

Audit Committee
Minutes of the Virtual Teams Meeting held on
Thursday 22 April 2021 at 2pm

Present:

Cllr Ian Mackie – Chairman
Cllr Colin Foulger
Cllr Chris Jones
Cllr Judy Oliver – Vice-Chair
Cllr Haydn Thirtle
Cllr Karen Vincent
Cllr Brian Watkins

1A Chairman’s Opening Remarks

1A.1 The Chairman paid tribute to the work of Julie Mortimer who had recently retired from the Council after having served as the Committee Administrator for the Audit Committee for many years.

1A.2 The Chairman also paid tribute to the work of Cllr Colin Foulger, Cllr Chris Jones and Cllr Haydn Thirtle who were not standing for re-election to the County Council in the May elections.

1B Apologies for Absence

1B.1 There were no apologies for absence.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 21 January 2021 were agreed as an accurate record.

3 Declaration of Interests

3.1 Cllr Karen Vincent declared an other interest in item 8 as she was a Member of the Norfolk Pension Fund.

3.2 Cllr Haydn Thirtle declared an other interest in item 8 as he was a Member of the Norfolk Pension Fund.

3.3 Cllr Judy Oliver declared an other interest as the Chair of the Norfolk Pensions Committee.

4 Items of business which the Chairman decides should be considered as a matter of urgency.

4.1 The Chairman placed on record the Committee's thanks to the Norfolk Fire and Rescue Service (NFRS) and Council staff for their work in supporting the Norfolk response to the Covid-19 pandemic.

4.2 The Committee noted that as part of the response:

- 14 NCC colleagues had provided support to hospitals, 3 colleagues had supported vaccination call centres, 2 qualified nurses had supported the vaccinations and 187 hours were provided to GP centres.
- NFRS staff had also provided a huge range of valuable support, including ambulance driving, delivery of essential items to vulnerable persons, delivering PPE and other medical supplies to NHS and care facilities.
- In the first lockdown a total of 982 shifts for East of England Ambulance Service NHS Trust (EEAST) were provided, a total of 13,215 hours of work through the April to July 2020 period.
- In the Jan to April lockdown, a total of 89 staff had volunteered for NFRS NHS bank support. Staff had also provided 430 shifts and 5160 hours assistance with "face fit and swabbing" and 198 Shifts and 2376 Hours assistance with vaccination support.

5 **Presentation on the work carried out by IMT on cyber security, anti-phishing, disaster recovery, etc.**

5.1 The Committee received a presentation (which could be found on the Committee pages website) from Geoff Connell, Head of IMT, that provided an update on the work IMT had completed on cyber security and disaster recovery; phishing exercise, etc.

5.2 During the presentation the following key points were made:

- The Covid-19 pandemic response had massively accelerated existing service digitization and smarter working initiatives.
- The recently published PWC Annual report stated that globally CEOs viewed Cyber security as the 2nd greatest threat after the Pandemic.
- Cybercriminals had access to more sophisticated tools at lower costs than before and were happy to target organisations that were already stretched by Covid-19 response work.
- The Council's secure offline backup arrangements were independently reviewed by the MHCLG Digital Cyber Programme who were funding Norfolk to share this work with relevant partners.
- The cyber security requirements of suppliers and partners was subject to regular review.
- There had been successful ransomware attacks against multiple local authorities nationally. Also, recently a local housing supplier to a small rural Norfolk school had their systems compromised.
- Local government would NOT however pay out against successful ransom attacks This meant that disruption, expense and reputational damage could be significant and was in several well documented recent cases.
- Extended use of artificial intelligence, robotics, sensor networks and other technologic enablers of innovation provided opportunities for better services, but also for additional cyber threats in future.

5.3 During the discussion the following points key were noted:

- At short notice during the pandemic a very successful campaign called “Every Child Online” was launched with the support of Norfolk schools, the EDP, charities and other partners, including private sector suppliers. As part of that campaign, IMT staff managed to provide laptops and help with connectivity issues approximately 5,500 digitally disadvantaged children and assisted hundreds of Norfolk’s schools to tackle a very wide range of IT issues.
- It was also pointed out that the campaign had provided a huge amount of assistance to the Gypsy and Roma and Traveller Community.
- In response to questions about an audit that had shown more people had access to the Data Centre than was necessary it was pointed out an analysis of log in data had shown that there were no breaches in security, nevertheless security systems were strengthened. Councillors were assured that the number of admin accounts and other elevated access privileges had been quickly reduced. Multiple levels of security were in place before anyone could gain access to the physical location and even if they did, and were able to breach the high levels of cyber security, they would still not necessarily have access to the most sensitive data which was stored in secure cloud provision.
- Local Government secured its data and systems very well but was in an arms race with criminals because as soon as security improved the means used for cyber-attack also improved.

5.4 **The Committee RESOLVED to place on record thanks to Geoff Connell, Head of IMT, for the presentation on cyber security and disaster recovery; phishing exercise, etc. and for the work as part of the Every Child Online campaign.**

6 **Norfolk County Council’s Insurance Cover**

6.1 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.

6.2 During discussion the following key points were made:

- It was pointed out that the pandemic had led to a tightening up of the wording used by insurance companies in insurance policies. There had not however been an overall increase in insurance premiums because the County Council remained a good insurance risk.
- It was pointed out that the Council had taken on some of the additional cost pressures that arose from the pandemic. These included costs that arose from the cancellation of school trips, the purchase of PPE, staff duties as volunteers, the use by the Council of buildings that they did not own for storage purposes and certain additional care home and care work costs, some of which were being shared with the NHS and District Council partners.
- The pandemic had led to paper files being scanned into computer systems and more communications taking place through electronic

means. Only the most complex insurance cases now remained in paper form.

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

7 **Norfolk Audit Services Report for the Quarter ended 31 March 2021**

7.1 The Committee received a report by the Executive Director of Finance and Commercial Services which supported 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 with the delivery of the internal audit work and advised on the overall opinion on the effectiveness of risk management and internal control. The report also set out work to support the opinion and any matters of note.

7.2 During discussion the following key points were noted:

- The key messages from the 2020/21 audits together with a table that showed the current cumulative position could be found on page 36 of the agenda.
- Due to the pandemic many audits were deferred to the 2021/22 audit plan.
- Appendix B to the report showed that there had been a careful risk assessment of those audits that were cancelled or deferred and that an appropriate level of work was planned and prioritised for the current year.
- Despite the pandemic all required grant certifications were completed on time and schools were supported in their audit work.
- At the start of the pandemic schools were unable to participate in audits remotely by use of Microsoft Teams; this position had improved as the year progressed.
- The Committee received a watching brief on the audit assurance work that arose from the new HR and Finance system that would continue to be reported to this Committee. It was noted that a detailed analysis of overall progress with the project was reported on a regular basis to the Corporate Select Committee as a standing item.
- In reply to detailed questions from Cllr Watkins it was pointed out that there had been a careful evaluation of the merits of having more contractors considered in contract procurement processes and of the means used to negotiate fixed fees.
- The Chairman asked for the report to the next meeting to include a brief update on the position regarding each of the deferred audits.

7.3 **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.**

8 **External Audits**

8.1 The Committee received a report by the Executive Director of Finance and Commercial Services which introduced the External Auditor's Annual Audit Letter NCC and NPF and Certificate 2019-20, which were attached as Appendix A and Appendix B to the report. The report also introduced the External Auditor's Provisional Audit Plans for the Council and Norfolk Pension Fund 21-22, which were attached at Appendix C and D; and confirmed that the PSAA had published the 2021/22 audit fee scale, following consultation in January and February 2021.

8.2 The Committee welcomed Mark Hodgson and Sappho Powell who attended the meeting from Ernst & Young to present the report and answer questions. The Committee placed on record thanks to David Riglar from Ernst & Young for all his many years of external audit work for Norfolk and to wish him well for the future.

8.3 During the presentation of the report, the following key points were noted:

- The pandemic had not resulted in a significant change in existing risk assessments.
- The approach to risk assessments had remained consistent throughout the pandemic. However, there was an additional risk associated with the accounting arrangements for government grants. This was because there had been a significant increase in the number of individual grants and a quantum increase in the value of these grants in money terms. The accounting arrangements for individual grants was not yet clear which meant that they posed an increased level of risk.
- There was a significant decrease this year in the risks associated with the Council's pension liabilities. This was because last year was a triennial review year.
- A reassessment of the McCloud High Court judgement on pension liabilities had shown a reduction in financial liability from the audit position taken last year.
- Pages 102 and 103 of today's agenda set out a significant change in the approach to value for money taken by the National Audit Office who had issued a new code of guidance to all external auditors in the sector. This showed that while external auditors had not changed the way in which they worked they would no longer be issuing a positive conclusion in the audit opinion and would instead be reporting by exception if arrangements were not adequate.
- It was noted that there was also a new requirement to include the external auditor's commentary on arrangements in a new Auditor's Annual Report.

8.4 **The Committee RESOLVED to note the PSAA scale fees for 2021-22 and to agree:**

- **the External Auditor's Audit Letter and Certificate for 2019-20.**
- **the External Auditor's Provisional Audit Plans for the Council and Norfolk Pension Fund 20-21.**

9 **Audit Committee Terms of Reference.**

9.1 The Committee received a report by the Executive Director of Finance & Commercial Services which set out the Committee's terms of reference and recommended no changes.

9.2 **The Committee RESOLVED to agree the terms of reference for the Audit Committee with no changes.**

10 **Risk Management.**

10.1 The Committee received a report by the Executive Director of Finance and Commercial Services which set out the corporate risk register as it stood in April 2021, following the latest review.

10.2 The following key points were noted:

- The corporate risks mentioned in the report were regularly reported to Cabinet.
- A summary of the key changes could be found in Appendix A to the report.
- Government guidance was awaited about how some of the risks associated with Covid-19 should be risk assessed.
- The risks identified by the external auditors about the impact of new government grants for dealing with Covid-19 and where they should appear in the Council's accounts had yet to be fully assessed. This matter was currently subject to ongoing discussions with the external auditors.
- The Committee would be informed about the reporting mechanism for the implications of Brexit at a future meeting.
- Councillor Jones asked whether the current risk management process was able to fully assess risks overtime and what progress was made over the last 12 months to reduce or close a risk. In reply the Chairman said that it might be useful for the Committee to have an update at the next meeting to establish the scope of risk management in the context of reduction, mitigation, management or closure, as well as a longer term review as to overall progress. The Chairmen felt that there had to be a balance between active risk management and risk avoidance in order to deliver key services, especially during the pandemic.

10.3 **The Committee RESOLVED to agree:**

- **The key messages as per section 2.1 of this report.**
- **The key changes to the generic corporate risk register (Appendix A),**
- **The corporate risk heat map (Appendix B).**
- **The latest generic corporate risks (Appendix C).**
- **Scrutiny options for managing corporate risks (Appendix D).**
- **Background Information (Appendix E).**

11 **Governance, Control and Risk Management of Treasury Management.**

11.1 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.

11.2 The following key points were noted:

- In reply to questions it pointed out that it was not yet entirely clear how recent changes in the treasury management rules for Public Works Loan Board (PWLB) would be applied and interpreted. The main rule change was that Councils would no longer be able to borrow PWLB money to spend on investment properties or other items purely to generate a financial return. Some other local authorities had used PWLB to borrow large sums of money when compared to their size of turnover and had invested that money in commercial properties with the aim of generating a commercial return on those investments. The Treasury had put the new rules in place to prevent PWLB borrowing for this kind of activity.
- The County Council was not in a position of having to borrow money in advance of being able to meet its capital needs. Capital funds were usually fully spent on projects within a year or two of Government funding being obtained. Most capital projects were initially funded from cash reserves, with this funding replaced by borrowing within a year or two.

11.3 **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.**

12 **Anti-Fraud and Corruption Strategy and Whistleblowing Update and Anti-Fraud and Corruption Annual Report 2020-21.**

12.1 The Committee received a report by the Executive Director of Finance and Commercial Services which set out Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy which continued to direct the proactive anti-fraud work undertaken by NAS.

12.2 The following key points were noted:

- The Covid-19 grants were the subject of a fraud risk assessment. A useful document was produced to help front-line staff tasked with allocating payments and considering claims and requests for emergency assistance. The document helped front-line staff to better understand government guidance and the delicate balance between the emergency and the controls necessary for avoiding fraud.
- The Chairman pointed out that the District Councils were in a similar position to that of the County Council in allocating payments and avoiding fraud with Covid-19 grants and there were lessons to be learnt from each other at the appropriate time.
- The Chairman also said that he was pleased with the process that had been made with E-learning training being rolled out to all office-based staff.
- The reporting mechanism for raising whistle blowing concerns (that was mentioned on page 231 of the agenda) would be reviewed with a view to including mention of County Councillors.

- It was noted that this periodic report should be placed higher on the agenda for the next meeting.

12.3 **The Committee RESOLVED to agree:**

- **The content of the Anti-Fraud, Bribery and Corruption and Whistleblowing report (Appendix A), the key messages, that the progress is satisfactory, and arrangements are effective.**
- **the consequential changes to the content of the updated whistleblowing policy at Appendix B.**
- **the consequential changes to the content of the updated Anti-Fraud, Bribery and Corruption Policy at Appendix C**

13 **Work Programme**

13.1 The Committee received a report by the Executive Director of Finance and Commercial Services setting out the work programme.

13.2 The Committee considered and **noted** the report.

The meeting ended at 4.20 pm

Chairman



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