** the key messages featured in part 3 of this report, that the work and assurance met their requirements and advise if further information was required.

9. Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2022

- 9.1 This committee received the report which introduced the External Auditor's (Ernst & Young) Norfolk County Council Final Audit Results Reports for the year ended 31

March 2022. The report enabled the committee to formally consider matters raised by the Council's external auditors

- 9.2 Having considered the report, the committee
- **NOTED** the update to the audit scope for risk and materiality issued by Ernst & Young
 - **NOTED** and **AGREED** matters raised in the Ernst & Young Norfolk County Council and Audit Results Reports before Ernst & Young issue their audit opinions.
 - **NOTED** the previously acknowledged Ernst & Young Audit Results Reports for the Norfolk Pension Fund Audit 2021-22 received on 22 November 2022 before Ernst & Young issue their audit opinions

10. Forward Work Programme

- 10.1 The committee received the report which outlined the committee's work programme. The committee's work fulfilled its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfilled the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance. Following constitutional changes agreed by Full Council on 19th of July 2022 the Audit and Standards Committee have merged.
- 10.2 Having considered the work programme for Committee, it was **AGREED**.

The meeting ended at 3pm

Cllr Ian Mackie – Chairman Audit & Governance Committee



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