

**Audit Committee**  
**Minutes of the Meeting held on Thursday 21 April 2022 at 2pm in**  
**Council Chamber, County Hall, Martineau Lane Norwich**

**Present:**

Cllr Ian Mackie – Chairman  
Cllr Terry Jermy  
Cllr Mark Kiddle-Morris  
Cllr Robert Savage  
Cllr Tony White

Cllr Emma Corlett (for Item 4 only)

**In attendance:**

Joanne Fernandez Graham	Corporate Accounting Manager
Simon George	Executive Director for Finance & Commercial Services
Jonathan Hall	Committee Officer
Thomas Osborne	Risk Management Officer
Steve Rayner	Head of Insurance
Andrew Reeve	Investigative Auditor
Adrian Thompson	Assistant Director of Finance (Audit) / Chief Internal Auditor

External Auditors

Mark Hodgson & Sappho Powell – Ernst & Young LLP.

**1 Apologies for Absence**

- 1.1 Apologies were received from Cllr Saul Penfold. Cllr Karen Vincent was also absent.

**2 Minutes**

- 2.1 The minutes from the Audit Committee meeting held on 3<sup>rd</sup> February 2022 were agreed as an accurate record.

**3 Declaration of Interests**

- 3.1 None declared.

**4 Items of Urgent Business**

- 4.1 The Chairman advised he had a couple of items to bring to the committee's attention:

**1. Question from Local Member**

The Chairman advised that a question, concerning access to the Big Holiday Fun Scheme, had been received in line with the constitution appendix 8 (6.1) and the response was published on the Council website and circulated at the meeting. The question and the response are attached to these minutes at

Appendix A. In attending the meeting Cllr Corlett thanked the Chairman for such a comprehensive answer and asked the following supplementary question: How might any learnings be captured in the interim period to the scheduled audit date in Spring 2023? The Chairman responded by saying that he would expect officers to take forward any learnings from the scheme that had run over the Easter school holidays and to apply these during the school holiday periods throughout the remainder of 2022 and beyond.

The Chairman allowed a further question on the matter from Cllr Jermy who requested that members of the committee are involved in the wider audit of the scheme to allow feedback following issues experienced by residents and their families. The Chairman advised members that the audit programme for 22/23 had been agreed at the previous committee meeting and if any members wished to express concerns, they should do so via Children's Services department in the normal way.

#### 4.2 **2. East of England Audit Chairman's Forum**

The Chairman advised the Committee that the first East of England Audit Chairman's Forum meeting had taken place via Microsoft Teams and had been well received. The Forum was looking forward to its first meeting face to face on 7<sup>th</sup> July 2022 at County Hall in Norwich. Norfolk County Council were leading on the forum and John Pye from the Combined Authority of Cambridgeshire and Peterborough had been appointed to the Vice Chairman role.

### 5. **Governance, Control and Risk Management of Treasury Management 2021-22**

The Committee received a report by the Executive Director of Finance and Commercial Services which assured Councillors that there were effective governance, control and risk management arrangements in place in respect of Treasury Management.

#### 5.1 The following key points were noted:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) new code of practice issued in December 2021 was already, were practical, being incorporated into the monthly Cabinet reports ahead of the changes being fully implemented in 2023-4 by regulation.
- Officers were content that the services provided by Link Asset Services did represent good value for money and that the length of the contract (8 years) was partly due to the very low number of companies in the market being able to provide such services.

#### 5.2 **The Committee RESOLVED to agree the report, noting that it provided assurance to the Audit Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.**

### 6 **External Audit Update**

#### 6.1 The Committee welcomed Mark Hodgson and Sappho Powell who attended the meeting from Ernst & Young to present an update and answer questions. A presentation was undertaken a copy of which is attached to these minutes at Appendix B.

- 6.2 In response to questions to the External Auditors the following was noted:
- The risk to the County Council concerning the loss of European grant funding following Brexit was relatively limited from an audit risk perspective. The County Council was in most cases the holder and facilitator of funds as opposed to being responsible for spending and investment. Guarantees from the Treasury concerning funding was also allowing programmes to continue normally. This area was also covered on the corporate risk register.
- 6.3 The committee noted the report and thanked the External Auditors for their work and for attending the meeting.

## 7. **Audit Committee Terms of Reference**

The Committee received a report by the Executive Director of Finance & Commercial Services which set out the Committee's terms of reference and recommended changes which were considered to be consequential.

**The Committee RESOLVED to agree the terms of reference for the Audit Committee with the recommended changes.**

## 8. **Norfolk County Council's Insurance Cover**

8.1 The Committee received a report by the Executive Director of Finance and Commercial Services which provided the Committee with assurance as to how the insurance provision was delivered for the County Council and how claims against the Council were managed by the Insurance Team.

8.2 The following points were also discussed and noted:

- The data used in the report covered the period to 31 December 2021 and therefore did not extend to the period during early 2022 when several severe storms had taken place in quick succession, causing damage to buildings and other council owned assets.
- Generally, weather conditions relating to snow and ice over the winter period had been good and infrastructure had not suffered as much as in past years.
- The Council's insurance premiums had seen a low increase of around 5% which was much lower than many local authorities had experienced.
- The Council has a limit of £260,000 to self insure. Any claim above that level would be passed on to the insurer to deal with. The level is set for the management team and is not subject to one individual officer making a decision.

8.3 **The Committee RESOLVED to agree that a proper insurance provision existed where appropriate, as confirmed by external and internal reviews and accept the report.**

## 9. **Norfolk Audit Services Report for the Quarter ending 31 March 2022**

9.1 The Committee received the report by the Executive Director of Finance & Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress of the delivery of the internal audit work and advised on the overall opinion of the effectiveness of risk management and internal control which was considered to be adequate and sound.

9.2 **The Committee RESOLVED to agree the key messages featured in the quarterly report, that the work and assurance meet their requirements and advise if further information is required.**

## 10. Risk Management Report

- 10.1 The committee received the report by the Executive Director of Finance & Commercial Services referencing the corporate risk register as it stood in April 2022 following the latest risk management report presented to cabinet in March 2022.
- 10.2 The Risk Management Officer introduced the appended report (10) and highlighted to the committee the changes in the corporate risks at Appendix A. It was noted that the on going war in Ukraine had increased the likelihood of a cyber attack on the Council's IT system (**RM010**) but it was still considered to be relatively low.

Progress had been made with regard to Adult Social Services (**RM023**) and the reduction in risk reflected the work the work the department had been doing to mitigate concerns.

Contingency planning work being carried out across all services had also seen risk (**RM032**) reduce in likelihood.

It was also noted that departmental risk registers will reflect the ongoing issues around recruitment of staff, particularly for care sector staff for Adult Social Care. Work has started to help support recruitment and retention of staff although there is still much to do, and the situation is being carefully monitored. It was acknowledged that an increase in performance and quantity of third party providers of adult social care services are critical to reduce the risks involved.

The risks relating to the Norwich Western Link project continued to be monitored (**RM033**) following the call in to the Scrutiny Committee on 23<sup>rd</sup> March 2022 with an update due in a Cabinet report in June 2022.

### 10.3 The Committee Resolved to agree:

- a. The key messages as per paragraphs 2.1 and 2.2 of this report
- b. The key changes to the corporate risk register (Appendix A);
- c. The corporate risk heat map (Appendix B);
- d. The latest generic corporate risks (Appendix C);
- e. Scrutiny options for managing corporate risks (Appendix D);
- f. Background Information (Appendix E)

### 9. Work Programme

The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme. The Committee considered and **noted** the report.

Meeting ended at 3.02pm

Cllr Ian Mackie - Chairman

**Audit Committee**  
**21<sup>st</sup> April 2022**

**Item 4: To receive any items of business which the Chairman decides should be considered as a matter of urgency**

**Question from Cllr Emma Corlett**

Most children in Town Close who are eligible for free school meals were not able to access the Big Holiday Fun Scheme over the Easter Holidays. I have heard from other families who did attend that not all places were taken up and attendance was poor. Will Audit Committee investigate the cost, take-up, impact and value for money of this scheme, for each holiday period that it has run, to properly evaluate whether this is the most effective or appropriate use of public money

**Response:**

The Big Norfolk Holiday Fun, a programme of activities for 5-16 year olds across Norfolk ran in 2021. The Council's website reports that, 'After a successful Easter programme the Big Norfolk Holiday Fun is back for summer, for children eligible for means-tested free school meals. There's a fantastic range of free activities for 5-16 year olds taking place during the holidays, with events across the county available to book online. The sessions will include a variety of fun activities, including sports, music, arts and other exciting opportunities to learn and develop skills, alongside a free nutritious meal each day. Booking is on a first-come-first-serve basis, with limited spaces for many activities, so families should book soon to avoid disappointment.' (13 July 2021)

On 27 October 2021 the government announced a further investment of over £200 million per year over the next 3 financial years for the holiday activities and food programme (HAF), which follows the successful roll out of the programme across England in 2021. Norfolk's first funding was in 2021 as part of the national rollout and 2021 was therefore our first year of operating HAF, albeit in very challenging circumstances.

This funding is for the 152 upper tier local authorities to coordinate and provide free holiday provision including healthy food and enriching activities. The programme will again be available to children in every local authority in England. The holiday periods that they expect local authorities to cover are set out in the Core offer section of the Government's website. The Government encourage local authorities to make the holiday clubs available to any children not receiving free school meals who can pay to attend. The schemes are not obligatory for children to attend. In 2022 Norfolk has offered the 'Big Holiday Fun Scheme', in partnership with Active Norfolk.

The Council submitted a report to the Department for Education setting out:

- how the Authority's 2022/2023 programme will work
- how many children the Authority expects to work with in 2022/23

The Council secured £2,692,990 of funding for 2022-23.

The Government's Grant Determination Letter (31/5854) sets out the standards for the funding. By 15<sup>th</sup> February 2023 the Council is required to submit a report setting out the actual number of children the Authority worked with during delivery of the programme at Easter, summer and Christmas in 2022. That report will also include:

- The overall number of unique children who participated in the Authority's programme
- The overall number of unique children in receipt of FSM who participated in the Authority's programme
- The number and proportion of children who are in the: primary school age range; the secondary school age range; and any children outside of those age ranges who attended the Authority's programme.
- The proportion of primary age and secondary age children who have participated in the Authority's programme.
- The number of children with SEND or additional needs who have participated in the Authority's programme.
- The average number of days attended per child.

The Authority must provide an annual report on their HAF programme to the Department by 30 June 2023. The report will cover a number of different areas, as set out in the "Annual Report" section of the programme guidance.

The letter also requires that the Authority's nominated responsible officer must confirm, through the submission of an annual Certificate of Expenditure, at the end of each financial year that the funding has been properly expended. The Authority must maintain a sound system of internal financial controls.

The 2022-23 Internal Audit Plan, approved by the Audit Committee on 3<sup>rd</sup> February 2022, includes an audit of the Holiday & Activity Food Programme (HAFP) for Children's Services, at page 153 of that agenda, which is published on the Council's website. The audit was planned for the fourth quarter of the audit year (Spring 2023) to enable data to be collected from the 2022 Easter and Summer schemes.

In consideration of the comprehensive governance arrangements and assurance required through the Government's funding requirements the next steps proposed are that:

The planned audit will take place in Spring 2023, as described above. The scope of the audit will include the 2022 Easter, Summer and Christmas schemes, including a sample of on-site visits. Active Norfolk will be asked to report to the Council on any complaints that may have been received regarding the 2022 Easter scheme.



# Norfolk County Council

## Audit Risk themes

Year ended 31 March 2022

21 April 2022

## Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.  As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified the incorrect capitalisation of revenue and accounting adjustments made in the Movement in Reserves Statement (MiRS) as the key areas where such a risk could manifest itself, as set out below.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment as a separate specific risk, given the extent of the Council's capital programme.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the accounting adjustments made in the Movement in Reserves Statement as a separate specific risk, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.
Accounting for Covid-19 related Government grants	Inherent Risk	Reduced risk in 2021/22 from prior year	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.





# Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for schools that convert to 'Academy' status	Inherent Risk	No change in risk or focus	Schools continue to convert to academy status. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.
Valuation of Property, Plant and Equipment	Inherent Risk	No change in risk or focus	Property, Plant and Equipment represent a significant balance in the Council's accounts and requires material judgement and estimation techniques to calculate the year-end balances.
Derecognition of infrastructure assets upon subsequent expenditure/replacement	Significant Risk	New Risk in 2021/22	An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and we anticipate that a significant risk might arise as a result. If we consider appropriate to downgrade the risk subsequent to more information becoming available, we will update the Committee.
Pensions valuations and disclosures	Inherent Risk	No change in risk or focus	The current pension fund deficit is a material and sensitive item. The accounting for this scheme involves significant estimation and judgement.
Going concern disclosure	Inherent Risk	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

# Proposed 2021/22 audit strategy

## Materiality - Norfolk County Council

Planning  
materiality  
£28.0m

Materiality for the Council's financial statements has been set at £28.0 million, which represents 1.8% of the prior years Gross Expenditure on Net Cost of Services plus other Operating Expenditure and Financing and Investment Expenditure. In the prior year we also applied a threshold of 1.8%.

Performance  
materiality  
£21m

Performance materiality has been set at £21.0 million, which represents 75% of materiality.

Audit  
differences  
£1.4m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £1.4 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



# Norfolk Pension Fund

**Audit Risk themes**  
Year ended 31 March 2022

21 April 2022

## Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Investment Income and Asset valuation - Investment Journals	Fraud risk	No change in risk or focus	<p>We have considered the key areas where management has the specific opportunity and incentive to override controls.</p> <p>We have identified the main area as being around the Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings, to secure a more favourable reported financial position.</p>
Valuation of complex investments (Unquoted investments)	Inherent risk	Risk assessment subject to review	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key judgements are taken by the Investment Managers to value these investments whose prices are not publically available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.</p>

## Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits	Inherent risk	No change in risk or focus	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>

## Overview of our 2020/21 audit strategy

### Materiality

Planning  
materiality

£44.8m

Materiality has been set at £44.8 million, which represents 1% of the prior year's audited Net Assets of the scheme available to fund benefits. The Pension Fund is a public interest entity and a major local authority based on its size, we have considered the overall risk profile and public interest in comparison to other Pension Funds. As such we have set planning materiality to 1% of net assets.

Performance  
materiality

£33.6m

Performance materiality has been set at £33.6 million, which represents 75% of materiality. This is the upper end of our range based on a lower level of errors identified in previous periods.

Audit  
differences

£2.2m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £2.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.