

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 9 January 2020** at **10.00am** when there were present:

Mr G K Nurden – Chairman

Mr A D Crotch

Ms S I Holland

Mr M L Murrell

Mrs K A Vincent

Also in attendance were the Director of Resources, the Assistant Director of Finance (Section 151 Officer), the Internal Audit Manager and the Committee Officer (DM).

Also in attendance were Alex Younger, Investment & Actuarial Services Manager, and Laura Carter-Rigg, Norfolk Pension Fund, Norfolk County Council.

23 APOLOGIES FOR ABSENCE

An apology for absence was received from Mr P E Bulman.

24 MINUTES

The minutes of the meeting held on 14 November 2019 were confirmed as a correct record and signed by the Chairman.

25 MATTERS ARISING

Minute no 20 – Minute no 16 – Draft Commercialisation Strategy

In response to a concern that the proposed presentation for the joint all-member briefing on 4 December on Broadland and South Norfolk joint venture companies had not taken place, the Director of Resources confirmed that the nature of the briefing to all Members had changed to meet Members' needs. Since then, she had briefed the Finance, Resources, Audit and Governance Committee at South Norfolk on its joint venture company and the Committee had felt it would be helpful for the briefing to be extended to a wider range of Members. She offered to arrange a briefing on Broadland Growth for the Audit Committee and, if appropriate, to then offer this to a wider audience of Members. She also pointed out that the Managing Director had undertaken to provide a regular update on the work of the joint venture companies by way of issuing a shareholder letter after each Board meeting.

The Chairman again raised his concern that the accounts and audit report for the joint venture company were not considered by the Audit Committee and was advised that this matter had been raised with the Board who felt the proposed update by way of a shareholder letter would provide the required information. The audit report was already presented to the Audit Committee, the accounts were publically available and the Board included Members of the Council. The Chairman stressed that he continued to be keen to ensure the Audit Committee had the opportunity to have oversight of the joint venture company.

Minute no 21 – Contract Standing Orders (Contract Procedure Rules)

The Chairman reported that, because of concerns he had about some of the changes in the scheme of delegation, he had approached the Portfolio Holder for Finance to seek agreement to a number of changes in procedures as follows:

- 1) There should be a clear and fully documented audit trail for all expenditure linking it to the Council's Strategic Business Plan and approved MTFP and budget.*
- 2) Expenditure that is not within the departmental or portfolio budget must be channeled through Cabinet, so that it can be subject to proper scrutiny.*
- 3) All expenditures above £100k should be included in Cabinet papers and clearly identify the portfolio that the expenditure relates to. These reports should be presented to O & S and Cabinet by the respective portfolio holder, i.e. not the officers.*

He believed the Portfolio Holder had supported the suggestions and he had therefore given his support to the Audit Committee's recommendation that Council approve the new Contract Procedural Rules at the Council meeting on 17 December 2019. He now understood that the matters were being discussed further with the Portfolio Holder. He stated he would be seeking further clarification on this matter to ensure the procedures were adhered to.

The Chairman asked about progress on the delivery of training on risk management and was advised that work was progressing on developing a framework for risk across the two councils which would include a training programme for staff and potentially for Members. A further update would be provided at the next meeting.

26 NORFOLK PENSION FUND

Members received a presentation from Alex Younger, Investment & Actuarial Services Manager, Norfolk Pension Fund, Norfolk County Council, outlining the fund, the triennial valuation and IAS19 Reporting (a copy of the presentation is attached at appendix 1 to the signed copy of these minutes).

Mr Younger explained the Norfolk Pension fund was a Local Government Pension Scheme locally administered and highly regulated at a local and national level. A number of governance arrangements were in place to oversee the fund and its administration. Valuation of liabilities could only ever be an estimate and not an exact science. Nationally and locally, membership of the scheme continued to grow and the 2018 report had seen an increase in the value of assets. As at March 2019, overall funding levels were at 99%. Mr Younger answered a number of questions from Members. It was noted that council contributions to the fund varied according to a number of factors. Officers commented that measures were being taken to retain the existing proportions of overall staff numbers at Broadland and South Norfolk to help retain some consistency in the councils' contributions to the fund despite the move to a single workforce.

Members thanked Mr Younger for the informative presentation and welcomed his offer to provide a further presentation in the summer with regard to the pension valuation figures for the Council's annual accounts.

27 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Members considered the report reviewing work of the Internal Audit in delivering the annual internal audit plan for 2019/20, specifically for the period 5 July 2019 to 18 December 2019. It was noted that, of the audits concluded, all had resulted in a positive opinion being awarded and two had concluded with no recommendations for action which was to be welcomed.

With regard to the recommendations for Broadland Growth, these related to strengthening governance arrangements. It was noted that the latest proposals would allow for updates on financial information and progress against the business plan to be shared via the shareholders letter rather than being presented to Cabinet. The Board would be looking to formally adopt the range of key policies at its next meeting and look to address succession planning.

With regard to recommendations for disaster recovery, the potential for increased resilience by sharing services across the two councils was noted. In response to questions, officers confirmed that auditors had access to appropriate IT expertise for the purpose of the audit and it was hoped that a plan would be in place by the end of the financial year. It was noted that digitalisation of services would continue which would facilitate more flexible working.

RESOLVED

to note progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2019/20 financial year.

28 FOLLOWUP REPORT INTERNAL AUDIT RECOMMENDATIONS

Members considered the report on progress made in relation to management's implementation of agreed internal audit recommendations falling due by 18 December 2019.

Members noted that there were currently only two recommendations outstanding from 2017/18 and five recommendations outstanding from 2018/19. None were outstanding from 2019/20.

Members were concerned that the recommendation regarding the use of purchase orders prior to all purchases was still outstanding and officers explained the measures introduced to date and the difficulties arising from the recent staff restructuring and changes in staff generating purchase orders. A package of training had been prepared for delivery to staff following the restructuring. Notwithstanding this, Members were keen to see a resolution to this matter and felt that further extensions of the compliance date should not be granted. It was suggested there was an even stronger reason for strict compliance during periods of change. The Internal Audit Manager highlighted

that Accounts Payable was due for an audit in 2020/21 and levels of non-compliance would be tested and reported back to the Committee.

A comment was made regarding procurement and the contract register and that the register was not received by the Overview and Scrutiny Committee or Cabinet. The Director of Resources advised that the register was publically available on the Council's website. A concern was raised that renewal of the IT contract should have been dealt with in a timelier manner and the Director of Resources explained that this contract under the previous contract standing orders would normally have been signed off by way of a Portfolio Holder decision, but it had been agreed to wait until the new Contract Standing Orders were in place in order that the decision be approved by Cabinet to increase transparency. However, the procurement for the contract had been considered much earlier when South Norfolk Council had progressed with a procurement exercise to ensure that Broadland Council could join in with that arrangement. Going forward, the contract register would allow for a forward plan of forthcoming procurements to be produced and maintained. With regard to cyber-crime, funding had been secured for staff training and a programme was being developed for roll out to staff. In response to a suggestion, officers undertook to examine the options for cyber-crime training for Members.

RESOLVED

to note the position in relation to the completion of Internal Audit recommendations.

29 AUDIT COMMITTEE SELF ASSESSMENT

Members considered their responses to the range of questions forming the high-level self-assessment which supported an assessment against recommended practice. Overall Members assessed their performance positively and scored mainly four or five out of five. Where this was not the case, recommendations for improvement were identified. With regard to the question relating to whether membership of the Committee had been assessed against the core knowledge and skills framework, the Internal Audit Manager agreed to circulate the framework to all Members and substitutes to enable them to formulate an informed response to this question. In response to a question as to whether there were any "spare" days within the Internal Audit work plan, the Internal Audit Manager clarified that a three year plan of Internal Audit work had been put together which could be developed, and would therefore allow for an area of concern to be raised by the Committee if appropriate.

The Internal Audit Manager undertook to collate the responses and the areas for action and report back to the next meeting.

30 WORK PROGRAMME

The Committee noted the work programme set out in the agenda. The work programme was subsequently updated after the meeting as follows:

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| 12 March 2020 | <ul style="list-style-type: none">• Audit committee self-assessment - follow up to consideration at the meeting on 9 January• Strategic and Annual Internal Audit Plan 2020• Annual Report on Counter Fraud• External Audit Plan• Broadland Growth Ltd Update (Presentation)• Annual Report of the Audit Committee |
| June 2020 | <ul style="list-style-type: none">• Internal Audit Progress Report• Internal Audit Follow Up Report• Head of Internal Audit's Report and Opinion for 19/20• Annual Governance Statement• Draft Statement of Accounts |

The meeting closed at 1.00pm