Norfolk County Council

Audit Committee

Date: **Thursday 21 April 2016**

Time: **2pm**

Venue: **Colman Room, County Hall, Norwich**

Persons attending the meeting are requested to turn off mobile phones.

Membership:

Mr I Mackie – Chairman

Mr B Bremner
Mrs S Gurney
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Mr R Smith – Vice-Chairman

Under the Council's protocol on the use of media equipment at meetings held in public, this meeting may be filmed, recorded or photographed. Anyone who wishes to do so must inform the Chairman and ensure that it is done in a manner clearly visible to anyone present. The wishes of any individual not to be recorded or filmed must be appropriately respected.

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes Page **5**
To confirm the minutes of the meeting held on 28 January 2016.

3 Members to Declare any Interests

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare such an interest but can speak and vote on the matter.

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

5 Norfolk Audit Services Quarterly Report for quarter ended 31 December 2015. Page **13**
Report by the Executive Director of Finance

6 Risk Management Report Page **25**
Report by the Executive Director of Finance

7 External Auditor’s Audit Plan 2015-16 Page **54**
Report by the Executive Director of Finance

8 NORSE Governance Review Page **77**
Report by the Executive Director of Finance

9	**Audit Committee Work Programme** Report by the Executive Director of Finance	Page **99**
10	**County Farms** Report by the Executive Director of Finance	(to follow)

Chris Walton
Head of Democratic Services
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Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 13 April 2016

Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 28 January 2016 at 2pm in the Edwards Room, County Hall, Norwich.

Present:

Mr I Mackie (Chairman)
Mr J Childs (substitute for Mr D Ramsbotham)
Mr T Garrod (substitute for Mrs S Gurney)
Mr H Humphrey
Mr J Joyce
Mr N Shaw (substitute for Mr R Smith)

Also Present:
Mr D Roper
Mr Mark Hodgson (Executive Director, External Auditor – EY)
Mr David Riglar (Manager, External Auditor – EY).
Mr Simon George - Executive Director of Finance
Mr Mark Crannage – Information Management Service Manager
Mr Howard Jones – Corporate Accounting Manager
Mr Steve Rayner – Insurance Manager
Mr Adrian Thompson – Chief Internal Auditor
Mr Tim Shaw - Committee Clerk

(For ease of reference, items appear in these minutes in the order in which they appear on the agenda. This was not necessarily the order in which these items were considered at the meeting).

1 Apologies for Absence

Apologies for absence was received from Mr D. Ramsbotham (with Mr J Childs attending as his substitute), Mr R Smith (with Mr N Shaw attending as his substitute),Mrs S Gurney (with Mr T Garrod attending as her substitute) and from Mr B Bremner.

2 Minutes

The minutes of the meeting held on 24 September 2015 were agreed as a correct record and signed by the Chairman.

3 Declaration of Interests

There were no declarations of interest.

4 Item of Urgent Business: Data and Staff Leaving Norfolk County Council

4.1 The Chairman reminded Members that at its previous meeting the Committee had identified that the County Council's exit interviews and staff leaver processes were not entirely satisfactory, with staff who were either moving internally or leaving the organisation maintaining passwords, ICT and access to data. To address this situation the Chairman had asked that the Information Management Service Manager should attend today's meeting to provide Members with an update about the steps that were being taken to secure the Council's data systems, and the information contained within those systems, by ending the ICT systems access of those leaving the County Council. The Chairman agreed that the Committee should consider this matter as urgent business because maintaining the security of the data systems was an essential and integral part of the County Council's work.

4.2 The Information Management Service Manager explained the significant steps that had been taken by officers from across the County Council since the previous meeting to enhance the Joiner, Mover and Leaver (JML) arrangements and to give assurance that information, including that relating to vulnerable groups, was secure. He also described how the JML arrangements would be further enhanced as technological solutions continued to be developed. It was noted that a confidential briefing note about the new JML arrangements had been sent to the Chairman of the Committee in advance of today's meeting.

4.3 The following key points were noted during the discussion:

- As part of the Digital Norfolk Ambition programme, a collaborative project mainly of ICT, Information Management, and HR staff had been initiated to support the automatic set up of new starters within the County Council with basic systems access, and to allow system access to be automatically ended as an employee's contract terminated. As the new process, which had started to go live from October 2015, became more automated it would remove the risk that the employee's manager failed to raise a CAR form at the appropriate time that then had to be processed within ICT.
- The new process continued to rely on managers taking action in that they were required to notify HR that their team member was leaving but this was much simpler than raising a separate CAR form.
- The costs of the procurement and implementation of the new system were contained within the DNA programme.
- While a useful start had been made during the first phase of the new system, and this had delivered key benefits, the full benefits of the new system would be derived in the next 18 months, as more applications and the facility to control systems access and staff who moved within the County Council, were brought within scope.

4.4 **RESOLVED:**

That the Audit Committee be provided with an opportunity to consider an action plan and an update about the work that remained to be done on this collaborative project (with input from the various contributors) at a future meeting.

5 External Auditor’s Annual Audit Letter 2014-15 and Audit Committee Briefing

5.1 The Committee received a report by the Executive Director of Finance that introduced the External Auditor’s Annual Audit Letter 2014-15 that was enclosed as Appendix A to the report.

5.2 Representatives of the External Auditor, Ernst and Young LLP (EY), were in attendance to answer Members’ questions.

5.3 The following key points were noted during the discussion:

- There were no adverse matters in the External Auditor’s Annual Audit letter to report to the Audit Committee.
- The Pensions Committee would receive a separate letter for their approval.
- A key change in the Accounts and Audit regulations was that from the 2017/18 financial year the timetable for the preparation and approval of the accounts would be brought forward; this key change would provide more challenges for both those preparing and those auditing the accounts.
- Members said that robust governance and accounting arrangements for the Better Care Fund that took account of partnership working with the NHS would be a major task for Norfolk Audit Services going forward.

5.4 **RESOLVED:**

That the Audit Committee:

- Note the External Auditor’s Audit Letter 2014-15 that was attached as Appendix A to the report;
- Note the Briefing Notes to the Committee that were attached as Appendices B and C to the report.

6 Norfolk County Council’s Insurance Cover

6.1 The Committee received a report by the Executive Director of Finance that aimed to provide Members with the information and assurances that they had requested about the levels of insurance cover that were in place for Norfolk County Council. The report explained how claims against the County Council were managed by the Insurance Team in the Finance Department, which was overseen by the Policy and Resources Committee.

6.2 The following key points were noted during the discussion:

- Currently that are seven claims in excess of the £250,000 level of deductible self-insurance where the insurer is responsible for the balance.
- The County Council carried a “stop loss” provision that placed a maximum value or limit per year on the aggregated insurance claims against the Council.
- The position taken by the County Council on insurance cover was similar to that taken by other Local authorities of a similar size.

- Members' asked for an analysis at their next meeting of the Council's properties that were at risk of flooding, and for information to explain the costs to the County Council of providing a number of different insurance policies, some of which were a legal requirement and others that were of necessity.

6.3 **RESOLVED:**

That the Audit Committee:
- Approve the report;
- Agree that adequate insurance provision exists across the Council and note that, where appropriate, this was confirmed by external and internal audit reviews.

7 Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2015

7.1 The Committee received a report by the Executive Director Finance that monitored (for the period that ended 30 September 2015) the adequacy and effectiveness of the systems of risk management, internal control and internal audit in the County Council, as set out in the Committee's terms of reference, its agreed strategy and the relevant regulations.

7.2 The following key points were noted during the discussion:

- There were no preliminary assessments or investigations currently in progress.
- With reference to the table at paragraph 2.7 of the report it was pointed out that none of the remaining sixteen high priorities were rated as having a red or amber risk rating.
- With reference to paragraph 3.3 of the report it was pointed out that 30 % of audits had kept to their original budget. This position was being kept under continual review.
- The Committee noted that there continued to be an increase in the take up of the traded schools audits. A letter had been sent to the Academies to explain the considerable expertise that was available to schools from Norfolk Audit Services.
- The Committee also noted the work undertaken by Norfolk Audit Services in preparation for becoming the Audit Authority for the France Channel England Interreg Programme. This matter was reported to the Committee as a separate report on the agenda.

7.3 **RESOLVED:**

That the Audit Committee note:
- That the overall opinion on the effectiveness of risk management and internal audit control in the County Council was 'Acceptable' and therefore considered 'Sound';

- That satisfactory progress was being made with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

8 Risk Management Report

8.1 The Committee received a report by the Executive Director of Finance that set out the Corporate Risk Register at January 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during December 2015 and January 2016.

8.2 The following key points were noted during the discussion:

- It was noted that Children's Services had put in place satisfactory arrangements for the completion of the Caldicott audit recommendations. Norfolk Audit Services was working with Don Evans, Assistant Director (Performance and Challenge) in Children's Services, on the implementation of these recommendations and they were keeping the Children's Services Committee informed of developments.
- Steps were also continuing to be taken to address rising transport costs (particularly for adults and children with special needs) within a mixed economy of transport providers, the rising numbers of children who were being excluded from school and the ageing Norfolk population.

8.3 **RESOLVED:**

That the Audit Committee note:
- A Risk Management Strategy 2016-19 was being prepared;
- The changes to the Corporate Risk Register (that were set out in Appendix A (i) and (ii), and Appendix B of the report).

9 Audit Committee Chairman's Report

9.1 The Committee received a report by the Chairman that summarised the work of the Audit Committee between 1st April 2015 and 31st December 2015, confirmed that its function was consistent with best practice and demonstrated the impact of its work and how this added value. The Committee's work was reported to Full Council.

9.2 The Chairman said that he was continuing to take up with officers the recommendation of the Committee that fraud awareness online training was mandated for all staff.

9.3 **RESOLVED:**

- That the Audit Committee consider the arrangements for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, that were set out in the Committee's terms of reference (that formed part of the Council's Constitution) to be satisfactory.

- That the Audit Committee note:
    1. It was independent of the executive function, reported directly to full Council and had terms of reference that were consistent with CIPFA's guidance and best practice;
    2. It provided effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public;
    3. It could demonstrate the impact and value of its work; and was monitoring the Secretary of State's plans for the Future of Local Public Audit.

10 Anti-Fraud and Corruption Update

10.1 The Committee received a report by the Practice Director Norfolk Public Law (NPLaw) that provided an update on the Council's Anti-Fraud and Corruption activity for the period from April 2015 to December 2015.

10.2 **RESOLVED:**

That the Audit Committee note:

- The Anti-Fraud and Corruption Strategy 2014 remained fit for purpose and would be fully reviewed in 2016 to incorporate the latest best practice;
- The Anti-Fraud and Corruption Plan at Appendix A to the report;
- There was adequate progress to date.

11 Internal Audit Strategy, Approach, Strategic Plan 2016-2019 and Internal Audit Plan for 2016-17

11.1 The Committee received a report by the Executive Director of Finance that explained the effectiveness of the system of internal audit relating to Internal Audit's strategy and Annual Plan for 2016-17 and that these arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

11.3 **RESOLVED:**

That the Audit Committee note:

- That internal audit's strategy and plan contributed to an effective system of internal audit and that these arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice;
- That the strategy and plan were the Internal Audit Strategy 2015-18 (Appendix A to the report), the Approach 2016-17 (Appendix B to the report), the Three Year Strategic Audit Planned Days to support the Audit Opinion (Appendix C to the report), the Summary Internal Audit Plan 2016-17 for work supporting the Internal Audit Strategy (Appendix D to the report) and the Detailed Internal Audit Plan for 2016- 17 (Appendix E to the report).

12 Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)

12.1 The Committee received a report by the Executive Director of Finance that presented the revised Internal Audit Terms of Reference and the Code of Ethics following a review, in accordance with CIPFA's and the IIA's UK Public Sector Internal Audit Standards.

12.2 The following key points were noted during the discussion:

- Norfolk Audit Services had been designated the Independent Audit body for the Integerreg VA France Channel England Programme.
- The role that Norfolk Audit Services had been designated was determined by European Union Regulations.
- An update on this work would be provided at future meetings.

12.3 **RESOLVED:**

That the Audit Committee:

- Note the significant additional function that would be delivered by the team (EU Audit Authority) for the next 10 years and the associated changes to the terms of reference (set out in Appendix A – Part 2 to the report, subject to approval from DCLG);
- Agree the amended Terms of Reference as set out in Appendix A, and the Code of Ethics as set out in Appendix B to the report.

13 **Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17**

13.1 The Committee received a report by the Executive Director of Finance that proposed a revision to the Council's "Minimum Revenue Provision" policy that would be taken into account when preparing the final report for Policy and Resources Committee and the County Council.

13.2 The Committee also received a presentation from the Executive Director of Finance about the reasons for and the impact of the proposed change to the MRP policy. This can be found on the Committee pages website.

13.3 The following key points were noted during the discussion:

- The recommendation from the Executive Director of Finance for the way in which the MRP was calculated and the likely implications for the County Council were shown in the draft report to Policy and Resources that was enclosed as an appendix to this report.
- The proposed policy changes would result in all Council debt paid in line with current maturities and would not result in more long term borrowing
- The proposed changes would release £9.2m to fund services in the 2016-17 budget.
- The effect of increasing cash balances and low interest rates meant that the Executive Director of Finance could see no reason for an increase in Council's borrowing in the foreseeable future.

13.4 **RESOLVED:**

That the Audit Committee approve the Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17 Policy that would be presented through Policy and Resources Committee (as set out in the draft report to Policy and Resources Committee) for decision at County Council.

14 Highways Network Asset – impact on 2016-17 Accounts

14.1 The Committee received a report by the Executive Director of Finance that explained a change in the Code of Accounting Practice for 2016-17 that would result in a material change to the Council's policy for accounting for its Highways Network Asset from April 2016.

14.2 The following key point was noted during the discussion:

- Members and officers expressed some concern at the material change to the Council's Financial Statements that would be brought about by the requirements to account for Highway Network Assets under Depreciated Replacement Costs instead of the existing Depreciated Historic Cost that will be effective from 1 April 2016. This change in accounting policy will require significant changes to existing asset management systems and valuation procedures. This will require close working with highways and other relevant departments and result in significant additional costs to the County Council for very few (if any) improvements in accounting practice.

14.3 **RESOLVED:**

That the Audit Committee note:

- The impact that the change in accounting treatment of the Highways Network Asset would have on the 2016-17 Statement of Accounts;
- Current progress was satisfactory.

15 Audit Committee Work Programme

15.1 The Committee received and noted a report by the Executive Director of Finance that set out a work programme for the Committee for the period up to September 2016. In doing so, the Committee asked for a report about the Northern Distributor Route project risks in 6 months.

The meeting ended at 16.05 pm

CHAIRMAN

Audit Committee

Item No 5

Report title:	**Norfolk Audit Services Quarterly Report for the Quarter ended 31 December 2015**
Date of meeting:	**21 April 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.

Executive summary

Internal Audit's work has contributed to the Council's priorities, being:

Excellence in Education

- We have used our experience and skills to drive up the standards of financial and risk management in eleven Norfolk schools through a mix of two risk based and nine traded schools audits/Health check audits during the quarter. In addition, we audited the Schools Financial Value Statement (SFVS) self-assessment returns

Real Jobs

- No specific audits on this topic in the last quarter

Good Infrastructure

- Information Security – unannounced visits

Supporting Vulnerable People

- Children's Services Role of Quality Assurance – Social care

Effective support services

- Delivering the audit plan for 2015-16 sufficiently in the quarter to support the annual opinion.

The Audit Committee is recommended to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'

- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

1.2 The County Leadership Team have been consulted in the preparation of this report.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.16)

2.2 **Work to Support the opinion**

2.3 My opinion, in the Executive Summary, is based upon:

- Final reports issued in the quarter (representing a proportion of the planned audit coverage for the year) **Appendix A**
- The results of any follow up audits,
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

2.4 The Internal Audit Plan has been delivered within the context of:

- Managing vacancies (two permanent auditors were recruited in March 2016)
- Managing productivity rates
- Un-planned investigatory work in the quarter.

2.5 A list of final reports for the last quarter is attached as **Appendix A**. The progress with delivering the audit plan, including totals up to the end of the year is shown in table 1 below.

Table 1: Final Audit Reports

Report type	**Quarter 3**	**Cumulative as at 31/12/15**	**Quarter 4**	**Outturn**
Final audit reports (Children's Services)	4			
Final audit reports (Finance)	5			
Final audit reports (Resources)	3			
Total Audits	**12**	**8**	**9**	**29**
Certified grant claims	7			
Traded school Healthchecks	8			
Traded school full audit	1			
Traded audit	1			
Follow-up report	0			

The target number of final reports to be issued for the year is 34. More details, including the completion of the work in progress, will be provided in the June Committee paper.

2.6 High Priority Findings identified during audits are followed up and the results per Department. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. There are none outstanding as at April 2016.

2.7 There has been an increase in the take up of the Traded Schools Audits. As at the date of writing this report 35 schools have requested a traded audit so far this year.

2.8 There was one formal disciplinary investigation completed in the quarter. Terms of reference were agreed for that investigation.

2.9 Audits of interest that were issued as final reports during the quarter (and are included on **Appendix A**) are:

- Block Contracts – The Executive Director of Finance commissioned NAS to undertake a brief piece of work on the overpayment of a block contract provider. This was a reactive and advisory piece of work and a management letter was issued on 14 December 2015 which included recommendations in respect of contract management and details of ongoing work to strengthen monitoring around the use of block contracts. No audit opinion was given as this was reactive and advisory work. A follow up audit has been agreed for quarter 1 of 2016-17, with a full review of block contracts, including an opinion, being scheduled for quarters 3 and 4.

- Children's Services Social Care role of Quality Assurance Team – the purpose of the role of QA audit was to give assurance that the work of the QA team is planned, organised, delivered and reported so as to give adequate assurance to the then Interim Director of Children's Services that the QA function is achieving good quality services in accordance with agreed internal procedures and statutory requirements. In addition, that any concerns identified by Children's Services management or external parties are examined in a timely manner as part of the planned work. A final report was issued 20 November 2016. The findings from this report were agreed by the Children's Services Leadership Team as being addressed through the ongoing Ofsted Improvement Plan. The audit plan for 2016-17 includes an audit designed to give assurance over the Ofsted improvement plan.

- HMRC – The Executive Director of Finance commissioned NAS to undertake a brief piece of work in response to an unexpected tax refund from HMRC that was notified to NCC employees in late June 2016. Recommendations have been made to [and agreed by] the Executive Director of Corporate Resources to resolve these matters. No audit opinion was given as this was reactive and advisory work. The 2016-17 audit plan includes a 'desk top follow up audit' of this topic in quarter 1.

- Driving at Work – The purpose of this Health and Safety audit was to provide assurance on the adequacy and effectiveness of the arrangements with respect to driving at work and the degree of compliance with related policies and procedures and ensure that an action plan is in place to remedy any defects or omissions. A final report was issued 20 October 2015. An action plan was agreed for actioning and monitoring by the Health, Safety and Wellbeing Team.

2.10 The minutes of the previous Audit Committee (January 2016) paragraph 5.3, final bullet point, included Member comment around robust governance and accounting arrangements for the Better Care Fund that took account of partnership working with the NHS would be a major task for NAS going forward. An audit of governance arrangements was planned for 2015-16 in quarter 4 however that audit was postponed due to other unplanned audits taking priority. An audit of the Better Care Fund is currently being planned for quarter 1 and quarter 2 of 2016-17. In February 2015 we undertook a sense check review of the draft section 75 agreements and governance plans, available to us at the time of reporting. That action plan will be followed up as part of the planned 2016-17 audit.

2.11 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)

2.12 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for the five responses received in the quarter ended 31 December 2015, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.

2.13 The cumulative proportion of time supporting the audit opinion for quarter 3 was 62% in line with the target of 62%. See **Appendix B, Section 2 (2.1)** for further detail.

2.14 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily (see 2.19 below).

2.15 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

2.16 **Other relevant information**

2.17 The Policy and Resources Committee receives regular reports on Performance and Risk and the delivery of financial savings.

2.18 Internal Audit meet periodically with Corporate Programme Office contacts to consider developments, risks and the audit approach.

2.19 Digital Norfolk Ambition Update

2.20 DNA is now classed as 'business as usual' and monitored through various Boards and Groups.

2.21 France (Channel) England (FCE) update

2.22 Since the end of the quarter, further significant milestones have been achieved.

a. Norfolk Audit Services was formally appointed as Audit Authority for the programme by DCLG on 26 January 2016. Formal confirmation of NAS's authority over the French territory audits was confirmed on 24 March 2016.

b. Submission of the annual assurance package ahead of the 15 February deadline, in the form of a nil report and nil opinion.

c. First draft of the audit strategy out for consultation with UK and French National Authority representatives for audit purposes.

d. First meeting of the Consultative Audit Group scheduled for 20 April 2016, at which the audit strategy will be finalised and approved for the period 2016-2019.

2.23 External Matters of Note

2.24 The National Audit Office (please click to go to their website) have published the following reports that are relevant to the Council:

- Automatic enrolment to workplace pensions 4 November 2015
- Financial sustainability of Fire and Rescue services 5 November 2015

2.25 There are no other external matters to note this quarter.

3. Financial Implications

3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

3.2. Norfolk Audit Services has delivered approved savings in 2015-16 by adhering to the planned budget and preparing for ongoing savings as required.

3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2015-16 has been set to deliver 100% of audit work is within budget. At present 67% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. This is currently being actively managed to ensure all future audit work is kept within budget.

3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance.

4. Issues, risks and innovation

4.1. There are no implications with respect to:

- Resource
- Legal
- Equality
- Human Rights
- Environmental
- Health and Safety.

5. Background

5.1. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.

5.2. There is no relevant input or comments from other committees to include within this report.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

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Email address: adrian.thompson@norfolk.gov.uk

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter Ended 31 December 2015

There were 12 final reports, 8 traded school health checks and 1 full traded school audit completed, 1 traded audit and 7 grant claims certified during the quarter.

Final Reports

Children's Services

1. Schools Financial Value Statement (SFVS) - self assessment returns
2. Barford Primary School
3. Bunwell Primary School
4. Role of Quality Assurance (Social Care)

Finance

5. Teachers Pensions Agency
6. Treasury management
7. Insurance claim handling
8. Block Contracts review
9. HMRC Payroll Interface Review

Resources

10. Driving at Work (Health & Safety Audit)
11. Framework Arrangements
12. Information Security - Unannounced Visits

Traded Audits

Schools (Traded – full audit)

1. Fairstead Community Primary and Nursery School

Traded audit

2. Eastern Inshore Fisheries Conservation Authority (EIFCA)

Grants claims certified

1. LGA (Transforming Care)
2. EIFCA
3. NORSE (p/e Sept 2015)
4. ERDF Technical Assistance

5. SE FINS (phase 2) NCC
6. SE FINS (on the spot check)
7. SE FINS (phase 2) LP

School Traded Healthchecks

1. Terrington St Clement Community School
2. Watton Westfield Infant & Nursery School
3. North Elmham and Bawdeswell Primary Schools Federation
4. Garrick Green Infants School
5. Winfarthing All Saints School
6. St. Andrew's Lopham CE VA Primary School
7. Hapton CofE VA Primary School
8. Necton VA Primary School

Appendix B

Technical Details

Notes for section 2

2.1 Productive Time

2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 62% for the 2015-16 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

2.2.1 From time to time Norfolk Audit Services is notified of allegations. Allegations are managed in two stages, a preliminary assessment and then, if required, a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget.

Notes for section 4

4.1 Crime and Disorder Act 1998

4.1.1 Under Section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing. The profile of Anti- Fraud and Corruption arrangements remains high and we are responding to the challenges that arise.

4.1.2 This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2 Sustainability

4.2.1 Norfolk Audit Services makes every effort to reduce its carbon footprint. Distance travelled is taken into account when booking audits outside of the County Hall, booking auditors living closest to the venues. Our team uses all recycling facilities available to us working at County Hall in order to reduce consignment to landfill. We monitor our printing/photocopying usage half yearly and encourage people to reduce where they can.

4.2.2 Norfolk Audit Services continually review our performance and costs. We participate in an Audit Benchmarking Club which compares us to similar County Council Internal Audit teams. No significant exceptions have been noted.

Notes for Section 5

5.1 Audit Opinions

5.1.1 All audit reports contain an overall audit opinion on the adequacy and effectiveness of risk management and internal control, indicating whether the area concerned is either 'acceptable' or if 'key issues need to be addressed'. Audit work and reporting give assurance on the adequacy and effectiveness of Governance, Risk Management and Internal Control and forms part of the achievement of the Council's Plans and its Strategic Ambitions.

5.2 The difference we are making

5.2.1 Audit findings have provided assurance or where necessary led to agreed actions to address any identified weaknesses in risk management and internal control. This demonstrates the Council's good Value for Money and thus supports the Council's Plan and its Strategic Ambitions. No actual savings or potential savings have been noted as a result of our audit work and grant claim certification in the last quarter.

5.2.2 Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy".

5.2.3 The work undertaken by Norfolk Audit Services complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit coverage to all areas of the Council's activities. Norfolk Audit Services is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.

5.2.5 Feedback received was as follows:

Type of work	**Questionnaires issued**	**Questionnaires received**
Standard audit	11	5
Grants	0	0
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	5	0

*The simpler electronic "Smart Survey" based questionnaire was launched from 1 January 2015 onwards to increase the likelihood of returns. A Service Level Agreement is being drafted for our services.

Audit Committee

Item No. 6

Report title:	**Risk Management Report**
Date of meeting:	**21 April 2016**
Responsible Chief Officer:	**Executive Director of Finance**
Strategic impact The Audit Committee's role is to consider the Council's Risk Management. Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives, and is a key part of the performance management framework.	

Executive summary

This report provides the Committee with the Corporate Risk Register at April 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during March 2016.

<u>Progress since the last Audit Committee meeting (January 2016)</u>

The Corporate Risk Register was reported to the last Audit Committee in January 2016, prior to being refreshed in March 2016 for the Policy and Resources Committee. Policy and Resources manages these risks and the corporate risks were reported to the March 2016 Committee. Since the last Audit Committee, reporting on the Corporate risk register has been updated to show the latest developments, which are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from January 2016 is shown at **Appendix B,** located at the end of this Audit Committee report.

Recommendations:

Committee Members are asked to:

- Consider:
    a. The progress with Risk Management since the last Audit Committee meeting
    b. The changes to the Corporate Risk Register **(Appendices A and B)**, and the progress with the mitigating risks; and
    c. if any further action is required

1. Proposal (or options)

1.1. The recommendations are in the Executive summary above.

1.2. The County Leadership Team has been consulted in the preparation of the Corporate Risk Register.

2. Evidence

Direction

The Re-imagining Norfolk strategy provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering ‘being the organisation we need to be’, the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer.

Work is taking place to further develop the performance pyramid, with Norfolk County Council priorities discussed and put forward at the Corporate Leadership Team meeting on 12/11/15. Risk management continues to be reviewed and strengthened as part of Re-imagining Norfolk.

Progress

Overall, corporate risk scores remain generally stable. Since the last Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. Now that risks and mitigations are more closely aligned to each other, progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County Council and the actions required to mitigate them.

The latest Corporate Risk Register details 20 risks. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and actionee who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the Council Leadership Team and their Departmental Management Teams.

Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378 . Risk scores are based on the scoring model found in the Norfolk County Council "Well Managed Risk - Management of Risk Framework.

For ease of reference the risks have been plotted on a heat map, in **Appendix C,** to illustrate each risk's relative position measured by likelihood and impact.

2.1. The criteria for a Corporate Risk Register is that:

- It requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- It requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

2.2. The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Appendix A contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.

Appendix B is a reconciliation of the Corporate Risk Register reported in January 2016 to the latest version. **Appendix C** plots the relative scores for each risk in a heat map for ease of reference. At the last Audit Committee meeting in January, an analysis of NCC buildings at risk of flooding was requested. This work is underway, and a report will be presented at the next Audit Committee meeting, detailing NCC properties at risk of flooding, along with the mitigations that are in place to manage the risk of flooding.

Each risk score is expressed as a multiple of the impact and the likelihood of the event occurring.

- Original risk score – the level of risk exposure before any action is taken.
- Current risk score – the level of risk exposure at the time of review.
- Target risk score – the level of risk exposure that we are prepared to tolerate.

The Target Score is a measure of the risk appetite of the organisation and will vary across the different risks. However, setting appropriate Target Scores is key to directing resources to mitigate the risk. An appetite set too low will require high levels of resource to manage the risk with potentially little reward. An appetite set too high reduces the level of resource required but will lead to greater exposure. Establishing the correct risk appetite and therefore setting the right Target Score is key to adding value and delivering higher levels of performance.

2.2. There is one risk with a current red risk score:

1. RM020a – Failure to meet the long term needs of older people.

There are two risks with a prospects target red risk score:

1. RM014a - The amount spent on home to school transport at significant variance to predicted best estimates.

2. RM014b - The amount spent on adult social care transport at significant variance to predicted best estimates.

2.3. Risk owners have considered whether the risks will meet the target score by the target date. Ten risks are assessed as “Amber– some concerns” that targets may not be met, and eight are assessed as “Green - on schedule” to meet their target. There are two “Red” rated risks for prospects of achieving the target score by the target date (RM014a and RM014b).

The prospects of meeting target scores by the target dates are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator that there may be concerns when the prospect is shown as amber or red. In these cases, further investigation may be required to determine the factors that have caused the risk owner to consider that the target may not be met. It is also an early indication that additional resources and tasks or escalation may be required to ensure that the risk can meet the target score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” column as follows:

- Green – the mitigation tasks are on schedule and the risk owner considers that the target score is achievable by the target date
- Amber – one or more of the mitigation tasks are falling behind and there are some concerns that the target score may not be achievable by the target date unless the shortcomings are addressed
- Red – significant mitigation tasks are falling behind and there are serious concerns that the target score will not be achieved by the target date and the shortcomings must be addressed and/or new tasks introduced.

2.4. Fig. 1. Reflects the percentages of risks in each category.

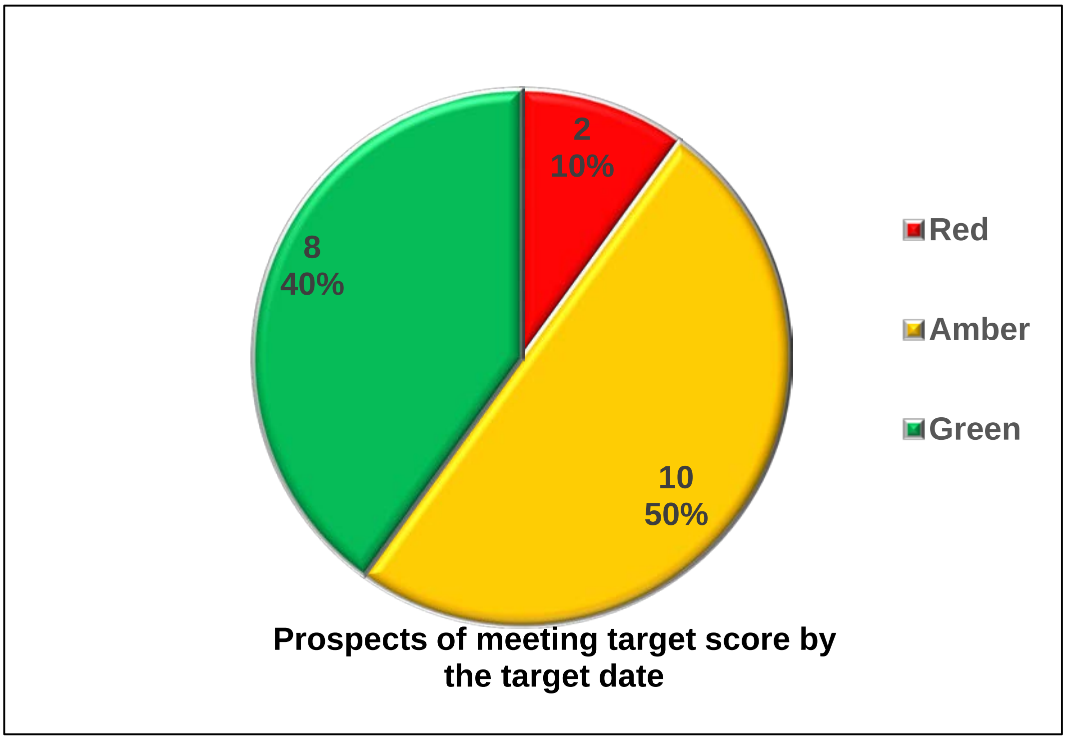

Fig. 1 – A chart to show the RAG rating percentages of meeting target scores.

2.5. Significant changes to the Corporate Risk Register

Following the recent review there is now:

One new corporate risk:

1. **RM019 - Failure to deliver a new fit for purpose social care system (Children's Services and Adult Care) on time and to budget**

Two upgraded risks:

1. **RM020a - Failure to meet the long term needs of older people**
2. **RM020b – Failure to meet the needs of older people**

(both risks upgraded to be managed at a corporate level following review and agreement by both Adults Services Committee and Policy and Resources Committee)

No downgraded risks.

One closed risk.

1. **RM015 - The risk that we don't have reliable IT infrastructure;**

This risk has been amalgamated into risks RM005 and RM010.

3. Risk management reporting to Committees

3.1 As a result of a recommendation from the Chairman and Members it was agreed that all departmental risks should be formally reviewed at the appropriate committees.

3.2 The recent round of Performance Reports to Committees have included a specific section on risk management highlighting all departmental risks. The reporting is by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Performance Report.

3. Financial Implications

4.1 There are no financial implications other than those identified within the risk register. The financial implications of corporate risks are reported to the Policy and Resources Committee.

4. Issues, risks and innovation

5.1 There are no further corporate risks than those described elsewhere in this report. The Risk Management Strategy 2016-19 will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

5. Background

5.1. The review of existing risks has been completed with responsible officers.

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, i.e. equality impact assessment, please get in touch with:

Officer name : **Adrian Thompson** **Tel No. :** 01603 222784

Email address : adrian.thompson@norfolk.gov.uk

Risk Number	RM001	**Date of update**	26 February 2016
Risk Name	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.		
Risk Owner	Tom McCabe	**Date entered on risk register**	01 July 2015

Risk Description

There is a risk that the necessary infrastructure (including but not limited to transportation, community, school and green infrastructure) will not be delivered at the required level and/or rate to support the existing population and to support and stimulate future growth, as set out in Local Plans.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	4	**12**	2	3	**6**	Jun-16	**Amber**

Tasks to mitigate the risk

1) Ensure appropriate infrastructure planning is undertaken and documented
2) Continue to investigate all possible funding sources including UK government, European Union and developer
3) Maintain and improve lobbying of government
4) Work in partnership with the district councils who have a Community Infrastructure Levy (CIL) in place to ensure the most effective use of the income
5) Ensure appropriate arrangements are in place for the collection of developer contributions
6) Ensure all the Local Growth Fund allocations from the New Anglia Local Enterprise Partnership, and other funding sources, are spent on appropriate infrastructure and to the agreed timescales
7) Continue to work with Highways England to ensure the RIS is delivered to the agreed timetables

Overall risk treatment: reduce

Progress update

1) Infrastructure planning is carried out in conjunction with the seven Local Planning Authorities and via the Greater Norwich Growth Board in terms of devising appropriate Local Plans. In addition, this is complemented by strategic transport planning carried out by NCC.
2) Close working with the New Anglia Local Enterprise Partnership, colleagues in EDS (European funding) and Developer Services.
3) NCC campaigns with the support of MP's have achieved a higher recognition for the A47 and the inclusion of key transport infrastructure schemes into governments Roads Investment Strategy (RIS).
4) CIL is only currently in place in Norwich, Broadland and South Norfolk and we are working through the Greater Norwich Growth Board (GNGB) to influence the priorities.
5) NCC ensures that development contributions are maximised within the extent of the planning framework.
6) Scheme development work is underway for many projects but others are yet to be fully defined. Some of the most advanced projects e.g. Golden Ball Street have slipped from the original funding profile so this could be a risk for others that are currently being developed. Some NCC staff resources are already stretched on developing the schemes and so it might be difficult to fully staff the remaining projects. A greater reliance will need to be put on the Mouchel partnership.
7) Regular progress meetings are held with the HE in addition to scheme specific meetings.

Risk Number	RM002	**Date of update**	17 February 2016
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams		
Risk Owner	Simon George	**Date entered on risk register**	01 July 2015

Risk Description

This may arise from global or local economic circumstances, government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2015/16-2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	3	4	**12**	Feb-17	**Green**

Tasks to mitigate the risk

Medium term financial strategy and robust budget setting within available resources.
No surprises through effective budget management for both revenue and capital.
Budget owners accountable for managing within set resources.
Determine and prioritise commissioning outcomes against available resources and delivery of value for money.
Regular and robust monitoring and tracking of in-year budget savings by CLT and members.
Regular finance monitoring reports to Committees.
Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants.
Plans to be adjusted accordingly once the most up to date data has been received.

Overall risk treatment: reduce

Progress update

Re-Imagining Norfolk - Service and Financial Planning 2016-19 for Policy Resources reported to Policy and Resources Committee on 8 February 2016 and County Council on 22 February 2016 (in conjunction with progress update in RM006 below).
2015/16 Financial Savings and Monitoring reports reported to the February Policy and Resources Committee and where necessary adjustments included in the 2016/17 budget.
Government's 2016-17 local government finance settlement reflected in the 2016/17 budget and Medium term Financial Strategy.
Timetable agreed to consider 2017/18 budget and future Medium Term Financial Strategy.

Risk Number	RM003	**Date of update**	25 February 2016
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practices.		
Risk Owner	Anne Gibson	**Date entered on risk register**	30 September 2011

Risk Description

There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	1	4	**4**	Sep-16	**Amber**

Tasks to mitigate the risk

1) Information Management Strategy
Information Governance Framework: Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security.
2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC.
3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management.
4) Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action
5) NCC is PSN accredited
6) NCC is NHS Information Governance Toolkit compliant to Level 2
7) The implementation of a corporate Records Management solution
8) The implementation of a corporate Identity and Access Management solution

Overall risk treatment: reduce

Progress update

1) The governance framework has been to the Information Compliance Group and the Business Intelligence / Information Management Board.
2) The new data breaches procedure has been agreed by CLT and the ICG. The procedure is implemented and is now monitored via the ICG.
3) Reports to the ICG and CLT have now been introduced. Reports to DMTS will be introduced by February 2016
4) Formal plans are being drawn up for Organisation Compliance Status. The anticipated date for their completion is to be confirmed.
5) Information is being sent to CLG and CLT on a monthly basis.
6) The IM Service are working with Adults and Childrens to submit the annual submission by the 31st March 2016. The work is all on plan.
7) The Records Management solution has now been stood up, and the IM Service are undertaking UAT currently.
8) Phase 2 of the implementation of a corporate Identity and Access Management solution is underway after Phase 1 was implemented in October 2015.

Appendix A

Risk Number	RM004	**Date of update**	19 February 2016
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.		
Risk Owner	Anne Gibson	**Date entered on risk register**	01 July 2015

Risk Description

Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes The council spends some £600m on contracted goods and services each year.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	3	**6**	Sep-16	**Amber**

Tasks to mitigate the risk

1) Appoint a senior manager in procurement to act as head of profession for contract management so that there is senior focus on key contracts reducing the likelihood of unanticipated supplier default or contractual or legal disputes, and so that value for money is ensured;
2) Review of contract administration processes in social care so that they are automated wherever possible, and so that contract data is available to assist with contract management;
3) Review supplier management processes to ensure that they are congruent with Information Technology Infrastructure Library (ITIL) and with corporate standards.

Overall risk treatment: reduce

Progress update

1) the recruitment of a new senior manager was unsuccessful and will need to be relaunched
2) Review of social care contract administration processes under way – use of new software is now expected to start well before the previous target of September 2016
3) The review of ICT supplier management processes is making good progress and as a result a number of contracts have been renegotiated or ended.

Appendix A

Risk Number	RM005				**Date of update**				08 March 2016	
Risk Name	The risk that we cannot provide laptops that are configured and maintained to be modern, reliable and fit for purpose.									
Risk Owner	Anne Gibson				**Date entered on risk register**				01 July 2015	
Risk Description										
Failure to provide laptops that are configured and maintained to be modern, reliable and fit for purpose, resulting in poor staff productivity, poor morale, ineffective working practices and/or poor information security.										
Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	**16**	3	4	**12**	2	4	**8**	Sep-16	**Amber**
Tasks to mitigate the risk										
1) Replace all Windows XP devices by 30 November 2015 to retain PSN compliance. 2) Roll out modern laptops running a modern operating system (Windows 7 or Windows 8.1), with alternative devices (eg power laptops) available where required. 3) Keep the new devices up to date through regular patching and software update. 4) Resolve reliability and usability issues with the new devices. Overall risk treatment: reduce										
Progress update										
1) XP switch-off took place as planned. A very small number of devices are still running, with mitigations agreed with the Cabinet Office. 2) All staff now have a modern laptop running either Windows 7 or Windows 8.1. 3) A regular patching and software upgrade regime is in place. 4) Reliability and usability issues remain. However, a series of improvements has taken place, including improvements to remote access. Solutions to problems with OneDrive are being tested. A number of improvements to corporate Wi-Fi are under way.										

Risk Number	RM006		**Date of update**					25 February 2016	
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16								
Risk Owner	Wendy Thomson		**Date entered on risk register**					01 July 2015	

Risk Description

The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	1	5	**5**	Apr-16	**Green**

Tasks to mitigate the risk

Re-Imagining Norfolk is the Council's strategy for change, and provides a clear direction of travel to meet the challenging context for public sector over the next three to five years.
Based on that strategy, a new 'County Council Plan' will translate the strategy into action for the next three years. It will be underpinned by annual financial plans with spending targets.
Robust challenge and scrutiny process required to test and scrutinise.
A new performance framework will drive improvement and delivery.
Robust and clear process and evidence for Members to make decisions about prioritising spending options.
Robust consultation with public and stakeholders.
Feedback from the consultation and engagement to be considered by all Committees in January, when full information about the settlement will be available.
The County Council will decide the budget in February.

Overall risk treatment: reduce

Progress update

Three year proposals are set in the context of a strategic approach which sees the Council implement a forward looking programme, recognising the need to prioritise funding, and not retreating to minimum levels of services. Instead focusing on efficiency, income generation, and re-shaping services to focus on four priorities.
Full Council agreed a three-year financial strategy, including the budget for 2016/17, at its meeting on February 22nd 2016. In making their decisions, Councillors had the benefit of extensive feedback from public consultation, which had been considered in some detail by all Committees.
A new County Council Plan was recommended to Full Council by Policy and Resources Committee. It was withdrawn from the February Council, but taken to the next Full Council meeting in April. The Plan outlines the strategic context for the Council, providing direction and guide strategic and resource choices. It will then translate into delivery at a service committee level, setting out actions to address the four priority outcomes, objectives for the Department's core business; spending plans - what the money will be spent on and what it will deliver/achieve; performance, risk and accountability framework.

<table>
<tr><td>Risk Number</td><td colspan="2">RM007</td><td colspan="4">Date of update</td><td colspan="2">25 February 2016</td></tr>
<tr><td>Risk Name</td><td colspan="8">Potential risk of organisational failure due to data quality issues.</td></tr>
<tr><td>Risk Owner</td><td colspan="2">Anne Gibson</td><td colspan="4">Date entered on risk register</td><td colspan="2">01 July 2015</td></tr>
<tr><td colspan="9">Risk Description</td></tr>
<tr><td colspan="9">Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.</td></tr>
</table>

<table>
<tr><th colspan="3">Original</th><th colspan="3">Current</th><th colspan="5">Target</th></tr>
<tr><th>Likelihood</th><th>Impact</th><th>Risk score</th><th>Likelihood</th><th>Impact</th><th>Risk score</th><th>Likelihood</th><th>Impact</th><th>Risk score</th><th>Target Date</th><th>Prospects of meeting Target Risk Score by Target Date</th></tr>
<tr><td>3</td><td>5</td><td>15</td><td>3</td><td>5</td><td>15</td><td>2</td><td>2</td><td>4</td><td>Sep-16</td><td>Amber</td></tr>
</table>

Tasks to mitigate the risk

1) Implementation of SIRO (Senior Information Risk Officer) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities.
2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive and fit for purpose to enable managers to make confident and informed decisions. Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management.

Overall risk treatment: reduce

Progress update

1) Corporate Information Management Team encompassing Information Management is in place and plans are underway to ensure Information Governance, Records Management and policies confirming responsibilities.
2) The IM Service is currently working with CLT to produce a robust IM Strategy that identifies the National Archives 7 Information principles as key enablers. A plan is being produced to clearly identify the deliverables required against principles such as, Information is a valued asset, information is managed and Information is fit for purpose. There is a meeting scheduled with CLT on 18th March to discuss timeframes for delivering the strategy and plan.

Risk Number	RM008	**Date of update**	19 February 2016
Risk Name	The potential risk of failure to deliver effective procurement processes.		
Risk Owner	Anne Gibson	**Date entered on risk register**	01 July 2015

Risk Description

Failure to engage members or senior officers effectively at an early stage in tendering or contract extension, or to maintain engagement, or failure to deliver a robust procurement process, leads to commissioned services which are politically unacceptable, poor value for money, undeliverable or a poor fit with our strategic direction, or leaves us open to legal challenge and a risk of substantial damages. The council spends some £600m on contracted goods and services each year.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	2	4	**8**	2	3	**6**	Apr-16	**Green**

Tasks to mitigate the risk

1) 'Significant procurements routinely brought to CLT at an early stage to review strategic fit and political implications;
2) Effective corporate contract register in place and regularly reviewed;
3) Clarification re: ownership of each category of spend following recent restructures in service departments.
4) Attendance at Commissioning Academy training for key officers

Overall risk treatment: reduce

Progress update

1) Significant procurements are now coming to CLT as a matter of course but a process to ensure this is needed;
2) Corporate contract register now in a good state and the quality of data about ICT contracts has improved significantly
3) Clarification of ownership has been picked up by the social care contract management team in procurement. Some work is still needed to clarify ownership of contracts in children's services
4) Key officers attended the Commissioning Academy

Risk Number	RM009	**Date of update**	22 February 2016
Risk Name	The potential risk of failure of corporate governance and leadership.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	01 July 2015

Risk Description

Failure of corporate governance may result in poor or rushed decision making, disengaged members and officers and reputational damage. This could lead to the Council being unable to carry out its duties in an effective manner and possible non-compliance with legislation and regulations.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	1	4	**4**	Mar-16	**Green**

Tasks to mitigate the risk

The review of the Committee system has strengthened the clarity around member roles and involvement. In particular, it stressed the important role of Group Spokesperson. Committee Forward Plans ensure visibility of forthcoming decisions.
The Committee system was brought in to enhance the role of all members who are now all part of the decision making process in a way that could not happen under the previous executive arrangements.
The Constitution sets out the roles, responsibilities and role descriptions, and contains provisions relating to committee terms of reference, procedure rules, political and officer management arrangements, roles and responsibilities of Senior Officers, principles of decision making and a scheme of delegation of powers to Officers.
The Constitution sets out the Member and Officer Relations Protocol and Codes of Conduct. Report templates and sign off procedures make it clear where the accountability for sign off is.
The Council has a S.151 Officer and Deputy Officer in place, ensuring that appropriate advice is given on all financial matters, keeping proper financial records and accounts and for maintaining an effective system of internal financial control.
The Head of Law is the Council's Monitoring Officer. The roles and responsibilities of the Monitoring Officer are set out in legislation and are reiterated in the Council's Constitution and the Job Description and Person Specification for that post.
Members are supported through Personal Development Plans and the MSDAG and the Training Plan.
Financial regulations and other control documents are regularly reviewed to ensure they are appropriate.
Publicity is given to the whistle blowing procedures as part of the Fraud and Corruption Strategy - a dedicated telephone contact is published to raise concerns. This policy is to be reviewed.
The Audit Committee reviews the Annual Governance Statement and the effectiveness of internal controls.
Overall risk treatment: reduce

Progress update

The officer decision record form and associated guidance is being rolled out.
The whistleblowing Policy review is currently being undertaken.
A review of Performance Management framework has been undertaken and strengthened performance management and reporting are being put in place during Autumn / Winter 2015.
The Council publishes an Annual Governance Statement - the process to review and develop the statement is being strengthened during 15/16, with greater engagement of the County Leadership Group at an early stage.
The policy of providing a dedicated telephone contact to raise concerns is being reviewed.

Risk Number	RM010				**Date of update**				08 March 2016	
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Risk Owner	Anne Gibson				**Date entered on risk register**				02 September 2015	

Risk Description

Loss of core / key ICT systems, communications or utilities for a significant period - as a result of physical failure, fire or flood, supplier failure, misconfiguration or loss of PSN accreditation - would result in a failure to deliver IT based services leading to disruption to critcial service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	1	3	**3**	Jun-17	**Amber**

Tasks to mitigate the risk

1) Full power down in June 2015, completion of electrical works and test of ability to restore service.
2) Catalogue key ICT systems by 30th Sept 2015 - determine Recovery Time Objectives ("How long to restore") and Recovery Point Objectives ("acceptable amount of data loss") with business owners by 31st Oct.
3) Develop rolling Disaster Recovery test schedule by 30th Nov.
4) Determine target location for Highways Management System, CareFirst, Oracle e-Business Suite and Windows servers
5) Complete voice and data network re-procurement by 31st Dec to mitigate resilience issues, including with telephony, the data network, remote access, mobile devices and schools services.
6) Take necessary steps to retain PSN accreditation.

Overall risk treatment: reduce

Progress update

1) Full power down completed and procedures updated from lessons learned.
2) Recovery Time Objectives now documented.
3) Initial set of DR tests will be undertaken, associated with testing failover of the new network. A rolling programme wll follow.
4) cloud-based highways management system being implemented; procurement starting for CareFirst replacement (will be resiliently hosted); review of Oracle hosting has been commenced in light of this; review of Windows hosting still to be completed
5) Voice and Data network procurement completed and once implemented will improve resilience.
6) PSN re-accreditation has been achieved, and a programme of works to retain accreditation put in place.

Risk Number	RM011	**Date of update**	19 February 2016
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.		
Risk Owner	Anne Gibson	**Date entered on risk register**	02 September 2015

Risk Description

The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This will have a detrimental impact on future improvement plans and overall performance and reputation of the Council.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	1	3	**3**	Mar-16	**Amber**

Tasks to mitigate the risk

A new senior officer appraisal scheme has been introduced for 2015-16.
Framework of expectations set out for all for senior managers - including common leadership objectives, and a set of behavioural expectations (as part of the revised ways of working).
A refreshed tool kit is being developed to ensure we consistently assess senior officer competence and address gaps, including ensuring all DMTs have a common set of functional accountablities - with named senior managers.
The revised leadership development strategy - will provide further targeted development for skills needs (overview plan to be discussed / agreed by the Managing Director / County Leadership Team - March 2016)
To undertake an inital review/assessment for the Managing Director / County Leadership Team on the impact of the range of measures we have put in place to improve the quality of performance management accross the organisation (which will be part of the planning preparation for the end of year appraisals - County Leadership Team in early March.
The programme should be complete by end of March 2016 - will need robust follow up and evaluation to ensure this learning and practice is embedded day to day across the organsiation. An audit / review of the people aspects of performance management is planned in Spring 2016 and a summary of this will be shaped with CLT/CLG early in the new year.

Overall risk treatment: reduce.

Progress update

Performance conversation Workshop 1 - So far approximately 50 sessions have been completed covering around 500 managers. Evaluation feedback has been that this is a valuable investment and will help improve managers skills - 87% stated that it would support them in having better quality conversations around performance; both with my team and with others I want to challenge or influence.
A second phase evaluation is underway.
We are now following up those who have not attended.
To plan with County Leadership Team / County Leadership Group in January 2016 how we ensure that we embed these skills and that the quality of all performance conversations is consistently high (with evidence based discussions being key). Also that this fits with the wider strategy around performance management improvement.
An audit is being planned for the spring of this year 2016 - to assess and check progress on our people performance management practice.

Risk Number	RM013	**Date of update**	26 February 2016
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	02 September 2015

Risk Description

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2014-15, from page 88, covering Group Accounts available on the Council's website at http://www.norfolk.gov.uk/view/NCC167254

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	**4**	1	4	**4**	1	4	**4**	Mar-16	**Green**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks are recorded on the Group's risk register.

2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Resources of the Council. There is a shareholder committee comprised of six Members. The shareholder committee meets quarterly and monitors the performance of NORSE. A member of the shareholder board, the shareholder representative, also attends the NORSE board.

3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
The Executive Director of CES undertakes a strategic relationship role on behalf of CLT checking there is a consistency in the client side management.

Overall risk treatment: reduce

Progress update

1) There are regular Board meetings, share holder meetings and reporting as required.

2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company.

3) The Council is reviewing its framework of controls to ensure it is meeting its Teckel requirements in terms of governance and control.

Risk Number	RM014a	**Date of update**	19 February 2016
Risk Name	The amount spent on home to school transport at significant variance to predicted best estimates		
Risk Owner	Gordon Boyd	**Date entered on risk register**	04 November 2015

Risk Description

There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the home to school transport budgets and an inability to reduce costs.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	4	3	**12**	2	3	**6**	Mar-17	**Red**

Tasks to mitigate the risk

Continue to enforce education transport policy, and work with commissioners re school placements.
Continually review the transport networks, to look for integration and efficiency opportunities.
Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively.
Look for further, more innovative, ways to plan, procure and integrate transport.

Overall risk treatment: reduce

Progress update

Conversations with SEN commissioners in Children's Services ongoing. Consultant has been 'recruited' to help deliver new Inclusion strategy, including SEN transport savings. New School Inclusion Strategy should help to reduce the number of children accessing alternative specialist provision, but this will not really kick in until 2016/17
SEN budget has been split down to lower levels and regular data is being sent to decision-makers in Children's Services to enable further transparency and better budget monitoring.
While student numbers continue to decrease in secondary and Post 16 education, spend is reducing.

Appendix A

Risk Number	RM014b				**Date of update**				02 March 2016	
Risk Name	The amount spent on adult social care transport at significant variance to predicted best estimates									
Risk Owner	Janice Dane				**Date entered on risk register**				04 November 2015	
Risk Description										
Rising transport costs, the nature of the demand-led service (particularly for adults with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the adult social care transport budgets and an inability to reduce costs.										
Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	4	3	**12**	2	3	**6**	Mar-17	**Red**
Tasks to mitigate the risk										
Work with Adult Services to reduce the amount of transport needed, including highlighting high cost cases and unusual journey requirements. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectiviely. Look for further, more innovative, ways to plan, procure and integrate transport. Overall risk treatment: reduce										
Progress update										
One FTE in H&T now dedicated to helping ASSD transport savings programme. Regular data and costs are being sent to ASSD managers. ASSD have set up project governance and are working on analysing activity data, but problem remains that reviews of service users are not taking place quickly enough to progress change - ASSD SMT are aware.										

Risk Number	RM016	**Date of update**	19 February 2016
Risk Name	Failure to adequately embed Business Continuity into the organisation.		
Risk Owner	Tom McCabe	**Date entered on risk register**	10 December 2015

Risk Description

To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a significant (category 1 or 2 Business Continuity incident) (N.B. this risk will be scored differently for different departments due to different levels of preparedness).

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	2	3	**6**	31/06/2016	**Green**

Tasks to mitigate the risk	**Progress update**
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management Team (SMT) meetings and then a plan of action created to ensure they are in place.	1) We have plans in place across all departments although some are now out of their review date. Hence, currently 53% are complete and up to date. Over 90% of BIAs are complete and on the basis of the updated BIAs then BC Plans are to be updated by end of April. The Resilience Team audits the quality of plans and provides additional support where required.
2) That departments are represented at Resilience Management Board meetings, that training is completed and that the	2) Most departments are represented at meetings regularly. A programme of training and exercising needs to be developed for 2016.
3) No notice exercise with Customer Service Centre at work area recovery (WAR) site. Also, a test of the Senior Management Group to exercise revised Business Continuity plan and operational	3) Full no-notice exercise has been delayed as a result of changes in layout and equipment available for use at the Work Area Recovery site, new requirements around this are being assessed to review plans and looking possibly to mid 2016 for this large scale exercise.
4) Ensure key processes are documented and “process maps” written for critical	4) Key processes are being documented, with process maps being written for critical activities.
5) Complete a Business Impact Analysis every two years and review risks which could	5) In this current review period the percentage of business Impact Analyses completed is 91%.
6) To review Business Continuity E-Learning Course, update and relaunch, monitoring uptake.	6) The online BC e-learning is available but needs further refining. The e-learning module to be promoted across the organisation.

Risk Number	RM017	**Date of update**	18 February 2016
Risk Name	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m)		
Risk Owner	Tom McCabe	**Date entered on risk register**	26 November 2015

Risk Description

There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental / building contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed budget. Effect: Failure to construct and deliver the NDR within budget would result in the inability to deliver other elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan. It would also result in a reduction in delivering economic development and negatively impact on Norfolk County Council's reputation. Exceeding the budget will also potentially impact wider NCC budgets and its ability to deliver other highway projects or wider services (depending on the scale of any overspend).

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	3	3	**9**	2	2	**4**	Feb-18	**Green**

Tasks to mitigate the risk

The total project cost, not including the Postwick junction which is already being delivered, is £151.25m.
1) A project Board and associated governance mechanisms to be put in place. Monthly reporting will be provided to the Board (Chaired by Tom McCabe).
2) A project team is to be developed to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which will include a commercial project manager.
3) Main clearance works, archaelogical investigation and utility diversions planned for start on 4 January 2016. This will enable main construction to meet start planned for March 2016 to keep programme as short as possible.
4) Project controls and client team to be assembled to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project.
5) Cost reduction opportunity meetings will be held throughout the duration of the construction.

Overall risk treatment: reduce

Progress update

1) A project Board and associated governance mechanisms are in place and monthly reporting will be provided to the Board (Chaired by Tom McCabe).
2) The project team is being developed to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which will include a commercial project manager.The contract includes significant incentivisation with the intention for the whole delivery team to stay within the available budget.
3) Works start delayed, but some clearance and environmental mitigation able to be started in December 2015. Main clearance works, archaelogical investigation and utility diversions started on 4 January 2016 and are currently on programme (although potential for early bird nesting due to mild weather is being monitored).
4) Project controls and client team being assembled to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project.
5) All team focussed on reducing costs and further cost reduction opportunity meeting already held with further meetings being planned.

Risk Number	RM018	**Date of update**	26 February 2016
Risk Name	Failure to improve at the required pace.		
Risk Owner	Michael Rosen	**Date entered on risk register**	26 February 2016

Risk Description

CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	1	4	**4**	Jun-16	**Amber**

Tasks to mitigate the risk

1) Recruit the right people with the right skills into posts. Train and support managers to improve their performance.
2) Ensure the Ofsted Action Plan is fully delivered through robust scrutiny and affirmative action to quickly address any deviation from the plan. Additional capacity has been secured via the Reimagining Norfolk (RN) team.

Overall risk treatment: reduce

Progress update

1) The NIPE programme continues to attract new social workers but we continue to struggle to attract suitably experienced workers.
2) Action owners are required to provide weekly updates re: delivery of their respective areas of the plan. The RN team are focussing their efforts on the areas of greatest concern i.e Health Assessments, Personal Education Plans and Permanence.

Appendix A

Risk Number	RM019	**Date of update**	26 February 2016
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget (NEW)		
Risk Owner	Harold Bodmer	**Date entered on risk register**	24 February 2016

Risk Description

Major risks include: 1) Being unable to resource the project to meet the April 2018 deadline 2) Setting a scope that is either too ambitious or not challenging enough 3) The market may not provide an affordable solution 4) It may be difficult to establish costs and fund the project 5) National and local agendas may cause our requirements to change radically between procuring and implementing the system 6) Corporate governance may be challenging to establish standard requirements for a complex project involving users from 5 council departments and 3 committees.

Original			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	5	**15**	1	4	**4**	Jun-18	**Green**

Tasks to mitigate the risk

1) Create and cost a resource and preliminary staffing structure profiled across years
2) Ensure scope is effectively challenged through staff, management and member consultation
3) Ensure the procurement route and SoR is clearly specified to appeal to the widest group of contractors
4) Ensure costs and resource plans are challenged reviewed by an external expert
5) Consult effectively with partners and stakeholders to ensure intelligence is captured and fed into the procurement requirements and within the implementation phases
6) Develop and review effective corporate governance to ensure service requirements are fed into the scope and SoR

overall risk treatment: reduce

Progress update

1) Staffing and non-staffing estimates were calculated and profiled and approved by Adults, Children's and policy and Resources Committees by February 2016
2) The project scope has been reviewed by the SCS Management Board and by CLT
3) The SoR is being constructed and consulted on with a deadline of end of March 2016. The SoR will be reviewed for sign-off by management teams, selected stakeholders, CLT and the Members Working Group
4) Cost and resource plans have been challenged and reviewed by an external ICT consultant and changes have been made to take these into account
5) The Project Team is consulting with management groups, stakeholders and OLAs and is maintaining a watching brief on the development of Government and professional body agendas
6) Governance models developed in the preliminary stages have been reviewed in consultation with the Managing Director and Corporate Leadership Team and those changes are being implemented.

Risk Number	RM020a	**Date of update**	30 March 2016
Risk Name	Failure to meet the long term needs of older people (NEW)		
Risk Owner	Harold Bodmer	**Date entered on risk register**	23 March 2016

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	**25**	4	5	**20**	2	4	**8**	Mar-30	**Amber**

Tasks to mitigate the risk

1) Take steps to protect the Purchase of Care budget when budget planning prior to 2014-17.
2) Invest in appropriate prevention and reablement services
3) Integrate social care and health services to ensure maximum efficiency for delivery of health and social care
4) Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan.
5) Continue to manage needs within available budget; to identify and deliver savings in the Adult Social Care budget plan. ensure the issues are understood and discussed corporately.
6) Developing and implementing a new strategy for adult social care promoting independence, with a focus on prevention and early intervention in order to manage demand for formal care services.

Overall risk treatment: reduce

Progress update

1) The Council has implemented a 2% precept which has allowed for the protection of prevention services in Adult Social Care, however significant savings will need to be made in purchase of care.
2) Additional investment has been made in reablement services in order to respond to 100% of appropriate referrals from April 2016.
The Adult Social Care mitigating tasks are relatively short term measures compared to the long term risk, i.e. 2030, but long term measures are outside NCC's control, for example Central Government policy.
3) Integrated management of community health and care teams in in place supported by a programme to deliver benefits through integration.
4) Budget planning process will adress investment in adult social care.
5) Although steps have been taken to protect the Purchase of Care budget in previous budget planning, the proposals for 2014-18 have had to include savings from the Purchase of Care budget. It proved difficult to make the savings in 2015-16 and the savings have not been fully achieved. Savings delivery plan is being put in place for 2016/17.
6) The Adult Social Care Committee has approved Promoting Independence as the new approach to adult social care. The full model and implementation plan are in development. The overall objective is: improving when and how people can get information and advice locally; helping people to meet their needs locally; helping people to be independent; a strengths based approach; and in turn reducing the number of social care assessments that Norfolk carries out and the amount of funded services provided.

Risk Number	RM020b	**Date of update**	30 March 2016
Risk Name	Failure to meet the needs of older people (NEW)		
Risk Owner	Harold Bodmer	**Date entered on risk register**	23 March 2016

Risk Description

If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	4	**8**	Mar-17	**Amber**

Tasks to mitigate the risk

1) Invest in appropriate prevention and reablement services
2) Integrate social care and health services to ensure maximum efficiency for delivery of health and social care
3) The Building a Better Future Programme will realign and develop residential and social care facilities.
4) Adult Social Services has a new more cost effective model for meeting peoples' needs based on Promoting Independence.

Overall risk treatment: reduce

Progress update

1) Cost of care exercise is coming to a conclusion and will set the usual price for care in 2016-17.
2) The Care Act has been deferred to 2020. This could impact significantly on both eligibility for services and reduced service user contributions.
3) Following the setting up of Norse Care in April 2011 the Building a Better Future 15 year transformation programme of the previous in house residential homes has reprovided three residential homes in the Eastern locality with Lydia Eva Court and is building a development at Bowthorpe to open later in 2016.
The department is setting up Trusted Traders who provided financial advice.
Actions are in place to deliver the 2016-17 savings but there are risks associated with the savings, and they were not achieved fully in 2015/16. The Purchase of Care budget and the department are forecast to overspend in 2015-16.
4) The department is working on delivering Promoting Independence, the new strategy for Adult Social Services: keeping people independent in their homes, meeting their needs in the local community and reducing the need for paid services. Some of the CCGs have stated that they will not be putting as much money into the Better Care Fund in 2016-17.

Appendix B

Reconciliation of the January 2015 Corporate Risk Register Reporting to the April 2016 Audit Committee

New risks on the Corporate risk register since the last report

No.	Risk Name
RM019	Failure to deliver a new fit for purpose social care system on time and to budget

Upgraded risks from Departmental risk registers since the last report

No.	Risk Name
RM020a	Failure to meet the long term needs of older people (from Adults Services)
RM020b	Failure to meet the needs of older people (from Adults Services)

Downgraded risks from the Corporate risk register since the last report

No.	Risk Name
-	-

Closed risks from the Corporate risk register since the last report

No.	Risk Name
RM015	The risk that we don’t have reliable IT infrastructure

End of report.

Corporate Strategic Risks - Heat Map

LIKELIHOOD					
Almost Certain 5					20a
Likely 4			14a 14b		
Possible 3			17	20b 5 1 10 9 11 4	2 7 3 6 19
Unlikely 2				8	16 18
Rare 1				13	
	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5

IMPACT

Key = Becoming more of a risk / = Risk is stable / = Becoming less of a risk

No.	Risk description		
1	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.	10	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.
2	The potential risk of failure to manage significant reductions in local and national income streams	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice.	13	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council’s ambitions.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
5	The risk that we cannot provide modern desktop equipment that meets the needs of the organisation.	14b	The amount spent on adult social care transport at significant variance to predicted best estimates.
		16	Failure to adequately embed Business Continuity into the organisation.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m).
7	Potential risk of organisational failure due to data quality issues.	18	Failure to make the required improvements leading to take-over of Children's Services.
8	The potential risk of failure to deliver effective procurement processes.	19	Failure to deliver a new fit for purpose social care system on time and to budget.
9	The potential risk of failure of corporate governance and leadership.	20a	Failure to meet the long term needs of older people.
		20b	Failure to meet the needs of older people.

Audit Committee

Item No 7

Report title:	**External Auditor's Audit Plan 2015-16**
Date of meeting:	**21 April 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee consider the work of the Council's External Auditors in accordance with their terms of reference, which are part of the Council's Constitution, part 4.1 (4.4). (page 11) being:

F. External Audit
1. Consider reports of external audit and other inspection agencies.
2. Ensure there are effective relationships between external audit and internal audit.

Executive summary

The purpose of this report is to introduce the External Auditor's Audit Plan for the year ending 31 March 2016, which is attached as **Appendix A**. The Pensions Committee will receive a separate letter for their approval.

A representative from Ernst & Young LLP ("EY") will attend the meeting and answer members' questions.

Members are recommended to consider:

- **the External Auditor's Audit Plan for 2015-16, including their assessment of the Financial Statement Risks and Value for Money Risks**
- **whether there are other matters which you consider may influence their work**

1. Introduction

This Annual Audit Plan sets out how EY intend to carry out their responsibilities as auditor.

2. Evidence

The External Auditor's Audit Plan is attached as **Appendix A** to this report. There are no specific matters which are considered to influence their work. Financial Statement risks and Value for Money risks are set out in parts 2 and 3 of the plan.

3. Financial Implications

Audit fees are set out in section 4 of the report. There are no other specific financial implications.

4. Issues, risks and innovation

Risk implications

4.1 Apart from those listed in the report, there are no other implications to take into account.

4.2 A representative from EY will attend the meeting and answer members' questions.

5. Background

5.1 The Council's Financial Statements cover several reporting entities making up the Council's group accounts. Each entity has an audit plan for the financial year and these are provided by different auditors

Entity	Auditor
Norfolk County Council	**EY**
Norfolk Pension Fund	EY
Norse Group	Grant Thornton
Independence Matters	EY
Hethel Innovation Limited	*Small Companies Exemption from Audit –*
Great Yarmouth Development Co. Ltd	*Companies Act 2006 (part 476 and 477)*
Norfolk Energy Futures Ltd	
Norfolk Safety CIC	

Officer Contact

If you have any questions about the matters contained in this paper please get in touch with:

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Norfolk County Council

Year ending 31 March 2016

Audit Plan

21 April 2016

Ernst & Young LLP

Building a better working world

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21 April 2016

Dear Committee Members

2015/16 – External Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this Audit Plan with you on 21 April 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson
Executive Director
For and behalf of Ernst & Young LLP
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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ''Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Norfolk County Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;

- Developments in financial reporting and auditing standards;

- The quality of systems and processes;

- Changes in the business and regulatory environment; and,

- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

In section 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks. Details of our audit process and strategy are set out in section 4.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Pension valuations and disclosures	
The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the liability is disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund. Accounting for this scheme involves significant estimation and judgement. Due to the nature, volume and size of the transactions we consider this to be a significant risk. However, the Council does not have a history of any issues in accounting for their pension scheme.	Our approach will focus on: ► Liaising with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council ► Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC, and ► Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
Norse Group Ltd	
Norse Group Ltd is a significant component company within the Norfolk County Council group. Norse Group Ltd is significant to the group based on both its size and other risk factors. The Norse Group Ltd moved their year end from 31 January to 31 March. This is now coterminous with Norfolk County Council. The financial statements for the Norse Group Ltd for the transition year, 2015/16, will be a fourteen month period. To comply with IFRS 10 Norfolk County Council will require a consolidation pack from the Norse Group for the twelve months leading to 31 March 2016 and will consolidate on the basis of that pack. The production of financial statements and disclosure notes for the group accounts and the closedown and consolidation process therefore presents a significant financial statement risk.	Our approach will focus on: ► Assessing the group accounting instructions and consolidation schedules issued to Norse Group Ltd by Norfolk County Council ► Liaising with Grant Thornton LLP, the external auditors of the Norse Group, and issuing them with instructions that detail the required audit procedures they are to undertake on the consolidation schedules prepared by Norse, and ► Ensuring that appropriate consolidation procedures are applied when consolidating the Norse Group into the Norfolk County group accounts.
Valuation of property, plant and equipment	
Property, plant and equipment represent a significant balance in the Council's accounts and this is an area which involves judgemental inputs and estimates. The most significant accounting judgement and estimate that the Council forms in this area relates to the valuation of property, plant and equipment. In order to address this accounting risk the Council employs a valuation expert; Norfolk Property Services. The valuation risk is increased with the prospective application of IFRS13 Fair Value Measurement from 1 April 2015. This is likely to have the largest impact on the Council's surplus assets and investment property portfolio where asset valuations need to be reviewed to ensure they are based on best use.	Our approach will focus on: ► Reliance on management's valuations experts. This will include comparison to industry valuation trends and reliance on our own valuation experts where significant unexplained variations are identified ► Testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments, and ► Reviewing and testing the Council's application of IFRS13 to ensure the fair value of relevant assets is based on economic best interest.

Better Care Fund	
The Better Care Fund (BCF) is a major policy initiative between local authorities, clinical commissioning groups (CCGs) and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. From the 1 April 2015 the Council has set up pooled arrangements with each of the five Norfolk CCGs. The partners use the pooled fund to jointly commission or deliver health and social care services at a local level. The detailed form of local pooled arrangements is not prescribed and has been agreed locally between partners. Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements that raise risks of misunderstanding, inconsistencies and confusion between the partners.	Our approach will focus on: ► Reviewing the BCF agreements with each of the CCGs and the Council's assessment of the agreements and accounting approach ► Determine if appropriate accounting arrangements for the BCF have been used, by establishing what relevant activities are to be undertaken and whether participants have control, either jointly or solely, over the arrangement, and ► Testing transactions and disclosures to underlying evidence.

Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have rebutted this risk for the Council's income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.	Our approach will focus on: ► Reviewing and testing revenue and expenditure recognition policies ► Reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias ► Develop a testing strategy to test material revenue and expenditure streams ► Reviewing and testing revenue cut-off at the period end date, and ► Testing the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.

Risk of management override	
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. We identify and respond to this fraud risk on every audit engagement. We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ► Reviewing accounting estimates for evidence of management bias, and ► Evaluating the business rationale for significant unusual transactions.

Other financial statement risks

Academies	
Schools have continued to convert to academy status during 2015/16. This has implications for the treatment of the schools' property, plant and equipment, debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.	Our approach will focus on: ► The arrangements for agreeing with the schools the assets, liabilities and balances for transfer, and ► Reviewing how the transfers have been accounted for.

Existence of plant and equipment assets	
The Council had vehicle and equipment assets of £28.2 million net book value at 31 March 2015. These assets tend to be more mobile and generally have a shorter useful life. Without a regular asset verification exercise there is a risk that assets recorded on the balance sheet are no longer used by the Council.	Our approach will focus on: ► Reviewing the Council's controls concerning asset verification, and ► Carrying out testing of assets for continuing existence.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address any identified risks of fraud, and,
- Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
For 2015/16 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Sustainable resource deployment: Achievement of savings needed over the medium term	
The medium term financial strategy includes £115 million budget savings to be delivered across four years. The Council has identified plans to make savings in a number of areas. Although the Council has identified plans to make the savings, there remains a risk that savings are not achievable at the planned level and result in additional use of reserve to balance the financial position. In addition, further savings need to be identified to close the funding shortfall in 2017/18 and 2019/20.	Our approach will continue to focus on: ► The adequacy of the Council's budget monitoring process, comparing budget to outturn ► The robustness of any assumptions used in medium term planning ► The Council's approach to prioritising resources whilst maintaining services, and ► The savings plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term.
Informed decision making: Improvements to services	
Ofsted carried out an inppection of Children's services during July 2015. The inspection covered the services for children in need of help and protection, children looked after and care leavers.	We will consider the arrangements the Council have taken to address the concerns raised in the inspection and implement the recommendations. This will include assessing how members have been involved in decisions making and monitoring of actions and how the Council have considered

The report was published in October 2015 and concluded the Children's services in Norfolk are inadequate. The inspection reported some parts of the service have improved since the last time the county was inspected in 2013, but services for looked after children and care leavers are still not good enough. Recommendations for service improvements are set out in the report.	the financial impact of actions.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- Financial statements
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;
- Give a separate opinion on the part of the Council's financial statements that relates to the accounts of the pension fund; and
- Issue a statutory audit opinion on the Council's subsidiary Independence Matters Ltd. We will plan our audit procedures to identify misstatements that could be material to the statutory financial statements of the individual entity.

2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

We will obtain an understanding of the Council's system of internal control. We assess the adequacy of specific controls that respond to significant risks of material misstatement. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls. and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

Our initial assessment of the key processes has identified the following key processes where we will seek to test key controls, relying on the work of internal audit where efficient:

- Accounts receivable
- Accounts payable
- Local Management of Schools (LMS access database)

- ► Payroll
- ► Planning and transportation operations (Exor)
- ► Supporting people (recurring payments database)

We plan to test other transactions and balances substantively at year end.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ► Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ► Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Fair value of financial instrument disclosure	Management expert – for the provision of fair value information in respect of financial instruments (Capita Asset Services)
Insurance provision	Management expert – valuation services around the Employer and Public Liability Insurance provision (Marsh)
Pension valuations and disclosures	Management expert – actuarial specialists to the Norfolk Pension Fund (Hymans Robertson)
Property, Plant and Equipment, and Investment Properties	Management expert – valuation specialists (Norfolk Property Services)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ► Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- ► Assess the reasonableness of the assumptions and methods used;

- Consider the appropriateness of the timing of when the specialist carried out the work; and

- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;

- Significant disclosures included in the financial statements;

- Entity-wide controls;

- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;

- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement

- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £13.7 million based on 1% of gross expenditure on provision of services. We will communicate uncorrected audit misstatements greater than £689,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 How materiality is applied to the component locations

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. Based on the group planning materiality of £15.4 million, we expect to apply materiality of £3.4 million to the Norse Group Ltd and £2.3 million to Independence Matters Ltd. The component reporting limit for adjustments is £772,000.

4.6 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

The indicative fee scale for the audit of Norfolk County Council is £117,045, and we are expecting to charge an additional £10,717 for liaising with, and reviewing the work of the Norse Group Ltd auditors in order to audit the full consolidated set of financial statements. This is the same level of additional work as incurred in previous years, and is subject to approval by Public Sector Audit Appointments Ltd. This fee is predicated on the Council preparing financial statements for audit which are free from material error and which are supported by good quality working papers.

We will also undertake non-audit work outside of the Code requirements on the Teacher's pensions claim. Further information is provided in Appendix A.

4.7 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities. Mark is supported by David Riglar who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	**April 2015**		Audit Fee Letter Progress Report
Risk assessment and setting of scopes	**February 2016**	**April 2016**	Audit Plan
Testing routine processes and controls	**March 2016**		Reporting of any significant matters if required
Year-end audit	**July to**		

	September 2016		
Completion of audit	**September 2016**	**September 2016**	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	**October 2016**		Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed and analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, we have not agreed any non-audit fees.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Norfolk County Council, Mark Hodgson the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	127,762*	117,045*	170,360*	For the 2015/16 financial year the Audit Commission set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014.
Total Audit Fee – Code work	**127,762**	**117,045**	**170,360**	
Non-audit work	6,200	6,200	6,200	Relates to the review of Teacher's Pension claim.

**The planned fee includes an expected additional fee of £10,717 for instructing, liaising with, and reviewing the work of the auditors of Norse Group Ltd. This is consistent with prior years.*

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- The Council provides good quality draft accounts which have undergone senior management review by 30 June 2016 and working papers which have similarly undergone review by 30 June 2016;
- Officers provide appropriate responses to queries and other information we request within the agreed timescales to allow us to complete the audit fieldwork by August 2016;
- The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the [Audit Committee]. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	► Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	► Audit Plan ► Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	► Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	► Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Report to those charged with governance ► Annual Audit Letter if considered necessary
Group audits ► An overview of the type of work to be performed on the financial information of the components ► An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	► Audit Plan

Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk-based, and therefore the data below on coverage of gross revenue expenditure and total assets is provided for your information only.

Group audit scope	Entity	% of GRE
Full	Norfolk County Council (single entity) Norse Group Ltd	99.2
Limited	Independence Matters	0.8

- **Full scope**: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).

- **Limited Scope**: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. Our involvement can be summarised as follows:

- We will instruct Grant Thornton LLP (Norse Group Ltd external auditor) to undertake a full scope audit of the consolidation pack prepared by the Norse Group. We will liaise with Grant Thornton on a regular basis as well as review elements of the work they undertake on our behalf. We will review the final audited financial statements of Norse Group Ltd when performing our tests of consolidation and analytical review of the amounts feeding into the group statements.

- We plan to rely on the work of the EY component team for Independence Matters. Inter office group instructions will be prepared to set out the scope of procedures required.

Audit Committee

Item No 8

Report title:	**Norse Governance Review**
Date of meeting:	**21 April 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee considers matters of Governance arrangements in accordance with their terms of reference, which are part of the Council's Constitution, part 4.1 (4.4). (page 11) being:

B1: Internal Audit and Internal Control

1. With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.

Executive summary

The purpose of this report is to introduce the Norse Governance Review report that was reported to the Policy and Resources Committee on 21st March 2016, attached as Appendix A.

The Policy and Resources Committee RESOLVED:

1. That the governance recommendations contained in Appendix 1 of the report and the consents recommendations by the Executive Director of Finance set out in Appendix 2 of the report be approved.

2. That the report be forwarded to the Audit Committee so that they can review the progress that has been made with implementing the governance review.

3. That a progress report is brought to a future meeting of the Policy and Resources Committee.

Members are recommended to consider:

- **the progress that has been made with implementing the Norse Governance Review**

1. Introduction

The Policy and Resources Committee, 21st March 2016, considered the attached report. The Committee resolved that the report be forwarded to the Audit Committee so that they can review the progress that has been made with implementing the governance review.

A verbal update will be provided to the meeting on progress with implementing the review.

2. Evidence

The Norse Governance Review Report is attached as **Appendix A** to this report.

3. Financial Implications

There are no specific financial implications that are not already covered in the report.

4. Issues, risks and innovation

Risk implications

4.1 Apart from those listed in the report, there are no other implications to take into account.

5. Background

5.1 The background is set out in the attached report.

Officer Contact

If you have any questions about the matters contained in this paper please get in touch with:

Name	Telephone Number	Email address
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Policy and Resources Committee

Item No 9

Report title:	**Norse Governance Review**
	Report of the Shareholder Representative, the Head of Law and Monitoring Officer and the Executive Director of Finance
Date of meeting:	**21 March 2016**
Strategic Impact:	**The recommendations, if agreed, will strengthen and clarify the risk of members and officers in the governance of the Norse Group of Companies.**

Executive Summary:	**The Council has conducted a thorough review of its governance arrangements in relation to the Norse Group of Companies, to take account of legislative changes, the growth of the Norse Group, changes to the Council's own system of governance and changes to Senior Management. Members are asked to agree the Recommendations set out in Appendix 1 and the consents recommended by the Executive Director of Finance in Appendix 2.**

1. **Introduction**

There have been a number of significant changes to the legal and operational context in which the Council's wholly-owned company, the Norse Group Limited and its subsidiaries, operate, in particular:

- The Public Contracts Regulations 2015 which codified the existing case law regime, generally known as 'Teckal', governing public contracts including those let to local authority companies;
- The change in the Council's own system of governance from a Cabinet model, where key decisions are taken by the Leader and a group of up to 10 members, to a Committee model, where key decisions are taken collectively by politically proportionate Committees
- The continued growth of the Norse Group to a business with a turnover of approximately £300m, of which around £80m represents services supplied to the Council;
- Changes to the senior management of the Council with accountability for the Norse Group's activities, namely a new Managing Director and Executive Director of Finance within the last 18 months.

These have caused the Council, through the Managing Director, to seek to ensure that that the Council's governance and stewardship of the Norse Group and its leverage as owner of the companies in the Norse Group, is sufficiently strong, meets the standards in the new regulations and CIPFA's Good Governance Standards for public services.

This report does not seek to change the responsibilities for stewardship and oversight of the Norse Group that sits with members. Rather it seeks to strengthen and clarify the process through which that stewardship and oversight will occur and ensure that members receive a level of professional advice appropriate to the size and value of the Norse Group from the Council's officers.

The Council therefore commissioned an independent legal review and an independent financial review of the Norse Group arrangements. Those reviews have generated a number of recommendations for the Policy & Resources Committee which are summarised in Appendix 1. Copies of the independent legal and financial reviews are available for Members from the Head of Law and Monitoring Officer.

There are also a number of consents to Norse Group activities which are outstanding which the Executive Director of Finance has considered and recommended for agreement at Appendix 2.

Prior to presenting the recommendations in Appendix 1 and the consents in Appendix 2 to the Policy & Resources Committee for agreement the Executive Director and Head of Law and Monitoring Officer sought the views of the Shareholder Committee.

2. Norse Group Limited

Norse Group Limited is a private company limited by shares in accordance with the Companies Act 2006. The Council is the single shareholder.

Norse Group Limited was formed in 2006 and acts as the holding company for NPS Property Consultants Ltd (NPS), Norse Commercial Services Ltd (NCS) and NorseCare Ltd, themselves Council controlled companies. Each of those companies has subsidiaries of its own, some wholly owned and some in joint venture arrangements.

3. Local Authority Companies and Public Contracts Regulations

Local authority companies are subject to certain rules on controlled companies under the Local Government and Housing Act 1989 but these are limited. More significantly, if the Authority buys services from one of its companies it is subject to EU procurement rules which have been brought into law in England and Wales through the Public Contracts Regulations with effect from February 2015.

The regulations provide that public contracts awarded to a separate entity will be governed by the procurement regime i.e. will have to be tendered in line with EU procurement regulations unless all of the following are fulfilled:

- The contracting authority exercises over the Company to whom the contract is awarded a control similar to that which it exercises over its own departments
- More than 80% of the activities of the Company to whom the contract is awarded are carried out in the performance of the tasks entrusted to it by the controlling authority or another company controlled by the contracting authority
- There is no direct private capital participation in the controlled company.

The Council will exercise the required level of control where it exercises a decisive influence over both the strategic objectives and significant decisions of the controlled company.

4. Good governance of local authority companies

In addition to the specific requirements of the Public Contracts Regulations in relation to services supplied by a local authority companies to its owner council, the Council as a publicly funded body must ensure the appropriate level of good governance and stewardship in relation to the Norse Group of companies, as the Council's asset.

CIPFA's Good Governance Standards for Public Services sets out 6 core principles which should underpin the council's governance arrangements in relation to all its activities:

- A clear definition of the body's purpose and desired outcomes
- Well-defined functions and responsibilities
- An appropriate corporate culture
- Transparent decision-making
- A strong governance team
- Real accountability to stakeholders.

The reviews have been conducted to ensure the Council has a reliable framework, in the current regulatory and operational context, for legal compliance, appropriate governance and stewardship and appropriate leverage as owner.

5. Independent legal and financial reviews

The Council commissioned external legal and financial advisors, experienced in advising Councils on the legal and financial aspects of governance of wholly-owned companies, to conduct reviews of the governance. The resulting recommendations, which members of the Committee are asked to review, are summarised at Appendix 1.

These reports have been shared and discussed with the Shareholder Committee and the directors of the Norse Group.

6. Existing Governance Arrangements

It is recognised that a range of controls are already in place in relation to the Norse Group of companies. The recommendations seek to provide a sound framework of control for the future. Some of those recommendations formalise or strengthen existing arrangements whilst others are additions to those arrangements.

The existing range of controls include:

- The role of Policy &Resources Committee, as established in the Financial Regulations in the Constitution, in approving the establishment, viability and business cases of new companies, approving investments, taking decisions as shareholders, monitoring the companies and receiving reports and consenting to specified actions and activities (see below) of the Norse Group
- A Shareholder Committee comprised of 6 Members, including a Shareholder Representative, appointed by the Policy & Resources Committee and attended by the Executive Director of Finance, the Chair of the Norse Board (the Council's Executive Director of Resources) and the Norse Group executive directors at its regular meetings

- The Council's Executive Director of Resources chairing the Norse Board and a member of the Council (appointed by P&R) being a board member of the Norse Board
- Weighted voting rights on the Norse Board in favour of the Council's directors
- Controls of the Council, through the Articles of Association, on a range of matters including (in summary): the appointment and removal of directors; terms and conditions of directors; increase or variation of share capital; giving of guarantees and security; sale, lease or disposal of the company's assets; lending; formation or acquisition or disposal of any subsidiary; changing the company's business; personal contracts with Council employees; borrowing; applying for EU grants; disposing of assets; changing the accounting reference date; changing or varying the terms of the auditors; winding up or similar arrangements. A full list of controls of the Council, from the Company's Articles of Association, is set out in the Schedule to this report
- A NorseCare liaison board comprising Members and Senior Officers
- Board reports of the principal companies being provided to the Managing Director, the Executive Director of Finance and the Head of Law and Monitoring Officer and the Executive Director of Finance attending Board meetings
- Service level agreements between the Council and the principal Norse companies.
- The accounts of the Norse Group Companies are externally audited annually. Those externally audited accounts are reviewed annually by the Council's external auditors.

The recommendations form a clear framework pursuant to which the Council can ensure it is exercising all those controls effectively and in some areas a strengthening of those controls, particularly in relation to the principal companies in the Group.

7. **Consents**

Now that the changes from a Cabinet to a Committee system have been completed and reviewed and changes to the senior management team have been concluded there are some outstanding consents which are being sought by the Norse Group from the Council.

Appendix 2 sets out the consents that the Executive Director of Finance is recommending to the Policy & Resources Committee for consideration and approval.

8. **Recommendations**

Members are asked to agree to

- the recommendations in relation to the governance of the Norse Group contained in Appendix 1 and the consents contained in Appendix 2.

- authorise the Executive Director of Finance and the Head of Law and Monitoring Officer to agree a process and timetable for implementation of the recommendations.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

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8.6 The Directors shall not make:

8.6.1 any decision relating to the conditions and terms of service of any employee of the Company who is also a Director of the Company; or

8.6.2 any decision relating to pay and salary scales or establishment levels which would affect any employee of the Company who is also a Director of the Company; or

8.6.3 any appointment, agreement, arrangement, determination of terms or decision to pay remuneration under Regulation 84 of Table A

save with the prior written authority of Norfolk County Council and Regulation 84 of Table A shall be modified accordingly.

8.7 The Directors shall ensure that the Company does not engage in activities in which Norfolk County Council has no powers to engage.

8.8 The Company shall not without the prior written approval of Norfolk County Council do any of the following:-

8.8.1 increase or vary the Company's authorised share capital or create new shares or alter the rights or obligations attached to any of the shares of the Company or issue or allot any shares of the Company to any person, firm or company whatsoever;

8.8.2 give any guarantee, security or indemnity whatsoever or create any encumbrance over any of the assets of the Company;

8.8.3 sell, lease, transfer, charge, or otherwise dispose of the whole or any substantial part of the undertaking or assets of the Company (and for the purposes of this paragraph, "substantial" means assets having an aggregate book value or more than 20% of the net asset value of the Company);

8.8.4 lend or advance to any person, firm or company, except Norfolk County Council or any company wholly owned by Norfolk County Council or employees of the Company, any monies exceeding in aggregate £15,000 or more in any financial year of the Company;

8.8.5 form, acquire or dispose of any subsidiary or amalgamate or merge with any other company or concern or acquire any shares of any other company or participate in any significant partnership or joint venture;

8.8.6 carry out any change in the Company's business;

8.8.7 enter into any personal contract or arrangement with any member or officer of Norfolk County Council;

8.8.8 borrow money on loan for capital expenditure purposes unless previously sanctioned by Norfolk County Council as part of its credit approvals procedure;

8.8.9 apply for any European Community grant;

8.8.10 dispose of any assets the proceeds of disposal of which would be treated as a capital receipt if the proceeds of disposal were received by Norfolk County Council;

8.8.11 make any change in the Company's accounting reference date or registered office;

8.8.12 remove or vary any of the terms of appointment of the Company's auditors;

8.8.13 participate in any scheme of arrangement or petition or pass any resolution to wind up the Company or make application for an administrative order;

and Regulations 70 to 72 of Table A shall be modified accordingly.

Appendix 1

Governance Recommendations

A. Clarity of purpose and parent approval of business plans and strategies

1. That the Council's purposes for participation in the Norse Group companies are clearly established by the Policy & Resources Committee ("P&R") and reviewed annually by P&R.

2. That Norse reports annually to P&R on both past performance against the council's purposes and KPIs and future business plans for the Norse Group companies, with appropriate assurances from the Executive Director of Finance and the Head of Law and Monitoring Officer. The Council has two distinct interests in Norse, as the sole shareholder in the Norse Group where its interests are ownership interests, and as a customer of some of the Norse companies where its interests are service delivery interests. As part of the business plans, that Norse commits to a range of KPIs against which it is measured, including:

   - a value statement summarising the benefits accruing to NCC through ownership of Norse, including target rebate, dividend and return on any loans, provided the level of dividends, combined with rebates, should not be so large as to impact either short-term working capital or future investment requirements to meet long term spending objectives;

   - other KPIs such as the percentage of new work derived from private sector contracts, the profitability of such work and the total return to NCC.

3. That, in relation to new Companies (as defined by the Articles of Association) proposed by the Norse Group, the Executive Director will establish annually business objectives including the financial return expected. Proposals for Companies meeting these business objectives will be fast-tracked for approval by the Executive Director of Finance, through the P&R Committee or via the urgent business procedures for P&R business (where commercially necessary).

4. That the Constitution be amended to clarify the oversight and decision-making role of P&R.

B. Control through ownership and representation

1. That a Shareholders' Agreement is entered into with the Norse Group, NPS, NCS and NorseCare reflecting:

   - the process for approval of business plans;

   - arrangements for funding and the provision of appropriate security for money lent;

   - dispute resolution provisions;

   and other controls deemed appropriate from time to time by the Executive Director of Finance.

2. That Service Level Agreements ("SLAs") with NPS, NCS and NorseCare are regularly reviewed and agreed between the Norse Group and the Executive Director of Finance and the Senior Commissioner (see para C2 below) and updated as appropriate, ensuring commercial rationale.

C. Clarity over who is responsible for stewardship of the arrangements within NCC

1. That the Executive Director of Finance and the Head of Law and Monitoring Officer have clear accountability for the Council's financial and general governance of the Norse Group.

2. That Senior Commissioner for Norse, appointed by the Managing Director, is accountable to NCC for the monitoring and control of service delivery issues, reporting to the Shareholder Committee twice yearly on service delivery and to P&R on an exception basis.

D. Effective reporting, audit and scrutiny, with member and officer oversight

1. That the Shareholder Committee to ensure it meets <u>a minimum</u> of twice per year (the Committee currently meets four times per year).

2. That a management pack is prepared for each Shareholder Committee meeting including:

   - year to date groups principal report, quantify end group balance sheet, details of significant team events;

   - key commercial and legal risks identified by the Executive Director of Finance, highlighting the potential impact and likelihood of occurrence;

   - performance of KPIs against targets set in the business plans, reported to P&R on an exception basis.

3. That the Shareholder Committee, supported and advised by the Executive Director of Finance and the Head of Law and Monitoring Officer, continues to scrutinise Norse and make recommendations as appropriate to P&R.

4. That the role of the Shareholder Representative in reporting back to P&R from the Shareholder Committee is spelt out clearly in the Constitution to include:
   - chairing the Shareholder Committee;
   - representing the views of the Shareholder Committee at the Norse Group AGM and the P&R Committee;
   - feeding back to the Shareholder Committee from P&R Committee and the AGM;
   - leading on liaison with the Companies and with the Council on behalf of the shareholder, taking such professional advice from Council officers as is appropriate in each circumstance.

5. That the Terms of Reference for the Shareholder Committee be reviewed in the light of these recommendations.

6. That the Executive Director of Finance has input into the internal audit function of the Norse Group and, where necessary, provides reports to the Council's Audit

Committee and the External Auditor.

E. Compliance with legal requirements including procurement, state aid, transparency, probity and ethics

1. That the Executive Director of Finance satisfies himself that any Norfolk County Council assets and property used or occupied by the Norse Group are evidenced as being provided on commercial terms.

2. That when any material changes are anticipated to any of the Norse Group of companies, or any significant new arrangements, the Head of Law and Monitoring Officer reviews these with the Norse Group to ensure they operate lawfully and within the company's powers.

F. Financial Assurance and Risk

1. That regular review of the Council and Norse Group risk registers are undertaken by the Executive Director of Finance.

2. That steps are taken to protect any loans or other financial investments in companies by taking security over assets, as far as possible, recognising that in some cases Council security will not have first priority.

3. That NCC's finance team continue to manage any debt provided to the Norse Group as it would a third party loan ensuring appropriate serviceability of debt and covenants.

4. That the Executive Director of Finance ensures that clear systems are in place to discharge his responsibilities under the Constitution.

5. That the NCC member and officer directors (nor, without the consent of the Council, former member or officer directors) are not remunerated by the companies but only through member allowances/officer remuneration schemes.

6. That through the Shareholder Agreement, Norse alerts NCC to a set of triggers agreed with the Executive Director of Finance, to include fraud, material insurance claims, health and safety, data protection, whistleblowing, issues with DBS.

G. General Recommendations

1. That there is a programme of relevant training and development for any NCC appointed Directors of the Company and those managing relationships within the Council.

2. That a shared portal is established and maintained by the Head of Law and Monitoring Officer, accessible by Norse and NCC, containing all the company documents relating to the Norse Group Companies, the Shareholder Agreement, the SLAs, business plans, reports, minutes and any other documents relevant to NCC's governance of Norse.

3. That, given the interdependencies of NCC and Norse in relation to pension funding, the Norse Group shall make NCC aware of any material charges in

relation to its pension strategy.

4. That NCC, through the Executive Director of Finance, ensures Norse is anticipating future needs in respect of attracting and retaining key personnel and developing future director succession plans.

5. That attendance of the Executive Director of Finance at Norse Board Meetings is formalised, to support ongoing assessment of viability.

6. That shareholder dividends are paid, recognising the profit achieved and Norse's long term investment requirements.

7. That the Monitoring Officer is authorised to process the changes to the Constitution that are appropriate or necessary to achieve all of the above.

Formation of companies

1. HearthUK (Exeter) Limitied - Subsiarary of HearthUK Ltd.

This company was incorporated on 19 June 2014. The company is 100% owned by HearthUK, which is itself owned 100% by NPS.

HearthUK (Exeter) was formed as a special purpose vehicle for a housing development proposal in Exeter.

To date this company has not traded.

Comment from Executive Director of Finance

I have:

- *reviewed the business case and papers in detail*
- *Attended and contributed to the discussions on the proposal at the Norse Board on 23rd November 2015*
- *Attended the discussion of the proposal at NORSE Shareholders Committee on 4th January 2016*
- *Placed reliance upon the review of the proposal by the NORSE investment committee which contains external advice.*

And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company

2. Naturally Passive Limited – Subsidiary of NPS

Naturally Passive was incorporated on 20 June 2014 and is wholly owned by NPS.

Naturally Passive was intended as a turnkey vehicle for property and development opportunities that combine social, economic and environmental solutions. It was set up in particular as an opportunity to provide housing for the Isle of Anglesey County Council utilising Passivhaus building standards. The proposal is still awaiting final approval by the Council.

The company has not traded since its formation

Comment from Executive Director of Finance:

I have:

- *Received a summary of the purpose and objectives of the company*
- *Any development proposal would be reviewed by the Investment Advisory Group, which contains external advisors, if Anglesey*

County Council confirm the appointment of Naturally Passive Limited as it's development partner

<u>And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company</u>

3. NPS Asia Pacific Limited – Subsidiary of NPS

NPS Asia Pacific was incorporated in Hong Kong on 10 December 2014. This company is a wholly owned subsidiary of NPS. The company was formed with the intention of pursuing opportunities to provide energy efficiency consultancy in China. It is now apparent that there would be little or no profit to be made pursuing these opportunities

Comment from Executive Director of Finance:

- *The anticipated business opportunity has not materialised.*

As such I simultaneously recommend to Policy and Resources Committee (Retrospectively) the creation and winding up of this company.

4. Norse Energy (Hafod) Limited – Subsidiary of NPS
5. Norse Energy (Stoke Gifford) Limited – Subsidiary of NPS
6. Norse Energy (BSCC) Limited – Subsidiary of NPS
7. NORSE Energy (BSCC Biomass)Limited – Subsidiary of NPS

The above companies undertake energy generation activities (Biomass and Photovoltaic) as part of NPS's business plan to generate ongoing cash revenues and bolster the balance sheet.

Comment from Executive Director of Finance:

I have:

- *Received a summary of the purpose and objectives of the company.*
- *Been party to several board discussions on the progress over the above companies*
- *As part of a separate exercise my team have reviewed the business plans of the energy companies of NPS.*
- *Placed reliance upon the review of the proposal by the NORSE investment advisory group which contains appropriate external advice.*

<u>And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company</u>

8. <u>Norse Development Company Limited – Subsidiary of NPS</u>

Norse Development Company Limited was incorporated on 8 August 2015. This company was formed to take the lease of a hangar on the Norwich Airport site from Norwich City Council. The hangar is to be used for the Norwich Aviation Academy which is a venture supported by Norfolk County Council, Norwich City Council, KLM, City College and the UEA.

Comment from Executive Director of Finance:

I have

- *reviewed the business case and papers in detail*
- *Attended and contributed to the discussions on the proposal at the Norse Board on 21 July 2015*
- *Reviewed the P&R report on 26th October 2016 which approved the creation of the Aviation Academy.*
- *Subsequently spend time with my team undertaking due diligence on the potential advancement of a loan to the company.*

<u>And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company</u>

9. Beattie Passive Norse Limited – Subsidiary of NPS

This company is currently a joint venture between NPS and Beattie Passive Build System Limited - a privately owned company. There are two issued shares in the company; one share is owned by NPS and the other by Beattie Passive Build System Ltd. The company was formed to exploit a patented system of construction that meets PassivHaus standards for residual housing developments.

The company has been awarded a contract to build homes for Hastoe Housing Association at sites in Rattlesden (4 houses) and Burwash (10 houses). The construction work is under way through a back to back contract awarded to Beattie Passive Construction Ltd.

The NPS Board approved the formation of the joint venture at its Board meeting 20th March 2013. The company was registered on the 3 June 2013

Comment from Executive Director of Finance:

I have

- *Noted that this company is already operational*

<u>And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company</u>

10. Great Yarmouth Norse limited – Subsidiary of NCS

Great Yarmouth Norse Limited was incorporated on 30 August 2014 and commenced trading on 1 October 2014. This company is a joint venture between NCS and Great Yarmouth Borough Council (GYBC)). NCS holds 80% of the shares in the company whilst GYBC holds the remaining 20%. Great Yarmouth Norse Ltd provides asset management, construction and building repair services to GYBC in respect of its housing stock of 6,000 homes.

This company further expands NCS's existing joint venture arrangement with GYBC which has delivered environmental and other services to the Authority since 2003.

Comment from Executive Director of Finance

I have:

- *Placed reliance upon the review of the proposal by the NORSE investment committee which contains external advice.*
- *Noted that this is a fully operational company providing services to Great Yarmouth Borough Council – Turning over circa £8m and delivering a profit of over £300k to Norse.*

<u>And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the creation of the company</u>

11 **Proposal to form a new subsidiary company for a Joint Venture with Havant Borough Council**

Norse Commercial Services Limited (NCS) has been in discussions with Havant Borough Council (HBC) with a view to forming a joint venture company (JVC) that would be awarded a contract to deliver certain services to HBC. The proposed JVC would be called Norse South East Limited and would be a company limited by share.

The JVC would be co-owned by HBC (20%) and NCS (80%). The JVC would be managed by a Board of Directors comprising three Directors appointed by the County Council and two Directors appointed by HBC. The Articles of the

Company would restrict the powers of the Directors and require that the consent of HBC and the County Council is required before the JVC can carry out certain activities.

In addition to the Board of Directors, a Liaison Board would be formed with a wider membership to consider and make recommendations upon operational matters. Although the majority of the shares in the JVC would be owned by NCS, the profits of the Company would be shared 50/50 between HBC and NCS.

The contract that is to be awarded to the JVC would be for 10 years, with an option for a 10-year extension with the agreement of the parties. In line with a previous decision by the Board of the Norse Group, the contract would include a clause allowing either party to terminate the contract on giving 12 months' notice at any time during the contract term. The ability to terminate the contract protects the Norse Group from the possibility that a Local Authority "partner" may be forced to cut services and/or costs for the services a JVC provides, thereby making a contract uneconomic and/or undeliverable.

The services to be delivered by the JVC would include:

- Household Waste
- Garden Waste Collection
- Street Cleansing
- Public Convenience Cleansing
- Open Space Maintenance (inc beaches)
- Allotments
- Beach Huts
- Cemeteries
- Vehicle Maintenance Workshop
- Engineering Works Team

The staff currently employed by HBC to deliver these services would transfer to the JVC.

The new JVC would initially focus on delivering the services set out above, with the potential that other Council services could be added over time. The JVC would also seek external business to complement the Joint Venture operations.

By Year 5, it is anticipated that the JVC would generate a contribution to NCS overheads of £2,482,000, together with a profit share of £1,089,000.

On 7 October 2015, HBC Officers presented an outline business case to the HBC Cabinet which detailed potential savings together with the profit that could be generated by the proposed JVC. The HBC Cabinet considered the outline business case and agreed to proceed to a full business case. The full business case is due to be presented to the HBC Cabinet on 20 January 2016. Should the HBC Cabinet approve the JVC, and the County Council approve the setting up of the proposed subsidiary, the JVC would commence trading on 1 April 2016.

I have:

- *reviewed the business case and papers in detail*

- *Attended and contributed to the discussions on the proposal at the Norse Board on 11th December 2015*
- *Placed reliance upon the review of the proposal by the NORSE investment advisory group which contains external advice.*

<u>And subsequently recommend that the Policy and Resources Committee approve the creation of the company & Joint Venture.</u>

<u>Disposal of a Subsidiary Company</u>

12. Hearth UK Limited – Norse Group and NPS
[Linked to item 1 above]

This company was formed on 19 February 2007. The purpose of the company was to hold the intellectual property that is vested in the design of residential houses capable of straight forward extension with a method of purchasing finance not generally used in the UK residential housing market (Hearth Housing). The architect responsible for the design and innovation that is Hearth Housing has been employed by NPS since 2007.

The company has not traded since formation. However, the Hearth Housing concept is now being taken forward in partnership with Cornerstone Assets Ltd and it is anticipated that the first housing development using this model will commence in Devon in the next few months.

NPS has invested a considerable sum in the Hearth product which has required a financial model to be developed around the shared equity element, and this is where Cornerstone Assets has added value. Both companies (NPS and Cornerstone) have worked at risk alongside a Contractor to secure the opportunity in Devon and a formal joint venture with Cornerstone Assets Ltd would be the best way of sharing future risk and reward.

The proposal is, therefore, to dispose of 50% of the shares of the dormant Hearth (UK) Limited, with 40% going to Cornerstone Assets Ltd and 10% being assigned to the owner of the original concept. The new vehicle will then deliver future schemes but with the NPS sunk costs being the first call on future profits.

Comment from Executive Director of Finance

I have:

- *Reviewed the business case and papers in detail, paying particular attention to the maximum cash exposure to Norse Group through the lifetime of the project.*
- *Attended and contributed to the discussions on the proposal at the Norse Board on 25th November 2015.*

- *Sought additional assurances from the MD of Norse Group around the commercial elements of the proposal*
- *Attended the discussion of the proposal at NORSE Shareholders Committee on 4th January 2016*
- *Placed reliance upon the review of the proposal by the NORSE investment advisory group which contains external advice.*

And subsequently recommend that the Policy and Resources Committee approve the disposal of 50% of the Hearth UK company with 40% going to Cornerstone Assets ltd and 10% being assigned to owner of the original concept Mr Nigel Grainge

13. Norse Transform Limited – Norse Group and NPS

Norse Transform Limited was incorporated on 30 August 2013. This company was formed to bid for probation service work when the Norfolk Probation Service was to be restructured. In the event, the anticipated opportunity did not materialise and the company was dissolved on 21 July 2015.

Comment from Executive Director of Finance

I have:

- *Placed reliance upon the advice of the Managing Director of NPS.*

And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the dissolving of the company

14. NPS Asia Pacific Limited – Norse Group and NPS

As in 3 above, NPS Asia Pacific Ltd was incorporated in Hong Kong on 10 December 2014. The company was formed with the intention of pursuing opportunities to provide energy efficiency consultancy in China.

Comment from Executive Director of Finance

I have:

- *Placed reliance upon the advice of the Managing Director of NPS.*

And subsequently recommend that the Policy and Resources Committee (Retrospectively) approve the dissolving of the company

Change of Business

15. Private Beds in Residential Care Homes.

NorseCare has worked with the County Council to develop a new business model for the company.

This business model includes NorseCare providing residential care to older persons who are able to fund their own residential care in order to maintain the businesses profitability long term. The provision of residential care to elderly persons who are self-funding was not envisaged in 2011 when the residential Homes transferred to the company.

Comment from Executive Director of Finance

I have:

- *Been subject to various discussions at Norse Board meeting as to the merits of exploiting the sale Private Beds in residential homes.*
- *I have reviewed Norse Board papers that show clearly the financial opportunity this presents.*

And subsequently recommend that the Policy & Resources Committee (Retrospectively) approve this change in business activity.

16. Property Development – NPS

As part of its diversification strategy, the NPS Group is seeking to expand its services to include property development. The demand for new houses is recognized as a national priority and a number of public and private sector bodies are actively looking at innovative ways of delivering more homes.

NPS is uniquely placed to work with potential partners to deliver the new houses required. Any development opportunity will be subject to the usual Board approvals, including those from the Investment Advisory Group, should any capital investment be required.

Comment from Executive Director of Finance

This pertains to items 1 and 12 above

And subsequently recommend that the Policy & Resources Committee approve this change in business activity.

17. Change of Banking arrangements

Comment from Executive Director of Finance

- *This is in line with the County Council's change in Banking arrangements.*

And subsequently recommend that the Policy & Resources Committee (Retrospectively) approve this change.

18. Accounting Reference

Comment from Executive Director of Finance

- This change was made at the County Council's request to bring the Norse financial year in line with the County Council's

And subsequently recommend that the Policy & Resources Committee (Retrospectively) approve this change.

Note:

The Investment Advisory Group contains the following independent members

- Chris Maw – Partner – PricewaterhouseCoopers LLP
- Ian Findlater – (formerly Group Business Development Manager for May Gurney) Independent Consultant

Audit Committee

Item No 9

Report title:	**Work Programme**
Date of meeting:	**21 April 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.

In accordance with its Terms of Reference the Committee should consider the programme of work set out below.

June 2016	
Norfolk Audit Services (NAS) Quarterly Report Quarter ended 31 March 2016	Executive Director of Finance
Monitoring Officer Annual Report 2015-16	Head of Law
Annual NAS Report 2015-16	Executive Director of Finance
Risk Management Report	Executive Director of Finance
Northern Distributor Route - Project Risk Update	Executive Director of Finance
Anti-Fraud and Corruption Update	Head of Law
Verbal Update on finalising the Statement of Accounts 2015-16 and Annual Governance Statement 2015-16	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance
September 2016	
NAS Quarterly Report Quarter ended 30 June 2016	Executive Director of Finance
Risk Management Report	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance
Annual Governance Statement 2015-16 for Approval	Executive Director of Finance
Statement of Accounts 2015-16 for Approval	Executive Director of Finance
Letter of Representation for Statement of Accounts 2015-16, Audit Results Report 2015-16	Executive Director of Finance/External Auditors

Internal Audit Plan for the second half of 2016-17	Executive Director of Finance

January 2017	
NAS Quarterly Report Quarter ended 30 September 2016 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance
A Half yearly update of the Audit Committee	Chairman
Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for 2017-18	Executive Director of Finance
Audit Committee Terms of Reference	Chairman
Anti-Fraud and Corruption Update	Head of Law
Certificate of Claims and Returns Annual Report 2015-16	Executive Director of Finance/External Audit
Risk Management Report	Executive Director of Finance
Audit Committee Work Programme	Chairman

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

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