

Audit Committee
Minutes of the Meeting held on Thursday 23 April 2015 at 2pm
in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr J Dobson (Vice-Chairman)

Mrs S Gurney

Mr J Joyce

Mr R Parkinson-Hare

Mr R Smith

Officers Present:

Mr S Rayner

Mr A Thompson

Mrs J Mortimer

Strategic Risk Manager

Chief Internal Auditor

Committee Officer

Also Present:

Rob Murray

Philip King

External Auditor

External Auditor

1 Welcome

1.1 The Chairman welcomed Mrs S Gurney to the Committee. Mrs Gurney had replaced Mr A Gunson, who had recently resigned from the Council. Members placed on record their thanks to Mr Gunson for all his service to the Committee and the Council.

1.2 The Chairman also welcomed John White, who had joined the County Council as an Internal Audit Manager. John had moved to Norfolk County Council from Barnsley Council and had an extensive history of working in the public sector, particularly in audit.

2 Apologies for Absence

Apologies for absence were received from Mr B Bremner and Mr P Timmins, Interim Executive Director of Finance.

3 Minutes

3.1 The minutes of the meeting held on 29 January 2015 were agreed as a correct record and signed by the Chairman.

Matters arising

3.2 Members asked officers to check that the figure of £5k, referred to in paragraph 6.2, third bullet point, which had been allocated from the Children's Services

Budget to carry out some work on how to prevent children from entering the care system, was correct.

- 3.3 The Chief Internal Auditor would follow up the request from the Audit Committee for Community Services Committee to review all business continuity plans and provide the Committee with an update at its next meeting.

- 3.4 One of the contingency arrangements as part of the business continuity plan for relocating staff in an emergency, had been to issue all staff with laptop computers as part of the DNA project. This allowed the majority of staff to work in other locations in the event of an emergency, although it was recognised that high speed broadband was not as good in some locations as in others. The Committee noted that the DNA roll-out programme was progressing well.

4 Declaration of Interests

- 4.1 Mrs S Gurney declared an other interest in item 7 (External Audit Plan 2014-15 Audit) as her son was employed by Norse and was a member of the Norfolk Pension Fund and her husband was a member of the Norfolk Pension Fund.

5 Items of Urgent Business

There were no items of urgent business.

6 Norfolk Audit Services Quarterly Report for the Quarter ended 31 December 2014.

- 6.1 The Committee received the report by the Executive Director of Finance (Interim) summarising the results of recent work by Norfolk Audit Services (NAS).

- 6.2 The Committee was asked to consider and comment on:

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- The changes to the approved 2014-15 Norfolk Audit Services audit plan, as set out in Appendix D of the report.
- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.
- The Audit Commission had confirmed that the External Audit Fee for 2015-16 would be £39,015 lower at £117,045.

- 6.3 During the discussion, the following points were noted;

- At its last meeting, the Committee had strongly recommended that training on fraud awareness should be mandatory for all employees.
- Chief Officer Group (COG) was monitoring the savings options and medium term financial planning. There was a significant challenge in ensuring that the built in savings were being achieved or were likely to be achieved in the future and therefore this topic remained a significant issue for the whole Council.

- COG received regular updates on all departmental risk registers, which provided opportunities for each service director to be scrutinised on risk by their peers as well as by the service committees.
- The Chief Internal Auditor explained that the Annual Governance Statement referred to in Appendix B of the report was signed by the Leader of the Council and the Managing Director and there was a requirement for the document to be published by the end of June 2015. The statement would be prepared and published in draft format, signed off by the Leader of the Council and Managing Director, before it was audited by the External Auditors. The Audit Committee would receive the final Annual Governance Statement at its September meeting when it considered and signed off the annual accounts.
- The corporately significant governance issues outlined in the report would be included in the Annual Governance Statement.
- The Committee would receive an update report on the latest position with regard to the draft accounts at its June meeting.
- When there were cases of alleged fraud in educational settings, Internal Audit would carry out the forensic audit work and gather evidence, working with Children's Services and the schools finance teams. A report would be produced showing the evidence and conclusions and passed to Children's Services specialist investigating officers, who would progress the allegations as appropriate.
- Schools Financial Value Standard (SFVS) returns were self assessments carried out by a Headteacher and Governing body about how well they felt the school was doing in areas of governance, risk management and business continuity using a Red, Amber, Green (RAG) rating. The audit had identified that, in some cases, there was room for improvement as there had been insufficient evidence to support the individual judgements that had been made. An action plan had been agreed.
- Members were given some examples of fraud risks in schools. The Committee was pleased to note that fraud in educational settings was rare, although where there may be a high level of trust given to finance officers in schools, that had a potential to lead to fraud. The Internal Audit Team worked with Governors to raise awareness of fraud and also how to identify possible cases.
- The Committee suggested a briefing note could be prepared which could be offered to Governors to assist them when they were checking accounts, by giving some examples of things to look for.
- The Chief Internal Auditor and the Chairman would consider whether to re-launch the Traded Schools Audits services for schools that had not received audits for a few years. These services could also be promoted to academies and free schools as an opportunity to generate income for the Council.

6.4 The Committee **noted** the report.

7 Risk Management report (4th Quarter 2014/15).

7.1 The Committee received the report by the Executive Director Finance (Interim) providing an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the fourth quarter of 2014/15. The update included details of twenty risks proposed for inclusion within the Corporate Risk Register.

7.2 During the discussion, the following points were noted;

- The Committee was pleased to note that Janice Dane, Assistant Director Early Help and Prevention, Adult Social Care would be attending the next committee meeting to answer questions from Members about risk number RM14079 (Failure to meet the long term needs of older people).
- The possibility of a merger between Adult Social Care and the NHS was being kept under review to monitor any impact a merger may have on the County Council.
- With regard to risk RM13968 (Failure to follow data protection procedures), once the Digital Norfolk Ambition (DNA) Programme roll-out had been completed, electronic information would be held much more securely. It was recognised that this would not prevent a member of staff from putting the wrong letter in an envelope and therefore the risk remained high because of the potential for a security breach to occur in this respect.
- With regard to risk RM14097 (Shortage of personnel for a variety of reasons) the Committee noted that the tender for the replacement of the oracle programme had now been awarded and interface with the contractor was taking place to ensure the programme worked correctly. The risk would therefore remain a high priority until the programme had been deemed fit for purpose.
- Departmental management teams were being asked to review risk scores to ensure that they remained at an appropriate level and were achievable.
- The Committee requested further information about the overall view from Chief Officer Group (COG) on risk appetite and whether the current financial pressures meant that some risk scores were being handled appropriately. The Committee suggested that it would be useful to have a corporate view on risk and requested that the Managing Director should be invited to attend a future meeting to provide some information in this respect.

7.3 The Committee **noted** the changes to the risk register.

8 External Audit Plan 2014-15 Audit

8.1 The Committee received the report by the Executive Director of Finance (Interim) introducing the External Auditor's Audit Plan at Appendix A. The Plan summarised the proposed external audit approach and scope for the 2014-15 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements.

8.2 The Chairman welcomed Mr R Murray and Mr P King from Ernst & Young LLP (EY) who attended the meeting to answer questions from the Committee.

8.3 The following key points were noted during the presentation of the report:

- Two new significant risks had been introduced, one relating to accounting for schools and the other relating to the financial pressures on the Council.
- Financial pressures on the Council had been uprated to a significant risk and more work would be carried out on the integrity of plans and the assumptions made when preparing the budget.
- Following the closure of the Audit Commission, the external audit contracts were now managed by PSAA Ltd.
- Norfolk had been categorised as a Public Interest Entity following a review of Ernst & Young's client base. This had led to the materiality reducing by half from the previous year. It was not expected that this change would alter the External Auditor's fees for this year and therefore fees were expected to be held at the same level as last year.
- No change was expected with regards to Norse Group accounts, although this had yet to be confirmed

8.4 The following key points were noted during the discussion:

- Norse Group had agreed to amend their Accounting year end to become coterminous with Norfolk County Council from 2015-16 and had agreed to pick up the additional External Auditor fees until this came into effect.
- The External Auditors confirmed that they were satisfied with the quality and quantity of work carried out by the Internal Audit Team.
- The External Auditor fees remained unchanged for this financial year although they would reduce significantly in 2015-16.
- The level of materiality (defined as the magnitude of an omission or misstatement that, individually or on aggregate, could reasonably be expected to influence the users of the financial statements) had reduced significantly from previous years. The overall materiality for the financial statements of the Norfolk County Group was £14.8m based on 1% of gross operating expenditure. Any uncorrected audit misstatements greater than £700,000 would be flagged up by the External Auditors.
- The Norfolk Pension Fund Audit Plan would be presented to the Pensions Committee in June, after which it would be brought to the Audit Committee.

8.5 The Committee **NOTED** the report.

9 Audit Committee Work Programme

- 9.1 The Committee received and **noted** the report by the Executive Director of Finance (Interim) setting out the programme of work for the Committee, and requested updates at its June meeting on risk RM14079 (Failure to meet the long term needs of older people), risk appetite and business continuity planning.
- 9.2 The Committee agreed the following training for Members of the Audit Committee.

18 June 2015	–	Future of public audit.
24 September 2015	–	Statement of Accounts.

10 Date of next meeting

- 10.1 The next meeting will take place at 2pm on Thursday 18 June 2015 in the Colman Room.

The meeting ended at 3.10pm

CHAIRMAN



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