

Audit Committee
Minutes of the Meeting held on Thursday 25 September 2014 at
2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr B Bremner

Mr J Dobson

Mr A Gunson

Mr J Joyce

Mr R Smith

1 Apologies for Absence

An apology for absence was received from Mr R Parkinson-Hare.

2 Minutes

- 2.1 The minutes from the meeting held on 19 June 2014 were agreed as a correct record and signed by the Chairman, subject to an additional sentence being added to paragraph 11.2 to read:

- Advice of the Monitoring Officer was read out to the meeting expressing concern that should Chief Officers Group meetings become public meetings, it could impact upon the ability of Chief Officers to explore effectively the risks and issues associated with proposals in development. It was not in the public interest to curtail such discussion.

3 Declaration of Interests

- 3.1 No declarations of interest were made.

4 Items of Urgent Business

- 4.1 Reflecting on recent Committee meetings, the Committee felt that risk was insufficiently reported at the service committees and recommended that a process be put in place for these to be reviewed regularly. The Committee was pleased to note that Committee Members would continue to monitor the reporting of risk at future service committee meetings and that performance reports for each service area would be updated to include a section on risk management.

5 Norfolk County Council and Norfolk Pension Fund Audit Results reports – Audit Committee Summary for the year ended 31 March 2014.

- 5.1 The Committee received the report by the Interim Head of Finance introducing the

External Auditor's (EY) Norfolk County Council and Norfolk Pension Fund Audit Results reports for the year ended 31 March 2014.

5.2 During the discussion, the following points were noted:

- The Committee congratulated the Pensions Administrators and Council Officers on the timely completion of the accounts. .
- The Value for Money audit had been completed by EY for the Norfolk County Council accounts. The regime set out by the Audit Commission did not require a Value for Money audit to be completed on the Pension Fund accounts.
- The Committee expressed concern about the potential material misstatement within the Norfolk Group CIES due to the reanalysis of the Norse Group Profit and Loss and were reassured that Norse was aware of, and working to resolve the issue to enable the accounts to be signed off by 30 September 2014.
- With regard to consideration of the waste project and how it had impacted on the accounts, EY confirmed that they were comfortable with the accounting treatment and the Value for Money checks which had been carried out.
- EY confirmed that they had considered all the decisions made about the energy from waste project, including the procurement process, to ensure that Norfolk County Council received a value for money opinion. It was also confirmed that every aspect of the Council's performance had been looked at when the accounts were audited.
- It was noted that EY was the auditor for the Cory Group and the Wheelabrator Group. The Committee was reassured that there was no conflict of interest with this arrangement due to the size of the organisation. It was also noted that in late 2011/2012 some financial advice had been given by EY to the Council in relation to the waste project, but that the relationship had ceased before EY were appointed as the Council's auditors.

5.3 The Committee **RESOLVED** to note the report.

6 Annual Statement of Accounts and Annual Governance Statement 2013-14.

6.1 The Committee received the report by the Interim Head of Finance introducing the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2013-14 which had been subject to external audit by EY. The Interim Head of Finance anticipated that the Council would receive an unqualified audit opinion.

6.2 During the discussion, the following points were noted:

- Mr Dobson proposed a statement to be added to the accounts under the Termination of Energy From Waste contract paragraph, to reflect that Norfolk County Council had signed up to a revised project plan. With no seconder, the proposal fell.

- The Committee asked to receive a report about the Asset Management Strategy at its next meeting.
- Under the heading “Schools Transferring to Academy Status” on page 37 of the accounts, it was explained that when a school became an academy, the land was provided by Norfolk County Council on a 125 year lease, with the County Council becoming the landlord. It was for this reason the accounts showed no economic value under this heading. If the site ceased to be used as a school, the land would revert back to the County Council.
- When a PFI school converted to an academy, the school continued to meet the PFI liability and there was no additional cost to Norfolk County Council.

6.3 With 5 votes in favour and Mr Dobson voting against the recommendations, the Committee **RESOLVED** to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations.
- Approve the Annual Governance Statement (Appendix 2 of the report) and commend the statement for signature by the Leader and the Managing Director.
- Approve the Council's 2013-4 Statement of Accounts (Appendix 3 of the report).
- Note the summary of the Statement of the Accounts (Appendix 4 of the report) to be published alongside the full accounts.

7 Letters of Representation 2013-14

7.1 The Committee received a report by the Interim Head of Finance providing details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2013-14.

7.2 The Committee **RESOLVED** to endorse the letters of representation in respect of the Norfolk Pension Fund and of Norfolk County Council, subject to the satisfactory production of details from the Norse Accounts for inclusion in the Norfolk County Council Group Accounts. The Chairman of the Audit Committee and Interim Head of Finance signed the Letter of Representation on behalf of the Council.

8 Norfolk Pension Fund Governance Arrangements

8.1 The Audit Committee received a report by the Interim Head of Finance and Head of Pensions outlining the ongoing governance arrangement of the Norfolk Pension Fund.

8.2 During the discussion, the following points were noted:

- The Governance Compliance Statement checklist was signed off by the Pensions Committee at its September meeting. The scheme was regulated by the DCLG and subject to periodic review by internal and external audit.
- The Annual Report and Accounts had been considered in detail at the Pensions Committee meeting on Tuesday 23 September. The increase in costs had

been due to the fact that the 2013/14 accounting year was a Tri-annual Valuation year which required professional actuaries to be employed by the Council.

- The administration cost of pension funds was measured by the cost per member. Last year's CIPFA benchmarking exercise, which compared around 60 local government pension funds had shown that the Norfolk Pension Fund had a cost of £18.31 per member. This year the cost had reduced to £17.67 per member. The average cost per member for those Funds participating in the exercise this year was £20.73. For those Funds who had outsourced services the cost was £20.61.

8.3 The Committee **RESOLVED** to note the report.

9 Governance, Control and Risk Management of Treasury Management.

9.1 The Committee received the report by the Interim Head of Finance providing assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management during 2013-14.

9.2 The following points were noted during the discussion:

- The Committee recommended that the Treasury Management Panel be reinstated as part of the committee structure review when it was carried out in November 2014.
- The Committee was reassured that during 2013-14 treasury management was well regulated, with an independent body (the Treasury Management Panel) being responsible for the scrutiny of the treasury management activities. Since the establishment of the new committee structure, monitoring of treasury management had been undertaken by Policy & Resources Committee.

9.3 The Committee **RESOLVED**:

- To note the report.
- To recommend the Treasury Management Panel be reinstated as part of the committee structure review when it was carried out in November 2014.

10 Risk Management Report

10.1 The Committee received the report by the Interim Head of Finance, providing it with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the second quarter of 2014/15. The update included details of twenty-one risks proposed for inclusion within the Corporate Risk Register.

10.2 The following points were noted during the discussion:

- The corporate risks for each department were reported to each of the service committees and the performance reports would be updated to include a section on risk management. Audit Committee Members would continue to monitor the reporting of risk at future service committee meetings.

- The Committee requested that, where the prospects or current risk score had moved from amber to red, senior officers from the service departments attend a future Audit Committee meeting to update the Committee on the actions and mitigation actions that had been taken on those risks.
- The Committee was reassured that all risks on the Corporate Risk Register were reviewed by the Chief Officer Group on a regular basis.

10.3 The Committee **RESOLVED** to note the changes to the risk register.

11 **Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2014.**

11.1 The committee received a report by the Interim Head of Finance summarising the results of recent work by Norfolk Audit Services (NAS) to give an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and to give assurance that, where improvements were required, remedial action had been taken by Chief Officers. The report also provided an update on changes to the approved Norfolk Audit Services audit plan, traded Schools audits and the preparations for an Audit Authority for the France Channel England Interreg VA Programme.

11.2 The following points were noted during the discussion:

- The Chief Internal Auditor agreed to let Members of the Committee have copies of the high priority findings reports.
- The Committee was reassured that the service departments put action plans in place to mitigate the high priority findings identified during the audits. The action plans included information about the action taken and the proposed completion dates and were reviewed regularly by Chief Officers. It would not be efficient for the Audit team to test all the action plans but the Committee was reassured that the Chief Officer Group was responsible for ensuring the high priority findings were dealt with and actioned.
- The Committee asked that future committee reports include an update on the high priority findings action plans.
- The Head of the Corporate Programme Office attended the meeting and updated the Committee on work undertaken by the Programme Office, during which the Committee noted that the finance arrangements for the Programme Office came under the control and management of the Head of Finance.

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

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- The summary of high priority findings results at Appendix B of the report being satisfactory.
- The changes to the approved 2014-15 Norfolk Audit Services audit plan, as set out in Appendix E of the report.
- Satisfactory progress regarding the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

12 Internal Audit Plan 2014-15 for Quarters 3 and 4

- 12.1 The Committee received and **noted** the report by the Interim Head of Finance setting out the changes made to the Annual Internal Audit Plan for 2014-15. Audit topics had been drawn from the Audit Needs Assessment process and following consultation with departmental managers.

13 Audit Committee Work Programme

- 13.1 The Committee received and **noted** the report by the Interim Head of Finance setting out the programme of work for the Committee.

The meeting ended at 4.25 pm.

CHAIRMAN



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