

Audit Committee

Date: **Thursday, 26 January 2017**

Time: **14:00**

Venue: **Colman Room, County Hall,
Martineau Lane, Norwich, Norfolk, NR1 2DH**

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

Membership

Mr I Mackie (Chair)

Mr B Bremner

Mr H Humphrey

Mr J Joyce

Mr D Ramsbotham

Mr N Shaw

Mr R Smith (Vice-Chair)

**For further details and general enquiries about this Agenda
please contact the Committee Officer:**

Julie Mortimer on 01603 223055 or email committees@norfolk.gov.uk

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A g e n d a

1. **To receive apologies and details of any substitute members attending**
2. **To confirm the minutes from the Audit Committee meeting held on 22 September 2016.** **Page 4**
3. **Declarations of Interest**

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. **Any items of business the Chairman decides should be considered as a matter of urgency**
5. **Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2016** **Page 16**

Report by the Executive Director, Finance and Commercial Services
6. **Risk Management Report** **Page 29**

Report by the Executive Director, Finance and Commercial Services
7. **Norfolk County Council's Insurance Cover** **Page 71**

Report by the Executive Director, Finance and Commercial Services
8. **Internal Audit Strategy, Approach, Strategic Plan 2017-20 and Internal Audit Plan for first half of year 2017-18** **Page 79**

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| 9. External Auditor's Annual Audit Letter 2015-16 and Audit Committee Briefings | Page 127 |
| Report by the Executive Director, Finance and Commercial Services | |
| 10. Anti-Fraud and Corruption Update | Page 178 |
| Report by the Chief Legal Officer | |
| 11. Work Programme | Page 188 |
| Report by the Executive Director, Finance and Commercial Services | |
| 12. County Farms Update | Reports to Follow |
| Report by the Executive Director, Finance and Commercial Services | |

Chris Walton
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Date Agenda Published: 18 January 2017



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Audit Committee
Minutes of the Meeting held on Thursday 22 September 2016 at
2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie - Chair
Mr B Bremner
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Mr N Shaw
Mr R Smith – Vice-Chair

1 Apologies for Absence

There were no apologies for absence.

2 Minutes

- 2.1 Upon being put to the vote, with 3 votes in favour of approving the minutes and 3 votes against, the Chairman exercised his casting vote and the minutes of the meeting held on 16 June 2016 were agreed as a correct record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Mr I Mackie declared an interest as he was a Director of Norse and a Member of the Yare Education Multi-Academy Trust.
- 3.2 Mr N Shaw declared an other interest in agenda item 12 (Risk Management Report) as he worked in IT.
- 3.3 Mr H Humphrey declared an other interest as a Governor of Marshland St James School, which had joined the Norfolk County Council Pension Fund.

4 Items of Urgent Business

- 4.1 The Chief Internal Auditor advised that, at Norfolk County Council's request, the Information Commissioner's Office would be carrying out an audit of the Norfolk County Council Information Management Systems, particularly within Children's Services and Adult Social Services. The Information Management team was preparing for the Audit with the County Leadership Team monitoring the review. The main focus of the audit was to review data management, its protection and adherence to the Data Protection Act. Once the review had been completed, the report would be published and the results brought to a future Audit Committee meeting.

5 Norfolk Audit Services Quarterly Report for the quarter ended 31 March 2016.

5.1 The Committee received the report by the Executive Director of Finance setting out how Internal Audit's work had contributed to the Council's priorities.

5.2 In response to questions from the Committee, the following points were noted:

5.2.1 With regard to the "Off-Payroll working in the public sector" update circulated by Ernst & Young, the Executive Director of Finance reassured the Committee that preparations were being made to ensure Norfolk County Council complied with the Regulations, once they were implemented following the consultation.

Off-Payroll working in the public sector. Changes had been proposed to the way individuals who were contracted to work for local authorities by another company paid their tax. Currently, the obligation rested with the intermediary company who was responsible for assessing whether their engagements were subject to IR35 and accounting for PAYE and National Insurance Contributions (NIC). From 6 April, this responsibility, and the liability for paying the correct tax would be shifted to the public sector body which paid the company. In order to simplify this and increase the likelihood of compliance, the Government had suggested that workers were automatically considered to fall within the scope of the new rules if there was the right to personal service and the engager decided, or had the right to decide how the work should be done.

5.2.2 Following the National Minimum Wage audit carried out on an Adult Social Services care provider to ensure the national minimum wage requirement was being complied with, the Chief Internal Auditor agreed to check with the Contract Management and Procurement Management teams that the requirement was being applied across the whole Council.

5.2.3 The National Minimum Wage requirement did not feature on the Corporate Risk Register as a separate risk as it was considered that this fell under risk RM004 (The potential risk of failure to deliver effective and robust contract management for commissioned services). The Committee was reassured that Norfolk County Council was aware of the reputational risk and its responsibilities under the National Minimum Wage requirements.

5.2.4 The Whistleblowing Policy report and the Fraud Analysis report would be brought to the Committee in January 2017 for consideration. The delay had been caused by the need to carry out other urgent work which had meant these reports had been reprioritised. Members were reassured that the current Norfolk County Council Whistleblowing Policy remained fit for purpose.

5.2.5 Members requested that the Fraud Analysis update report be brought to the next meeting, as there had been some considerable delay since the Committee had first requested fraud awareness training be rolled out across the whole Council.

5.2.6 The Committee was pleased to note that the Traded School Audit initiative was working well. Fees were calculated on a cost-recovery basis. Health checks were proving popular and where schools had not received an audit for a number of years, they were sent a letter informing them that a health check was available if they wished to take up the offer. The audits provided assurance for

Governors and Headteachers that their responsibilities for internal controls were being met.

- 5.2.7 Government advice was still awaited on the impact from the vote to leave the EU on the France (Channel) England Interreg Audit Authority. It was hoped that more information may be contained in the Government's Autumn statement. The key contact for the project was Vince Muspratt, Acting Assistant Director - Economic Development & Strategy.

- 5.3. The Committee **RESOLVED** to note:

- the overall opinion on the effectiveness of risk management and internal control was '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.

6 Norfolk Pension Fund Governance Arrangements.

- 6.1 The Committee considered the report by the Executive Director of Finance and Head of Pensions outlining the ongoing governance arrangements of the Norfolk Pension Fund.
- 6.2 During the presentation of the report, the Committee noted that the Pensions Oversight Board had been established and operational for twelve months. It had held four meetings held to date. A review of the first year is to be undertaken shortly.
- 6.3 The following points were noted in response to questions by the Committee:
- 6.3.1 The Pensions Oversight Board had identified no matters that the Audit Committee needed to be aware of. In future reports a comment would be included to identify if there were any issues the Audit Committee needed to consider.
- 6.3.2 The process to complete the statutory valuation of the Fund as at the 31st March 2016 is currently underway. The valuation will certify the employer contribution rates payable for the three years commencing 1st April 2017. The County Council's employer contribution rate is subject to a Stabilisation Mechanism. This allows employer contribution to increase more slowly at times of funding pressure, with the proviso they decrease more slowly when things improve.
- 6.3.3 The County Council's 2016-17 employer contribution was made up of two elements; a future service rate of 15.5% of pensionable payroll and a cash deficit recovery element of £10.2m. The Executive Director of Finance confirmed that these two elements will be clearly set out in future budget reports.
- 6.4 The Committee **RESOLVED** to note the report which detailed Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

7 Governance, Control and Risk Management of Treasury Management.

7.1 The Committee received the report by the Executive Director of Finance concluding that the County Council's Treasury Management operations were fully compliant with the statutory and regulatory framework and recognised best practice.

7.2 During the discussion, the following points were noted:

7.2.1 The Membership of the Treasury Management Panel was confirmed as:

Mr M Baker	Mr T Coke
Mr B Iles	Mr C Jordan
Mr I Mackie	Mr S Morphew
Mr A Proctor	Mr B Watkins
Ms S Whitaker	

7.2.2 The Chief Internal Auditor confirmed that he was not aware of any issues identified in the internal audit detailed testing of key controls. [It was confirmed after the meeting by the Chief Internal Auditor, that substantive testing was not required or performed to support the external audit in 2015-16].

7.2.3 Members suggested that the wording "Treasury management in local authorities is extremely well regulated" should be amended to say "Treasury management in local authorities is actively regulated". Members were reassured that Department for Communities and Local Government guidance and codes of professional practice supplement statutory regulation in respect of Treasury Management activities.

7.3 The Committee **noted** the contents of the report, which provided assurance as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

8 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the Year ended 31 March 2016.

8.1 The Committee received the report by the Executive Director of Finance introducing the External Auditor's (Ernst & Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2016. The Committee welcomed Mark Hodgson, Executive Director - Ernst & Young LLP who presented the report.

8.2 The following points were noted in response to questions by the Committee:

8.2.1 It had been proposed that one uncorrected audit difference which was greater than £0.697m, identified during the audit, should not be amended in the 2015-16 accounts due to the number of records which would need to be amended. This would be amended in the 2016-17 accounts. The Committee was reassured that this was not a material sum and there was no impact on the bottom line.

The Committee **agreed** that the Uncorrected audit difference should not be adjusted in the 2015-16 accounts.

- 8.2.2 The Auditor Fees could not be confirmed as yet until all work had been completed. The Committee was advised that there may be a small additional fee, which reflected the fact that a new audit team was in place and had identified a few things which needed to be done differently.
- 8.2.3 The Executive Director - Ernst & Young LLP thanked the Norfolk County Council officers for their full co-operation throughout the audit.
- 8.2.4 The Committee congratulated the Finance team on its excellent work and in pulling together the accounts.
- 8.2.5 The Committee also recorded its thanks to the Pensions Audit Team for their work in auditing the accounts.
- 8.2.6 The Committee noted that the 2016-17 accounts would be signed off using existing timescales, but the signing off of the 2017-18 accounts would need to be completed by the end of July 2018.
- 8.2.7 The Committee was pleased to note that an unqualified audit opinion was anticipated, and there was a positive value for money conclusion.
- 8.3 The Committee **RESOLVED** to **note** the report and **agreed** that the Uncorrected audit difference should not be adjusted in the 2015-16 accounts.

9 Annual Statement of Accounts and Annual Governance Statement 2015-16.

- 9.1 The Committee received the report by the Executive Director of Finance, introducing the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2015-16 which had been subject to external audit by Ernst & Young.
- 9.2 The Committee had received training on the approval of the accounts immediately prior to the meeting.

During the presentation of the report, the Committee noted that there had been some minor changes since the publication of the agenda, a copy of which was circulated to the Committee and is attached at Appendix A to these minutes.

- 9.3 The following points were noted in response to questions by the Committee:
 - 9.3.1 The Head of Budgeting and Financial Management agreed to let the Vice-Chair have details of the Children's Services overspend compared with the 2014-15 accounts.
 - 9.3.2 It was confirmed that wording in the Children's Services section of the Annual Governance Statement had been agreed by the Managing Director and the Executive Director of Children's Services.
- 9.4 The Committee **RESOLVED** to:

- Note that, following annual reviews, the system of internal control and internal audit were considered adequate and effective for the purposes of the relevant regulations;
- Approve the Annual Governance Statement (at Appendix 2 of the report) and commend the final statement for signature by the Leader and Managing Director.
- Approve the Council's 2015-16 Statement of Accounts (at Appendix 3 of the report).
- Note the Summary of the Statement of Accounts (at Appendix 4 of the report) to be published alongside the full accounts.

10 Letters of Representation 2015-16

10.1 The Committee received the report by the Executive Director of Finance providing details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2015-16.

10.2 The Committee **RESOLVED** to

- Endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council and
- Endorse that the Chairman of the Audit Committee and Executive Director of Finance sign the letter of representation on behalf of the Council.

11 Revised Internal Audit Plan 2016-17

11.1 The Committee received the report by the Executive Director of Finance setting out the revised Internal Audit Plan 2016-17.

11.2 In response to a question from the Committee, the Chief Internal Auditor confirmed that the figure of 709 days was considered sufficient to support the audit opinion. This figure covered standard work and the Chief Internal Auditor was comfortable that any additional work could be undertaken if required, either by bringing in additional support from BDO LLP or employing temporary staff. Members were reassured that the workload of the Internal Audit Team could usually be adjusted to meet any urgent audits.

11.3 The Committee **RESOLVED** to note:

- Internal Audit's strategy and plan, contribute to an effective system of internal audit and that those arrangements were compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note 2013 and any other relevant statements of best practice.
- The Internal Audit Strategy remained the same for the second half of the year (Appendix A of the report). The actual days available within the strategy to deliver the audit opinion work remained sufficient to support the opinion.
- The revised Internal Audit Plan to support the opinion for the whole year (Appendix Bi of the report) remained at 709 days, which included contractor time. The opinion work plan would be managed flexibly to support the traded

schools approach, while the service continued to develop. Some audits timed for quarters 1 and 2 were carried into the remainder of the year as work in progress.

- The three year Internal Audit Strategy agreed in January 2016, remained largely unchanged and would be refreshed in January 2017.
- The overall target for 2016-17 final reports and draft reports for audits were 30 and 7 respectively, to be reported in the Annual Internal Audit Report.

12 Risk Management Report

12.1 The Committee received the report by the Executive Director of Finance providing the Committee with the corporate risk register at the end of August 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during August 2016.

12.2 The Committee welcomed Michael Bateman, Head of Education Inclusion Service and Richard Snowden, Head of School Admissions Service to the meeting. They had been asked to attend the meeting to update the Committee on the action being taken to mitigate Risk RM014a (The amount spent on home to school transport at significant variance to predicated best estimates), during which the following points were noted:

12.2.1 As the service was a “needs led” service, there were real difficulties in trying to reduce spend in this area. The Education Inclusion Strategy had been developed and implemented to assist in trying to educate children with special educational needs (SEN) within their local schools, local mainstream schools or local specialist provision, as this would reduce travel time for children and therefore reduce travel spend also within the SEN element of the overall home to school transport.

12.2.2 The £26m home to school transport budget was broken down as follows:

SEN element	£9.9m
Post 16 element	£3.3m
Mainstream transport	<u>£13.4m</u>
Total:	£26.6m

12.2.3 Work was undertaken with the Passenger Transport Unit to identify and use the cheapest appropriate transport available.

12.2.4 Norse held a large contract to transport children to special needs schools.

12.2.5 13,500 children were transported to mainstream schools every day with a further 1,950 children transported under our SEND duties. The vast majority of Post-16 transport was undertaken on public transport with Norfolk County Council paying a contribution towards the cost.

12.2.6 Every student requiring specialist transport would be subject to an assessment to ensure the method of transportation remained suitable for individual needs and that it was the most appropriate means of transporting a child to and from school.

- 12.2.7 The Committee was reassured that the Passenger Transport Unit procured both Children's Services and Adult Social Care and link transport requirements wherever possible, although the school transport requirements in Children's Services required transport to meet school sessions and this may not link readily with the needs of users in Adult Social Care. The Chief Internal Auditor confirmed consideration would be given to where transport costs risk mitigations could complement each other.
- 12.2.9 The Committee asked the Head of Education Inclusion to contact Members if there were any areas in which they could help.
- 12.2.10 The Committee thanked the Head of Education Inclusion and the Head of Schools Admissions Service for attending and providing the update.
- 12.3. In response to questions by the Committee, the following points were noted:
- 12.3.1 All risks assigned to Anne Gibson, Executive Director of Resources, would be reallocated, as this post had been deleted.
- 12.3.2 With regard to RM010 (The risk of the loss of key ICT systems including Internal connection, telephony, communications with cloud provided services, or the Windows and Solaris hosting platforms), it was suggested that the target score of 3 was unrealistic. In response, the Committee requested that Geoff Connell, the Head of ICT and IM attend a future meeting to update the Committee on the actions being undertaken to mitigate the risk, particularly with regard to the risk of hacking and Ransomware.
- 12.4 The Committee considered and **noted** the report.

13 Local Audit and Accountability Act 2014 – External Auditor Appointments Implementation.

- 13.1 The Committee received the report by the Executive Director of Finance setting out the options for the Council to appoint a local auditor by 31 December 2017, to be in place by April 2018, to undertake the audit of the Council's financial statements for 2018/19 onwards.
- 13.2 In response to a question, it was confirmed that those Norfolk Councils that had responded to the request for information about whether they would be opting into the scheme had confirmed they would be taking part in the Public Sector Audit Appointments Ltd (PSAA) scheme.
- 13.3 The Committee **RESOLVED** to

Note

- The requirements and timescales set out in the Act.
- The advantages and disadvantages of the available options for procuring an External Auditor (Local Auditor) as required by the Act.

Agree:

- To recommend the Council to direct the Executive Director of Finance to formally "opt in" with the Government's designated appointing person (in

this case Public Sector Audit Appointments Ltd (PSAA)), as allowed under Section 17 of the Act, as the preferred option offering the greatest potential economic and efficiency savings.

14 Audit Committee Work Programme

- 14.1 The Committee received and **noted** the report by the Executive Director of Finance setting out the programme of work for the Committee and agreed the following items to be included on the agenda for the January 2017 meeting:

Summary of the review by the Independent Commissioners Office.
Update on the roll out of the fraud awareness training.
Whistleblowing Policy Review report.

After receiving advice from the Monitoring Officer, Mr I Mackie left the meeting for the next item and Mr R Smith, Vice-Chair, took the Chair.

15 County Farms Update

- 15.1 The Committee received the report by the Executive Director of Finance providing an update to the report presented to the Committee at its meeting on 16 June 2016.
- 15.2 The following points were noted in response to questions by the Committee:
- 15.2.1 The Chief Internal Auditor would circulate, to members of Audit Committee, the Terms of Reference for the County Farms Follow Up Audit, which had previously been circulated to the County Farms Advisory Board (CFAB) for their comments.
- 15.2.2 The Chief Internal Auditor confirmed that the 10 days allocated on the Audit Plan was to follow up on the recommendations from the audit report and check that robust plans were in place. The 10 days included reviewing the general systems, for example collection of rent and how exceptions were reported and should be sufficient to plan the work and produce the report. If more than 10 days was needed, additional time would be allocated as necessary.
- 15.2.3 The results of the County Farms follow-up audit would be reported to the Section 151 Officer and the Head of Property. The follow-up audit would provide assurance on the specific findings, recommendations and action plans agreed following the original audits.
- 15.2.4 The Committee was advised that no new complaints had been received since the audit reports had been published.
- 15.2.5 The Executive Director of Finance explained that he had requested an audit into the Governance of County Farms so he could understand how the estate had been run.

The audit had identified a number of issues in the management of County Farms, with 30 recommendations relating to the need for Norfolk County Council to be a better landlord. The remaining 7 recommendations were around the governance arrangements. The Economic Development Sub-

Committee had debated the report and the update from the County Farms Advisory Board. The Economic Development Sub-Committee had asked for some work to be undertaken on options. A report would be presented to the Policy & Resources Committee at its meeting on 26 September about the principle of establishing a Property Committee, which, if it was agreed by Policy & Resources Committee would ask the Constitution Advisory Group to consider the role and functions of such a Committee, as well as any required changes to the Constitution. This option could fulfil some of the decision-making requirements identified in the County Farms audits. The recommendations from the Constitution Advisory Group would be presented to full Council for approval.

- 15.2.6 The Committee was reassured that the Executive Director of Finance would always instruct his officers to adhere to the Norfolk County Council Constitution.
- 15.2.7 The Chief Internal Auditor advised that the Audit Committee needed to consider an additional recommendation from the Economic Development sub-Committee and he apologised for omitting this from the recommendations. The additional recommendation was to:
- Agree that it was no longer necessary to convene a Task and Finish Group, as the review by the CFAB and Economic Development sub-committee had effectively undertaken that role.
- 15.2.8 Some Members felt that, following the audits, County Farms could work well in the future as long as the recommendations were actioned.
- 15.2.9 The Recommendations in the report, including the additional recommendation set out in paragraph 15.2.8 above, were put to the vote. With 3 votes in favour and 3 votes against, the Vice-Chair exercised his casting vote in favour and it was **RESOLVED** to:
- Note that full and final responses had been made to all but four complainants, and
 - Note that a County Farms systems audit had been included in the 2016-17 Internal Audit Plan for November/December 2016, which would include following up the agreed actions, to be reported to the Audit Committee in January 2017.
 - Agree that it was no longer necessary to convene a Task and Finish Group, as the review by the CFAB and Economic Development sub-committee had effectively undertaken that role.

The meeting ended at 5.05 pm.

CHAIRMAN



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Changes made to Statement of Accounts after Audit Committee agenda published

Agenda page	Note / Line	Type of correction	Detail
102	Narrative report, Service overspends and underspends	Narrative clarification	Narrative implied overspend costs were associated with delivery of savings: now clearer that overspends were <u>offset</u> by savings.
134	Note 5. Material Items of Income and Expense	Drafting error in detailed line item.	Total shown for net loss on disposal (£34.057m), not correctly updated in draft, and not required for disclosure, therefore removed.
151	Note 15 Financial instruments, Financial liabilities table.	Additional disclosure	Short term creditors (£104,873) added to financial liabilities table. Total updated accordingly.
167	Grants and Contributions less than £200,000	Drafting error in detailed line item and table total.	Line item corrected from "880" to "1,035" Total line item corrected from "94,011" to "94,166".

Other general drafting improvements:

"Automatic" cross referencing to note 12 did not all carry across to the agenda paper: these have been reinstated.

There are a number of alignment and layout adjustments to improve document presentation prior to publication.

Ernst & Young's "Independent Auditors' Report to the Members of Norfolk County Council" will be added when received.

Audit Committee

Item No.....

Report title:	Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2016
Date of meeting:	26 January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services

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 a total of 6 Norfolk schools this quarter; through a mix of:

- 4 full traded schools audits; and
- 2 traded school health checks audits

Real Jobs - No specific audits on this topic in the last quarter

Good Infrastructure – We audited NCC Cloud Governance

Supporting Vulnerable People – We audited Special Educational Needs & Disabilities (SEND) assessments

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
- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function

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 (2.21)
- France Channel England FCE Update (2.24)
- External matters of Note (2.28)

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 (recruitment for Investigative Auditor and Internal Audit Manager roles)
- Managing productivity rates (currently additional time is being spent training two new auditors)
- Un-planned investigatory and preliminary assessments of allegations work in the quarter. During the quarter we completed responses to nine County Farms complaints and one Adult Services complaint.

- 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 1	Quarter 2	Total to 30/9/16	Annual Target
Final audit reports (non-schools)	9*	10*	19	22
Final audit reports (schools – compliance/themed Audits)	0	0	0	2
Management Letters	1	4*	5	10
Total Audits for opinion work	11	13	24	34
Traded Schools (including traded audits and healthchecks)	10	6	16	34
Certified grant claims	2	11	13	24
Follow-up report	0	0	0	0
Pension Audits	3	2	5	6

The target number of final reports to be issued for the year is 34.

*It should be noted that these figures include final reports issued in relation to finalisation of carried forward 2015-16 audits.

- 2.6 Corporate High Priority Audit Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. Details are shown in table 2 below:

Table 2: Corporate High Priority Audit Findings

Department	Green Rated High Priority Audit Findings	Blue Rated High Priority Audit Findings (action taken and awaiting removal)
Adult Care	0	0
Children's Services	2	0
Communities and Environment	0	0
Finance and Commercial Services	6	1
Resources	0	1
Total NCC	8	2
Schools	0	0
Total High Priority Findings	8	2

- 2.7 There has been an increase in the take up of the Traded Schools Audits. As at the date of writing this report 25 schools have requested a traded audit from the start of the 2016/17 financial year.
- 2.8 There were no formal investigations in the quarter but there was one assessment. No further action was required. Since the end of the quarter there were two referrals to the Internal Audit Team which required assessments to be completed. It was concluded that no further action was required.
- 2.9 Work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working':
- Strategy into Action/Accountability
 - Commerciality/Business Like
 - Data Analytics/Evidence Based
 - Collaboration/Influencing

Whistleblowing

- 2.10 Since the end of the last quarter, as part of the reorganisation of the Resources and Finance Departments, the responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. Investigations are delegated to a Senior Officer in the relevant department of Internal Audit for financial concerns.
- 2.11 There has been one whistleblowing referral in progress since the transfer of responsibility and that has now been concluded. The Head of the Service has taken action and no further action is required.

National Minimum Working Wage Audit Work Update

- 2.12 The work on this topic was reported to this Committee in September 2016. Since the end of the last quarter the second phase of the audit has commenced. That work will re audit the original nine block contract providers to check compliance with the national minimum living wage and test the effectiveness of the remedial steps that were taken following the first round of audits.

External Review to meet PSIAS

- 2.13 CIPFA Services have been commissioned to undertake an external review in early 2017. An independent evaluation of how the Public Sector Internal Audit Standards are being met is required every five years and a review is now due. The results will be reported to a future meeting.
- 2.14 A self review of the quality of audit files was undertaken during quarter 2 as part of our ongoing quality assurance improvement plan. Minor strengthening of the quality of files was identified and action plans have been put into place to support this. The results of this self review have been shared with the Executive Director of Finance and the team for action.
- 2.15 Our Audit Universe and Audit Needs Assessment continue to be reviewed during each quarter to ensure topics remain relevant and that new topics are considered on a risk assessed basis.
- 2.16 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.17 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for the six responses received in the quarter ended 30 September 2016, 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.
- 2.18 The cumulative proportion of time supporting the audit opinion for quarter 2 was 65% in line with the target of 62%. See **Appendix B**, Section 2 (2.1) for further detail.
- 2.19 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily (see 2.20 below).
- 2.20 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

2.21 **Other relevant information**

Highways Network Asset – postponement

- 2.22 Reports to recent Audit Committees have flagged up a major change in the way that the Councils “Highways Network Asset” will have to be accounted

for, using depreciated replacement cost rather than historic costs. The change will result in a significant increase in the value of net assets in the Council's balance sheet, and was due to be implemented in the 2016-17 financial statements. However at its meeting on 9 November, the CIPFA/LASAAC Local Authority Accounting Code Board decided to postpone the implementation. The reason given for postponement related to concerns that the centrally provided "gross replacement cost" rates necessary for the valuation would not be ready in time for closing the 2016-17 accounts. The position will be reviewed in March 2017 with a view to implementation in 2017/18. As a result of the postponement, internal audit work planned for 2016-17 will be deferred to 2017-18.

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

2.24 France (Channel) England (FCE) update

- 2.25 The team has continued progressing the setting up of the Audit Authority. In particular, the documentation has been developed for the selection of a supplier to deliver audit work on the French territory. The Invitation to Tender has been issued, leading to a selection by 7 February 2017.
- 2.26 In addition to this, Norfolk Audit Services has acted as the Independent Audit Body responsible for the review of the Description of the Management and Control System (DMCS) developed by the Managing Authority and the Certifying Authority. A final report has been sent to DCLG, in November 2016, which includes an unqualified opinion on the latest version of the DMCS.
- 2.27 The FCE team staff continues to attend relevant training events organised by the European Commission or Member States in order to build capacity and knowledge at the required levels.

2.28 External Matters of Note

- 2.29 The [National Audit Office](#) (please click to go to their website) have published the following reports that are relevant to the Council:

1. NAO Work in Police and Fire Sectors 9 July 2016
2. Local Public Service Reform – 7 September 2016
3. The Syrian Vulnerable Persons Resettlement Programme 13 September 2016
4. Protecting information across government - 14 September 2016
5. Round up for Audit Committees 12 October 2016
6. Children in Need of Help and Protection 12 October 2016
7. Troubled Families Programme Update – 18 October 2016
8. Departmental Overview 2015-16 DCLG – 9 November 2016

9. Commercial & Contract Management insight and emerging best practice – 14 November 2016
10. Market Analytic Toolkit – 22 November 2016
11. LEP Census Findings – 1 December 2016

2.30 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 2016-17 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 2016-17 has been set to deliver 100% of audit work is within budget. At present 75% 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 (England) 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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Norfolk Audit Services

Final Reports Issued in the Quarter Ended 30 September 2016

There were 14 final reports, 4 full traded school audits completed, 2 traded school health checks, 4 management Letters and 11 grants certified during the quarter.

Final Reports

Children's Services

1. Special Educational Needs and Disabilities Assessments (SEND)

Communities and Environment

2. Museums – Accreditation of Collections

Finance

3. Key Financial systems - AGS testing
4. Treasury Management
5. Carbon reduction Scheme (CRC)
6. Management of Property Assets
7. Cloud Computing (Governance) / NCC Cloud Governance

Resources

8. County Farms Governance (issued in Q1)
9. County Farms - Lines of Enquiry (issued in Q1)
10. ICT Resilience/Support - ICT Business Continuity

Traded Audits

Schools (Traded – full audit)

1. Queensway Infant School and Nursery
2. Parker's CE VC Primary School
3. Harford Manor School
4. Catton Grove Primary School

School Traded Healthchecks

1. Dereham Church Infant and Nursery School
2. Ashleigh Primary and Nursery School

Management Letters

Adult Social Services

1. Care First (quality of data)

Resources

2. Review of the management of block contracts
3. Access rights (including link to Sailpoint) (2016-17)
4. HP - Asset Disposal (2016-17)

Certified Grants

1. BDUK 2015-16 Q4
2. Police & Crime panel (p/e September 2016)
3. NORSE (p/e March 2016)
4. PbR submission -September 2016
5. Fire (June 2016)
6. CES (September 2016)
7. Transforming Care (June 2016)
8. Disabled facilities grant (September 2016)
9. Maintenance challenge fund
10. RINSE LP – supporting the 2nd level audit
11. PRISMA – supporting the 2nd level audit

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 61.1% for the 2016-17 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	10	6
Grants	0	0
Analysis of results:		
	Expectations Met*	Disappointed or Very Disappointed
	6	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.

Report title:	Risk Management Report
Date of meeting:	26th January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
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 the end of December 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during December 2016.

Progress since the last Audit Committee meeting (September 2016)

The Corporate Risk Register was reported to the last Audit Committee in September 2016, prior to being refreshed in December 2016. The Policy and Resources (P&R) Committee manages these risks and they will next be reported to the March 2017 P&R 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 September 2016 is shown at **Appendix B**.

Recommendations:

Committee Members are asked to:

- Consider:
 - a. The changes to the Corporate Risk Register (**Appendices A and B**), and the progress with mitigating the corporate risks;
 - b. The scrutiny options for managing corporate risks, presented in **Appendix C**;
 - c. The summary of results from the Risk Management Benchmarking Club report (**Appendix E and Appendix F**).
 - d. The actions being taken to improve flood risk management for Norfolk County Council owned properties.
 - e. if any further action is required.

1. Proposal (or options)

- 1.1. The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1 Direction

The Council's Medium Term strategy, adopted by the Council in July 2015, 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.

A Medium Term Risk Management Strategy 2016-19 is currently being developed by the Risk Management Officer. Risk Management continues to be reviewed and strengthened as part of that work.

The Audit Committee minutes from 21 April 2016 recorded that, 'Risk RM010 (Risk of the loss of key ICT systems) did not contain any specific reference to the risk of hacking. The Chief Internal Auditor would raise the issue with the risk owner to check if the risk of hacking had been included and discuss whether the mitigating actions needed to be updated to reflect this potential risk'.

Progress

- 2.2. Overall, corporate risk scores continue to be 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 planned tasks 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 19 risks, presented at **Appendix A**. 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 reviewer 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 County Leadership Team and their Departmental Management Teams.

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.

There is one risk with a 'current' red risk score:

1. RM020a – Failure to meet the long term needs of Norfolk citizens.

Risk owners have considered whether the risks will meet the target score by the target date. Eleven risks are assessed as “Amber– some concerns” that targets may not be met, and four are assessed as “Green - on schedule” to meet their target.

There are four 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 savings to be made on Adult Social Services transport are not achieved.
3. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)
4. RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.

A reconciliation to the September Risk Management report is presented at **Appendix B**.

As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.

A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list

of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.

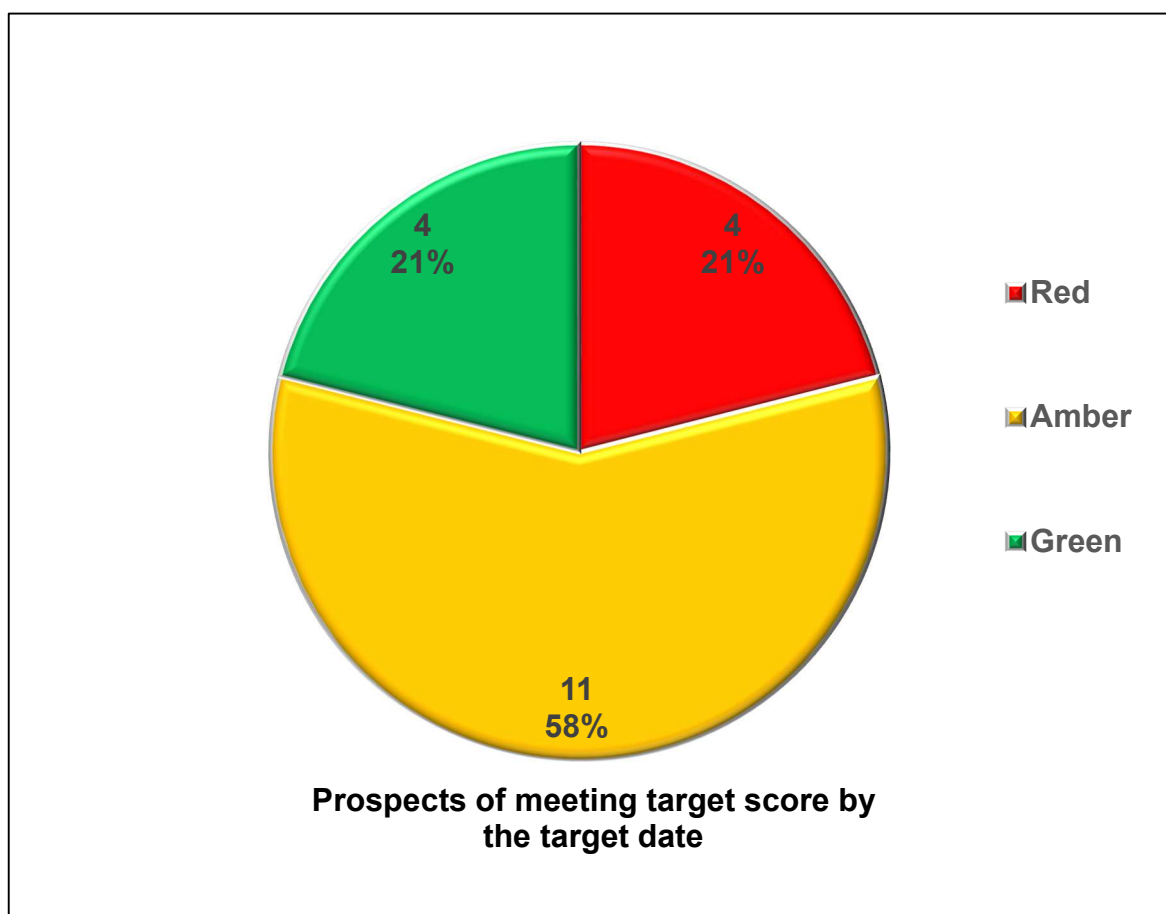
Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an [Audit Committee meeting agenda paper](#), pages 368-378 . Risk scores are based on the scoring model found in the Norfolk County Council "Management of Risk Framework".

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

The criteria for Corporate and Departmental risks are described at Note 1.
A description of target scores is shown at Note 2.

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

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



2.3 Changes to the corporate risk register

Details of changes to the corporate risk register since the last Risk Management report can be viewed at **Appendix B**.

2.4 Refreshed Risk Management Policy and Framework

As part of the Medium Term Risk Management Strategy 2016-19 the Council's Risk Management Policy and supporting procedures are being reviewed and refreshed by the Risk Management Officer.

2.5 Benchmarking Club Report

In November 2016, Norfolk County Council received the final version of the Benchmarking Club report, detailing how the Council is performing relative to other Councils in the country. The results have been noted and a summary can be viewed at **Appendix E**. Next steps are being identified to ensure that areas for development are addressed, and that areas where the Council is performing highly against other councils are continued as presented in **Appendix F**.

2.6 Flood Risk Analysis

At the January 2016 Audit Committee, Members asked for an analysis of the Council's properties that were at risk of flooding to be undertaken. That analysis has been undertaken and the Corporate Property Team are taking forward actions to strengthen and develop flood risk management for relevant NCC owned properties. This includes the signing up of NCC owned properties to the Environmental Agency's flood warnings.

2.7 As part of continuing development, four themes will be developed as business as usual for Risk Management. These are as follows;

- Strategy into Action / Accountability
- Commerciality / Business like
- Data Analytics / Evidence Based
- Collaboration / Influencing

The following strands are identified for taking forward;

Strategy into Action / Accountability

- Formalising a strategy to deliver the new RM Policy
- Developing a more Enterprise Risk Management (ERM) approach for NCC
- Being a 'Centre of excellence' for Risk Management

Commerciality – Business Like

- Developing traded Risk Management Service to other public sector bodies
- A Service Level Agreement approach for the function.

Data Analytics – Evidence based

- Develop Risk Management data measures and sources
- Quality Assurance the risk register content

Influencing – Collaborative

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region ALARM group
- Collaborate with expert contractors to develop world class Risk Management approach for Norfolk County Council and Norfolk Pension Fund

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 Risk Management is reported separately to Performance Management at Committees, although there continue to be close links between performance and risk. The departmental reporting continues to be 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.

4. 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.

5. Issues, risks and innovation

- 5.1 At the July 2016 Policy and Resources Committee, a further explanation was provided to Members of the County Council's approach to risk appetite and tolerance, which is applicable to the Communities Committee, and which can be located in paragraph 2.1 on [page 103](#) of the Policy and Resources Risk Management report (P&R agenda reports 18 July 2016).

6. Background

- 6.1 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:

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Note 1:

A Corporate Risk is one 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.

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.

Note 2:

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.

Risk Number	RM001					Date of update		30 November 2016		
Risk Name	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk									
Risk Owner	Tom McCabe					Date entered on risk register		01 July 2015		
Risk Description										
1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • congestion, delay and unreliable journey times on the transport network • a lack of the essential facilities that create sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. 2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.										
Original			Current			Tolerance 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	3	2	6	Apr-17	Amber
Tasks to mitigate the risk										
1.1) Independent Evaluation Group team and District Council staff to complete draft Local Growth Fund 3 (LGF3) business cases by end of November 2016 to maximise the chance of success. Funding will be announced in Autumn Statement, and the Local Enterprise Partnership will make a decision in the autumn/winter 2016/17. 1.2) Respond to Roads Investment Strategy 2 (RIS2) call for evidence by July 2016 to maximise chance of securing additional trunk road improvements. Provide business case evidence for priorities to Highways England by end of the year. 1.3) Actively promote and lobby to secure funding for the Great Yarmouth Third River Crossing. Submit Third River Crossing Outline Business Case to the Department for Transport by April 2017 to ensure we have a chance of being considered for funding. 1.4) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers. Officer review December 2016. Member adoption March/April 2017. 2.1) Manage and oversee development and delivery of individual Local Growth Fund schemes bringing forward spend on some to offset lag on others and targeting the highest priority schemes and those that have the greatest impact. All the LGF schemes have been deemed worthy of funding by the Local Enterprise Partnership as they address the identified needs. Determine a revised programme for Norfolk schemes that still meets overall profile and agree with Local Enterprise Partnership by autumn 2016. 2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Review by end of December 2016.										
Progress update										

Progress update

1.1) Business cases for priority projects completed in July 2016, continuing to work through business cases for all schemes to meet deadlines for New Anglia Local Enterprise Partnership (NALEP) decision making. Discussed LEP pipeline schemes at last IEG Transport and Infrastructure Programmes meeting and agreed to assign the most appropriate person to each business case. This could include non IEG staff being responsible for some business cases.

1.2) Responded to Roads Investment Strategy 2 call for evidence in July 2016. Commissioned Mouchel to produce business cases and these are on target to be completed by the end of December 2016. Meeting to be arranged with DfT to discuss them in early 2017.

1.3) Our bid for fast track funding from the Department for Transport to prepare an Outline Business Case (OBC) for the Great Yarmouth Third River Crossing was successful (Announced on 5 August 2016). Mouchel and NCC staff currently working to a tight timetable to have a robust Outline Business Case for submission in March 2017. This successful bid negated the need for the House of Commons reception. Recently met with DfT and agreed the modelling and appraisal technique for the March 2017 submission. The most robust methodology that fully utilised the newly collected survey data was unacceptable to DfT as it would not be completed until June 2017. Agreed to revert to original methodology but to investigate additional assurance aspects.

1.4) Attended regional meetings and meetings of the Planning Officer Society to inform the December review.

2.1) Discussions with the Capital Programme Manager, the individual scheme designers, and construction staff are in progress to determine realistic delivery programmes for each scheme taking into account known planning and resourcing issues.

2.2) Various S106 for improvements to the Longwater interchange have been programmed and dovetailed with the Local Growth Fund funding to ensure they are spent before any deadline dates.

Risk Number	RM002		Date of update		12 December 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 (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2016/17- 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			Tolerance 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	3	4	12	Feb-17	Amber
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										
Government's 2016-17 local government finance settlement reflected in the 2016/17 budget and Medium term Financial Strategy. Policy and Resources Committee on 18 July 2016 considered the latest position and agreed a timetable to consider 2017/18 budget and future Medium Term Financial Strategy. The October and November Policy and Resources Committee meetings considered the budget position for 2017/18 including the implications from the Autumn statement. Further updates will be provided to the February Policy and Resources Committee before an updated medium term financial strategy is considered for approval at full council in February 2017.										

Risk Number	RM003					Date of update		15 December 2016		
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.									
Risk Owner	Simon George					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			Tolerance 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	4	8	Dec-16	Amber
Tasks to mitigate the risk										
1) Implementation of SIRO (Senior Information Risk Owner) , 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, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions.										
3) 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.										
The current impact score is at 4 to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.										
The target date has been changed to take into account any recommendations to be undertaken as a result of the ICO Audit.										
Overall risk treatment: reduce										
Progress update										
The Corporate Information Management Strategy and IM Maturity Readiness Plan was signed off by CLT on the 11th March 2016. The strategy and plan have been developed around the 7 National Archive Information Principles.										
The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.										
Data cleansing has started in relation to Children's and Adult's social care information pre-procurement. The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners(IAOs) associated with them. The SIRO will recieve quarterly exception reports from the IAO'										

Progress update

s and the IAO's will on a regular update these assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

6 New Corporate Information Management Policies signed off by Business Leads, the Caldicott Guardians and the SIRO, have been implemented within the council along with 30+ Corporate procedures signed off by business leads. In tandem a comms strategy has been implemented along with a robust Training and Awareness strategy including action and implementation plans.

The ICO audited the Council on the 11th to the 13th October 2016 and the Council is now awaiting the final report. The Maturity Readiness Plan is being monitored by the Business Intelligence/Information Management Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.

Risk Number	RM004					Date of update		26 October 2016		
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Risk Owner	Simon George					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			Tolerance 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	Mar-17	Amber
Tasks to mitigate the risk										
1) Agree a standard corporate approach to the management of significant contracts.										
2) Conduct a gap analysis, initially focused on the top fifty contracts.										
3) Put in place an action plan based on the gap analysis										
4) The October 2016 P&R report should update Members on the procurement procedure.										
Overall risk treatment: reduce										
Progress update										
1) CLT agreed the standard approach on 30 June 2016.										
2) An initial gap analysis is under way on five pilot contracts. This will be used to refine the approach.										
3) Subsequently, the gap analysis will be extended to the remainder of the top fifty contracts, then to a further tranche of some 45 contracts.										
4) The October 2016 P&R report updated Members on procurement procedure.										
The target date is March 2017, given the early findings from the gap analysis.										

Risk Number	RM006					Date of update		10 November 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			Tolerance 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	Feb-17	Green
Tasks to mitigate the risk										
1) Clear robust planning framework in place which sets the overall vision and priority outcomes. A council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand 2) Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear targets. 3) A robust annual process to provide evidence for Members to make decisions about spending priorities. 4) Sound engagement and consultation with stakeholders and the public. 5) A performance management system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.										
Overall risk treatment: reduce										
Progress update										
1) Full Council agreed a three-year medium term financial and service 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. 2) A new County Council Plan was considered by Policy and Resources and was agreed by Full Council, together with the County Plan Tracker to monitor performance and delivery. 3) The Plan outlines the strategic context for the Council, providing direction and guides 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 4) Regular performance reporting to committees is focusing attention on poorly performing areas and highlighting areas of good performance. Dashboards are used, providing a summary of key performance indicators (KPIs) which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). 5) All Committees have reviewed savings proposals for 16/17, and taken action to strengthen delivery or re-profile. All Committees have identified additional savings for 2017/18 in line with the financial context and these are subject to consultation and engagement, where that is required.										

Risk Number		RM007		Date of update		15 December 2016				
Risk Name		Potential risk of organisational failure due to data quality issues.								
Risk Owner		Simon George		Date entered on risk register		01 July 2015				
Risk Description										
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.										
Original			Current			Tolerance 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	2	4	8	Dec-16	Amber
Tasks to mitigate the risk										
1) Implementation of the 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 and elements of the IM Maturity Readiness Plan.										
3) Ensuring 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) Ensuring the 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										
The target date has been changed to take into account any recommendations to be undertaken as a result of the ICO Audit.										
Overall risk treatment: reduce										
Progress update										

Progress update

The Corporate Information Management Strategy and IM Maturity Readiness Plan was signed off by CLT on the 11th March 2016. The strategy and plan have been developed around the 7 National Archive Information Principles.

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.

October 16 compliance rate for 3 Yr Refresher is 98.2% - 3.2% higher than the target for the vital sign of 95%.

A pilot training programme has been initiated concerning - increasing data accuracy skills. The pilot is for 32 staff across all services.

The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will regularly update their assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

The ICO audited the Council on the 11th to the 13th October 2016 and the Council is now awaiting the final report.

The Maturity Readiness Plan is being monitored by the BI/IM Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.

Norfolk County Council is NHS IG toolkit accredited for 2016/17, and the council is preparing for the re-accreditation in March 2017.

The Council received re-accreditation for PSN compliance on 14/12/16.

Risk Number	RM010					Date of update		15 December 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	Simon George					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 critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.										
Original			Current			Tolerance 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 drafted - to be reviewed by the business to ensure that they meet business continuity requirements. 3) Initial set of Disaster Recovery tests will be undertaken, associated with testing failover of the new network. A rolling programme will follow. 4) Cloud-based highways management system has been implemented; procurement starting for CareFirst replacement (will be resiliently hosted by April 2018 - work is in progress); review of Oracle hosting has been commenced in light of this (timescales to be confirmed); review of Windows hosting still to be completed. This will be included within the scope of the formal joint review by Norfolk County Council and Hewlett Packard of the DNA contract during June 2016. Work is in progress. 5) Voice and Data network procurement completed and once implemented will improve resilience by April 2017. 6) The Council received re-accreditation for PSN compliance on 14/12/16.										

Risk Number	RM011					Date of update	22 December 2016				
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.										
Risk Owner	Wendy Thomson					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			Tolerance 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-17	Amber	
Tasks to mitigate the risk											
A review of the tasks to mitigate and to reduce this risk has been undertaken in April 2016 and the following actions for 2016/17 have been identified:- 1) CLT/CLG developing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To implement a new set of common leadership objectives (for the second year). 2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions of the 2016 end of year appraisals and to ensure an improvement on the 2015 81% completion rates. 3) To evaluate the Performance Conversations skills workshops that 500 managers attended - and follow up to ensure that this learning is embedded across the organisation. 4) CLT to agree focus for further performance management skills development - following assessment of gaps.											
Overall risk treatment: reduce.											
Progress update											
Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same; given the criticality of this area. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months: 1) New performance framework in place and a number of briefings and development work has been undertaken with CLT/CLG. 2) Appraisal completion rates 81% (variation of 57% to 95% in different parts of the Council) in 2015 - County Leadership Team agreed to track & improve on this for 2016. 3) In the last year, we have started to achieve a greater understanding in our management population of the gaps in our performance framework and their role in addressing the changes needed. 4) In 2015/16 the sickness levels improved and we exceeded the Council's target for NCC services. Average sickness per fte reduced to 7.66 days 15/16 from 8.35 in 14/15 (Target 7.81).											

Risk Number	RM013					Date of update		26 October 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) Incurring 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 2015-16, from page 88, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3 .										
Original			Current			Tolerance 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	Sep-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 need to be recorded on the Group's risk register.										
2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Communities and Environmental Services of the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend 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 should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have 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.										
Overall risk treatment: reduce										
Progress update										

Progress update

1) There are regular Board meetings, share holder meetings and reporting as required. Risks are recorded on the NORSE group risk register.

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. 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 has reviewed its framework of controls to ensure it is meeting its Teckel requirements in terms of governance and control, and a series of actions has been agreed by the Policy and Resources Committee.

The NORSE "Consents" backlog has been cleared via reporting to the P&R Committee.

All County Council subsidiary limited company Directors have been approved by full council.

New Chair of NORSE (Tom McCabe) appointed.

New Senior Commissioner appointed (Al Collier) to replace the outgoing Senior Commissioner.

Updated report on NORSE governance to come to P&R in November 2016.

Risk Number		RM014a				Date of update		28 November 2016		
Risk Name		The amount spent on home to school transport at significant variance to predicted best estimates								
Risk Owner		Michael Bateman				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 complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.										
Original			Current			Tolerance 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. There is the potential to sign up to the Hackney Community Transport (HCT) 'payment by results' initiative, which has seen successful results in implementing independent travel training for pupils who have SEN transport requirements, and delivering clear budget savings.										
Overall risk treatment: reduce.										
Progress update										
Monthly SEN Transport Budget Meeting now embedded to ensure frequent and consistent joint working between Transport/SEN commissioners in Children's Services and the Passenger Transport Unit; review of exceptional cases criteria, application of policy, early warning of legislation and case-law impact on costs. Travel time/cost reduction is key element of new Education Inclusion Strategy and its implementation is being supported by a dedicated project manager using DfE grant money and a new post for 'Transport Invest to Save' has been recommended for funding from this grant also; to reduce the number of children needing to access alternative specialist provision or, if necessary, then to attend local specialist provision, the impact of this is not likely to kick in until latter part of 2016/17. The LA continues to be fully engaged with the Chairs of the Headteacher Associations and the Chair of the Schools' Forum / Governor Association to ensure that the strategy is jointly developed, owned and implemented. 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. The head of Education Inclusion Service has confirmed, with colleagues with Passenger Transport Unit, that Norfolk County Council can sign-up to the Hackney Community Transport 'payment by results' initiative. Whilst details of the programme are pending, the plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT). The Head of Education Inclusion Service has met with all special school headteachers and the CEO of Engage Trust, and there was full agreement to work with HCT on this initiative. Data is now available for out of county transport, to enable transport managers and the Schools Admission Manager to understand the length and frequency of journeys to schools outside of Norfolk.										

Risk Number	RM014b				Date of update		30 November 2016			
Risk Name	The savings to be made on Adult Social Services transport are not achieved.									
Risk Owner	Janice Dane				Date entered on risk register		04 November 2015			
Risk Description										
The risk that the budgeted savings of £3.8m to be delivered by 31 March 2017 will not be achieved.										
Original			Current			Tolerance 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										
As part of reviews and reassessments identify the potential to reduce transport costs, eg by using local services that meet needs, using mobility allowance/motability vehicles - and work with individuals to achieve this. Travel and Transport continually review the transport networks, to look for integration and efficiency opportunities, and reprocure transport. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively.										
Progress update										
Project set up in ASSD. One FTE in Travel and Transport now dedicated to helping ASSD transport savings programme. Regular data and costs are being sent to ASSD managers. Titan (Travel Independent Training Across the Nation) training is being piloted from October eg so that people can use public transport by themselves. Reviewing business case following detailed costings to refurbish a centre in Thetford to provide day services for younger people with complex Learning Difficulties in that area rather than them having to travel long distances which will result in savings. Engagement events held to encourage transport providers to sign up to Trusted Traders for Transport so that where people are able they can arrange and pay for transport themselves and it is being promoted in Your Norfolk. Data has been analysed by the project team and potential savings identified, but the teams haven't got the capacity to do the reassessments of service users at pace and people didn't apply for the additional posts that have been created. Part of regular report to ASSD SMT and Promoting Independence Programme Board. The department is working with Travel and Transport and Childrens to find someone to carry out a Transport Review to complement the work already carried out. This will also need to sit alongside any other work being undertaken corporately on transport. The review would include looking at: good practice in other authorities in Adult Social Services Transport, especially those who have a relatively low spend on transport; and what efficiencies could be made in the administration, management and procurement of transport for Adult Social Services.										

Risk Number	RM016					Date of update		10 November 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 incident (Major or Moderate) both within and out of core office hours (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	Jun-17	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 meetings.						1) 85% of BC plans completed across the organisation including 90% of critical plans. 65% of BC Plans have been reviewed within the last 12 months including 79% of critical plans. The Corporate BC plan is being reviewed and updated. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required.				
2) That departments are represented at Resilience Management Board meetings, that training is completed and that departments complete exercises/tests.						2) Most departments are represented at meetings regularly. Resilience and ICT followed up the initial meeting of 6th June and a list of actions were agreed at the latest meeting on the 1st July to strengthen ICT Business Continuity arrangements. Resilience have presented at the ICT Board, as a result members agreed to the ICT Continuity work proposed. We have invited the Head of Procurement to the Resilience Management Board to present on Supplier Continuity. Training and exercising has begun but a full programme of training and exercising needs to be developed.				
3) First stage is a planned exercise to take place with the Customer Service Centre at the Corporate work area recovery (WAR) site, the second step is to complete an exercise with the Resilience representatives at the Professional Development Centre (WAR site). Also, an exercise with the Resilience Management Board and CLT.						3) A recent visit at the Work Area Recovery site confirmed that a test with the CSC can be organised in the next 6 months. A date has been agreed and planning meetings booked in. The exercise will test several parts of the CSC plan. It is important to highlight that the scenario we will be testing will be loss of access to County Hall not loss of infrastructure at County Hall. Once this has been completed an assessment will be carried out on how other services could use the site and document invocation procedures if the site needed to be used both in and out of hours. CLT have had a number of briefings from the Resilience Team as well as an exercise on the impact of pandemic flu.				

Tasks to mitigate the risk	Progress update
4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities.	4) This has been completed and 93% of BIAs were returned. The Resilience Board has confirmed the critical activities as a result of this process. Resilience representatives completed a session on the risks to critical activities and ICT was identified as a high risk area that services were concerned about. The next BIA will be completed in September 2017.
5) To review Business Continuity E-Learning Course, relaunch, monitor uptake.	5) The online BC e-learning is available. We will promote the current e-learning module and monitor uptake.

Risk Number	RM017					Date of update		04 January 2017		
Risk Name	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)									
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 and/or 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 could result in the inability to deliver other elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan. It could 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			Tolerance 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	2	4	Feb-18	Red
Tasks to mitigate the risk										
The total project budget agreed by Full Council (November 2015) is £179.5m.										
1) Put in place a project Board and associated governance mechanisms . Monthly reporting to be provided to the Board (Chaired by Tom McCabe).										
2) Develop a project team to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which includes a commercial project manager.										
3) Main clearance works, archaeological investigation and utility diversions to 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) Assemble project controls and client team to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project.										
5) Cost reduction opportunity meetings to be held throughout the duration of the construction.										
6) Provide assurance of budget management governance through audits.										
Overall risk treatment: reduce										
Progress update										

Progress update

- 1) The project Board is in place and monthly reporting on progress, cost and risk is being provided to the Board.
- 2) The project team is developed and includes client construction and commercial project managers who will provide scrutiny throughout the works. The contract is incentivised to focus the whole delivery team (client & contractor) to stay within the agreed budget.
- 3) Main clearance works, archaeology and early utility diversions have been delivered on programme (with the risks of environmental and archaeology constraints restricting progress now passed). However, whilst progress is good, there remained some pressures on programme, with Network Rail approvals taking longer than planned for the Rackheath Bridge. Poor weather in June 16 also slowed progress, but this has largely been recovered. The impacts on budget (including land costs) are being continually reviewed and monitored and reported, but there is a risk to the overall budget.
- 4) Project administration controls and client commercial team are in place to ensure sufficient systems and staffing to monitor costs and contract information throughout delivery of project. This includes reviewing allowable costs and checking all payments and invoicing.
- 5) Entire team are focussed on reducing costs and this is reviewed regularly, particularly in relation to any necessary contract changes and programme management.
A Special Projects Support Manager has been assigned to the NDR project to provide additional capacity on our commercial side.
- 6) A governance (delegated purchasing of land) audit and a contract variations audit to be carried out in the first half of 2017/18.

Risk Number	RM018		Date of update		22 December 2016					
Risk Name	Potential failure to meet the needs of children in Norfolk.									
Risk Owner	Andrew Bunyan		Date entered on risk register		01 December 2013					
Risk Description										
CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted and subsequently, children and families do not receive a good/outstanding service.										
Original			Current			Tolerance 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	5	5	Mar-17	Amber
Tasks to mitigate the risk										
Action plans are being designed and delivered following each Ofsted monitoring visit.										
Strategic partnership arrangement is being developed with Barnardo's to focus on LAC and Care Leavers.										
Essex CC have been commissioned by the DfE to support our improvement activity.										
Progress update										
Feedback from the first monitoring visit was generally positive. All areas for development identified by Ofsted in that visit have been captured in the action plan.										
A joint innovations fund bid has been submitted with Barnardo's to assist in funding the partnership approach. Governance arrangements are being discussed.										
Colleagues from Essex have visited and we have provided them with a locality-level stocktake in order to inform them of current performance and to help identify where their support would be most beneficial.										

Risk Number	RM019					Date of update		22 December 2016		
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget.									
Risk Owner	James Bullion					Date entered on risk register		24 February 2016		
Risk Description										
A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)										
Original			Current			Tolerance 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) Complete tendering exercise, and award the contract. 2) Provide clear governance overseen by CLT. 3) Set up a project team to manage the project. 4) Determine go live dates for Adults Services, Childrens Services, and Finance.										
Progress update										
1) After an extensive tendering exercise, the contract has been awarded to Liquid Logic. 2) Clear governance is in place. The Project Sponsors are in place for Adults Services, Children's Services, and Finance. This is overseen by CLT. There are weekly JLAG sessions with the Project Sponsors and the Project Team. Monthly update to Adults SMT. Regular updates to Adults Committee and to CLT. 3) A Project Team has been up and running since January 2016 with strong practitioner involvement. 4) Adults and Finance will go live in November 2017 and Children's in April 2018.										

Risk Number	RM020a		Date of update		18 December 2016					
Risk Name	Failure to meet the long term needs of Norfolk citizens.									
Risk Owner	James Bullion		Date entered on risk register		11 October 2012					
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			Tolerance 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) The refreshed Promoting Independence Programme will mitigate demand.										
2) Invested in appropriate prevention and reablement services										
3) The Better Care Fund requires development of a forward integration plan to align with the STP.										
Progress update										
1) The Target Demand Model sets out the demand changes required for sustainable social care which the Promoting Independence programme will seek to achieve.										
2) Fully recruited to the preventative (Norfolk First Support) service.										
3) Ensure budget planning process enables sufficient investment in adult social care.										

Risk Number	RM020b		Date of update		18 December 2016					
Risk Name	Failure to meet the needs of Norfolk citizens.									
Risk Owner	James Bullion		Date entered on risk register		01 April 2011					
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 people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.										
Original			Current			Tolerance 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) Mitigated by the PI programme refresh with Target demand management which mitigates demographic growth over three years										
Progress update										
1a) The Target Demand Model sets out the financial changes required for sustainable social care which the programme will seek to achieve.										
1b) Promoting Independence programme of work refreshed and delivery plan developed. Target demand model complete and focussed work on entry points, processes for older people and younger adults, cross cutting behavioural change and commissioning projects. Reprofiled savings have been recommended to P&R Committee.										

Risk Number	RM021		Date of update		22 December 2016					
Risk Name	Failure of Estate Management									
Risk Owner	Simon George		Date entered on risk register		21 June 2016					
Risk Description										
There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.										
Original			Current			Tolerance 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	3	12	4	3	12	2	2	4	Mar-17	Amber
Tasks to mitigate the risk										
1) County Farms Performance Review Meeting to be established and attended by officers. 2) Recommendations from the County Farms audit report to be implemented with progress to be noted at the County Farms Performance Review Meetings. 3) Follow-up audit to be established and reported to the January 2017 Audit Committee.										
Progress update										
1) The County Farms Performance Review Meeting has been established and officers meet regularly to consider improvements to estate management. 2) Recommendations are currently being considered and implemented, and progress monitored at the County Farms Performance Review Meetings. 3) The follow up audit is underway and will report to Audit Committee in January 2017.										

Risk Number	RM022					Date of update		11 November 2016		
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.									
Risk Owner	Wendy Thomson					Date entered on risk register		26 July 2016		
Risk Description										
There are far-reaching implications to the Council, most notably for the Council's EU funded programmes supporting economic growth and regeneration, employment, environmental protection, research and development, and agricultural support within Norfolk. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU. Cause: The EU Referendum held in June 2016, with the UK voting to leave the EU. Event: Article 50 being triggered with a limited understanding as to how the terms of exit affect Norfolk County Council service delivery. Effect: Uncertainty over the nature and the extent that the terms of exit triggered by invoking Article 50 will impact upon Norfolk County Council.										
Original			Current			Tolerance 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	3	12	4	3	12	3	3	9	Apr-17	Red
Tasks to mitigate the risk										
1) Officers to meet with key Government leads to keep updated on proposals, developments and risks. 2) Article 50 is yet to be triggered, so at this stage, Norfolk County Council should continue to monitor the post-Referendum environment. 3) Understand potential implications from the vote to leave the EU, by keeping abreast of official publications from local, central, and European government. 4) Engage with LGA to ensure all current funding is protected in post EU referendum decision making so that the economic benefit of the funding is not lost post EU referendum result and also that these funds be devolved locally. 5) Human Resources to support managers and staff who may be affected by this issue. 6) Meetings to take place with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills regarding funding to manage breaking the tie between programme performance and funding.										
Progress update										

Progress update

- 1) Meetings will be held with the appropriate bodies.
- 2) Norfolk County Council is monitoring the post-Referendum environment, working to be as proactive as possible to events unfolding.
- 3) Working to understand potential implications from the vote to leave the EU, by keeping abreast of official publications from the Local Government Association (LGA). The government has pledged to introduce the Great Repeal Bill in 2017, which the Council will monitor progress with.
- 4) Engaging with LGA to ensure all current funding is protected in post EU referendum result decision making, allowing for funds to be devolved locally. In respect to European funds, the UK government has agreed to honour the funding commitment for any project agreed up until the point of leaving the European Union (expected to be March 2019).
- 5) Senior Managers have been advised of support available for officers affected by these issues.
- 6) Monthly meetings established with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills with specific focus on
 1. Gaining approval that the Authority will be designated funding in a timely manner
 2. Securing support to gain authority from the EU Commission to break the tie between programme performance and funding to manage the programme because of the added risk to performance that the EU referendum result has created.

Appendix B – Risk Reconciliation Report

Significant changes to the risk register since the last Audit Committee Risk Management report was presented in September 2016.

Risk closures:

There is one risk closure to report since the last Audit Committee Risk Management report:

RM005 - The risk that we cannot provide laptops that are configured and maintained to be modern, reliable and fit for purpose. We have now resolved all significant functional issues with the laptops. This risk was closed in November 2016 and reported to the November 2016 P&R Committee.

Score changes:

There are two score changes to report:

RM003 - Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice. The current score has been reduced from 15 to 12, with the current impact score reduced from 5, to 4, to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.

RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m). The current score has been increased from 9 to 12, with the current likelihood score increased from 3 to 4. A Special Projects Support Manager has been assigned to the NDR project to provide additional capacity on our commercial side. The project team are actively monitoring and managing the project risks and following from a review of risks there are issues that may impact on the budget, including land costs and contract management costs. Further details are included in the finance monitoring report to the January EDT Committee.

Prospect score changes:

RM017 – Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m). The prospects of meeting the target score by the target date has moved from Amber to Red. Further details can be found directly above and in the finance monitoring report to the January EDT Committee.

Other Significant Changes:

There is one other significant change to report:

RM001 - Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk

Since the last Audit Committee Risk Management report was presented in September 2016, there have been revisions made to Risk RM001. This risk was refreshed in October 2016 to better represent the funding element of the risk of not delivering infrastructure at the required rate. Amendments have been made to the risk title, description, mitigations and progress against risk mitigations.

RM014a - The amount spent on home to school transport at significant variance to predicted best estimates - The head of Education Inclusion Service has confirmed, with colleagues with Passenger Transport Unit, that Norfolk County Council can sign-up to the Hackney Community Transport 'payment by results' initiative. Whilst details of the programme are pending, the plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT).

There are two new Executive Directors working for Norfolk County Council: James Bullion is the Executive Director of Adults Services, and Andrew Bunyan is the Interim Executive Director of Children's Services. Risks from the former Interim Executive Director of Adults Services have been transferred to James Bullion's ownership.

* A significant change can be defined as any of the following;

- A new risk
- A closed risk
- A change to the risk score
- A change to the risk title, description or mitigations (where significantly altered).

Risk management discussions and actions

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the risks that have met the exception reporting criteria and so included in this report, there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. Why are we not meeting our target risk score?
2. What is the impact of not meeting our target risk score?
3. What progress with risk mitigation is predicted?
4. How can progress with risk mitigation be improved?
5. When will progress be back on track?
6. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – suggested actions

A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.

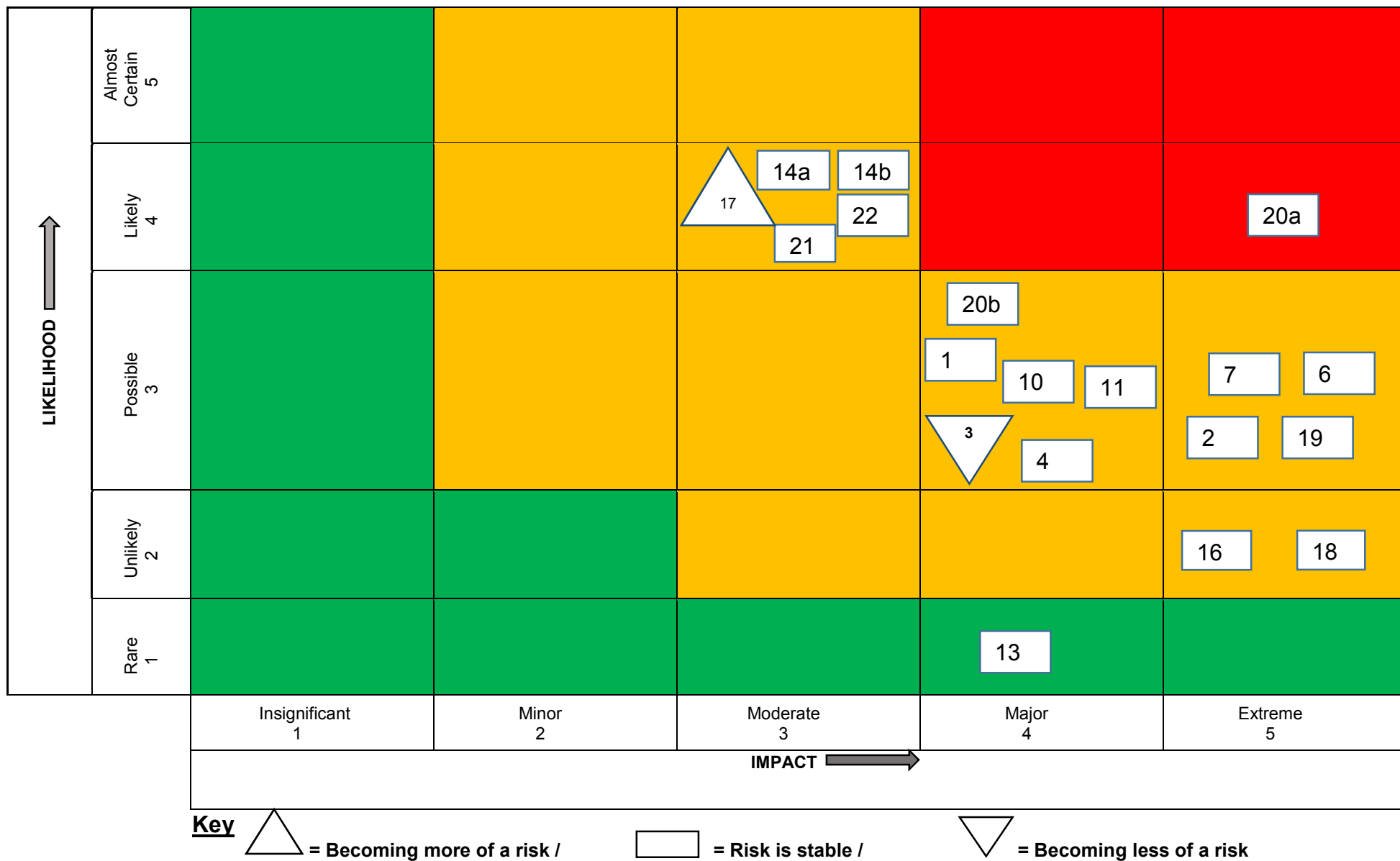
All actions, whether from this list or not, will be followed up and reported back to the committee.

Suggested follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to County Leadership Team	Identify key actions for risk management improvement and refer to CLT for action
6	Refer to Policy and Resources Committee	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to the Policy and Resources committee for action.

No.	Risk description	No.	Risk Description
1	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk.	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
2	The potential risk of failure to manage significant reductions in local and national income streams	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.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	14b	The savings to be made on Adult Social Services transport are not achieved.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	16	Failure to adequately embed Business Continuity into the organisation.
7	Potential risk of organisational failure due to data quality issues.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m).
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.	18	Potential failure to meet the needs of children in Norfolk.
		19	Failure to deliver a new fit for purpose social care system on time and to budget.
		20a	Failure to meet the long term needs of Norfolk citizens.
		20b	Failure to meet the needs of Norfolk citizens.
		21	Failure of Estate Management.
		22	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

Corporate Strategic Risks - Heat Map



Home Page

Instructions

Guidance

We recommend
printing this sheet for
reference.

Action List

Questions

Submit Questionnaire

ENABLERS			Score
A	4/4	LEADERSHIP & MANAGEMENT	74/100
1	✓	Information and decision making	28/32
2	✓	Escalation and reporting systems	7/12
3	✓	Accountability and management responsibility	27/32
4	✓	Leading risk management implementation	12/24
B	2/2	POLICY & STRATEGY	65/100
1	✓	Risk management policy	50/60
2	✓	Strategy	15/40
C	4/4	PEOPLE	72/100
1	✓	Culture	16/25
2	✓	Responsibility	14/20
3	✓	Skills and guidance - capability	25/35
4	✓	Communication	17/20
D	3/3	PARTNERSHIPS & SHARED RESOURCES	88/100
1	✓	Partnerships and shared services	40/50
2	✓	Finance	30/30
3	✓	Tools	18/20

ENABLERS			Score
E	6/6	PROCESSES	85/100
1	✓	Links to business/service processes overview	25/30
2	✓	Risk Identification and Analysis	25/30
3	✓	Risk response	14/15
4	✓	Risk reporting and review	5/5
5	✓	Information Risk	8/10
6	✓	Service Continuity	8/10
RESULTS			Score
F	2/2	RISK HANDLING & ASSURANCE	93/100
1	✓	Risk handling	53/60
2	✓	Assurance	40/40
G	2/2	OUTCOMES & DELIVERY	80/100
1	✓	Risk management contribution to overall performance	50/60
2	✓	Contribution to specific outcomes	30/40

Additional Questions

- Go to additional questions

Comparison to Alarm's National Performance Model for Risk Management

Your Score-->

ENABLERS LEVEL KEY	
Level 5 - Driving	85%+
Level 4 - Embedded and integrated	70%+
Level 3 - Working	45%+
Level 2 - Happening	20%+
Level 1 - Awareness	0+

Your Score-->

RESULTS LEVEL KEY	
Level 5 - Driving	85%+
Level 4 - Embedded and integrated	70%+
Level 3 - Working	45%+
Level 2 - Happening	20%+
Level 1 - Awareness	0+

Risk Benchmarking Club 2016

Introduction

In September 2016, the Council submitted the annual Risk Management Benchmarking Club return to CIPFA (Chartered Institute of Public Finance and Accounting), to assess our Risk Management performance against 27 other authorities across the United Kingdom. The Risk Management Officer provided evidence based answers to a series of assessment questions. In November 2016, we received the final report back from CIPFA with comparative results. The summary is presented as **Appendix E**.

Summary of results

Below is a summary of the breakdown of results.

1. Overall scores: A total of 700 points were available, split across 7 different areas (100 points for each area). Overall, Norfolk County Council scored 80% (557/700) compared to the 74% national average (516/700).
2. As an organisation, we are considered to be:
 - “Driving” (highest level 5) in three areas (Partnerships & Shared Resources, Processes, and Risk Handling & Assurance)
 - “Embedded and Integrated” (level 4) in three areas (Leadership & Management, People, and Outcomes & Delivery)
 - “Working” (Level 3) in one area (Policy and Strategy)
3. Out of the 7 areas that were covered, Norfolk County Council scores as follows;
 - Above the national average for four areas (Partnerships & Shared Resources, Processes, Risk Handling & Assurance, and Outcomes & Delivery).
 - At the national average for one area (People)
 - Below the national average for two areas (Leadership & Management of Risk, and Risk Policy & Strategy)

Action points for taking forward

The ratings are a fair representation of the function’s journey, since Corporate Risk Management moved to Internal Audit in August 2015. There is a good foundation to develop the Risk Management function going forward as part of wider performance management. Below are identified action points to take forward:

- The refresh of the Risk Management policy. The Risk Management policy is currently being refreshed by the Risk Management Officer to reflect best current practice, with input from the risk community within the Council. The Risk Management strategy will follow from the policy.
- The development of further corporate risk scrutiny in conjunction with audits being carried out on corporate risk areas. This will strengthen the assurance for this area.

Audit Committee

Item No.

Report title:	Norfolk County Council's Insurance Cover
Date of meeting:	26 January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact The Council's Constitution includes in the Audit Committee's Terms of Reference (part 4.4) for risk management to, 'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate. Providing insurance cover is one of the accepted methods of reducing the impact of risks to Norfolk County Council. The payment of a premium to an insurer, thus offsetting the risk allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the organisation against financial loss.	

Executive summary

This report provides the Audit Committee with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance and Commercial Services Department, overseen by the Policy and Resources Committee.

The report will provide members with assurance as to how the insurance provision is delivered for the County Council and how claims against the Council are managed by the Insurance Team.

Recommendations:

Committee Members are asked to:

1. **note that proper insurance exists where appropriate, as confirmed by external and internal reviews and accept the report.**

1. Proposal (or options).

- 1.1. Audit Committee members requested that they might have an annual report containing information about the levels of insurance cover that are in place for Norfolk County Council.

- 1.2. This report seeks to provide information and assurances to Members that there is throughout the Council adequate provision regarding the placement of insurance cover and associated risk mitigation measures.

2. Evidence.

- 2.1. There are many risks that Norfolk County Council face in delivering the services that it is required to deliver. When risks have been identified there are a number of industry accepted methods to treat or mitigate these risk.
- 2.2. There are four accepted methods to treat and mitigate identified risks:
- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
 - **Reduce:** Take actions to reduce the impact, e.g. contingency arrangements. Take action to reduce the likelihood e.g. alternative systems, increased training, physical improvements to premises etc.
 - **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it.
 - **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.
- 2.3. Risk transfer is usually accomplished through the use of an insurance policy, although not exclusively. This is at its most basic, a voluntary agreement between two parties, the insurance company and the policyholder, in this case Norfolk County Council. In such an agreement the insurance company takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurance company will make good the agreed financial loss.
- 2.4. For providing this type of cover against loss the insurance company charges a fee, or insurance premium, for accepting the risk. In addition there may be deductibles, reserves, reinsurance and other financial agreements that modify the financial risk the insurance company takes on.
- 2.5. Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.
- 2.6. Most risks that are identified can be insured against. However the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claims history of the particular organisation and how effective risk mitigation measures are that have already been implemented.
- 2.7. The cost of cover or the premiums are also dependent upon the level of deductible (excess) that is attached to the policy. The greater the excess generally the lower

the cost of the cover will be. The policyholder will be responsible for the full costs of any claim up to the excess, and where a claim is above the excess the insurer will be responsible for the balance.

3. Insurance provision.

- 3.1 Until 1992 Norfolk County Council was insured with “Ground-up cover”, this is where the insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.
- 3.2 As a result of this decision a fund was required to cover the element of the self-insurance to the £100,000 level. Since the mid 1990’s our deductible across all policies has been increasing to the current £250,000. The result of the higher levels of deductible is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge as the fund is used to cover settlements up to the £250,000 level.
- 3.3 Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around the claim. The insurer will investigate, review and decide upon liability, making their recommendations to the insured. Where there is a deductible the insured will have responsibility and conduct for the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims.
- 3.4 In addition we carry a “stop-loss” provision which places a maximum value or limit per year of aggregated claims against each policy. This cover is to ensure that catastrophic or numerous claims do not reduce the fund to a dangerous level. It protects the Council from higher than expected claim numbers and should the aggregated claims in a given year breach the agreed stop loss value the insurer will then pick up the total cost of the claims above that agreed stop loss figure. For our Property policy the stop loss is £1,000,000 for all other catastrophic policies the stop loss is £6,750,000.
- 3.5 Norfolk County Council carries a number of different insurance policies, some that are a legal requirement others that are out of necessity. There are also anomalies, such as with motor insurance. It is a legal requirement that any driver has insurance for the vehicle they are driving. However as a Local Authority, the Council could be exempt from such insurance under the Road Traffic Act. It would mean that any claim brought as a result of a motor incident would then have to be fully funded by the Council rather than only up to the level of excess.
- 3.6 There are four main policy types that Norfolk County Council holds cover on:
- **Employers Liability** – As an employer the Council has insurance against claims from employees for breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council. Currently the limit of indemnity on this policy is £50 million with an excess of £250K

- **Public Liability** – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the Highway. Currently the limit of indemnity on this policy is £50 million with an excess of £250K.
- **Property or material damage insurance** – Cover for material damage to the Council's property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250K.
- **Motor insurance** – Cover for any motor vehicle which is the property of or in the custody of or control of the council. Currently the limit of indemnity on this policy is £50 million with an excess of £250K.

3.7 Some of the addition policies that the Council currently holds are as follows:

- **Airside cover** – Cover for incidents on the airside (live side) at an airport.
- **Terrorism cover** - Policy to cover acts of terrorism against County Hall only.
- **Fidelity Guarantee** – Cover for direct acts of fraud, theft or dishonesty by an employee in the course of their employment.
- **Contract works** - All risks policy to cover loss or damage to contract works undertaken for and on behalf of the Council.
- **Fine Art All Risks cover** – Cover for art and collectables owned or on loan to the council.
- **Travel insurance** – Cover for all authorised trip members worldwide, including specialist medical assistance.
- **Professional Indemnity** – Covers financial loss as a result of acts or omissions in the professional services provided by the Council.

3.8 As part of the insurance service provided by the Insurance Team there are many small, individual and specific or bespoke policies that have been purchased to cover very specific risks. Examples would be cover for asbestos surveys and removal and hired in plant cover.

3.9 Policies cover all aspects of the activities that are undertaken by Norfolk County Council. In addition cover is provided to all Local Authority schools, Norse and NPS and all other wholly owned companies, such as Independence Matters.

3.10 Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium we have to pay tax on our insurance, Insurance Premium Tax has recently been raised from 10% to 12% in the Autumn Statement.

3.11 The percentage increase/decrease for our main policies between 2015 and 2016 can be seen below.

Type of Policy	% Increase	% Decrease
Catastrophic Cover (Employers and Public Liability)	7.8	
Motor		11.7
Property	10.9	
Fine Art (All Risks)		6.5
Terrorism	21.0	
Directors and Officers (Norse Group)		6.0
Fidelity Guarantee	6.0	
Contract Works*	116.0	
Computer		4.7
Personal Accident		5.0
Third Party Airside Liability	6.0	

* Contract Works premium has increased significantly. This is because the value of construction works currently being undertaken required cover to be increased from £2.0m to £10.0m per construction activity.

4. Claims Handling

- 4.1 Being self-insured to the level of £250,000 means that we have full conduct of all claims that are reserved below that figure and have the capacity and experience to make final decisions on all such claims.
- 4.2 All areas of claims brought against the County Council are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance team has been managing claims for over 20 years and has considerable experience in all classes of business. Being in-house means that there is ready access to the appropriate officers and Senior Managers in departments against which claims have been brought and access to IT systems and electronic data as required. Data that is stored is available to investigators without special permissions as it remains within the Council being used for Council activities.
- 4.3 Claims can be brought against the Council in a number of ways, a claimant in person may complete a claim form or write a formal letter of claim, claims may come in through the Ministry of Justice portal which is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. Once the claim has entered the system it is allocated to the appropriate level of handler for investigation and response.
- 4.4 As noted, each claim is allocated to a specific handler who is managed by a Claims Manager. The Claims manager carries out regular audits on claim files and authorises all payments to ensure there is a consistent approach to claims handling throughout the team.
- 4.5 Norfolk County Council receives almost 2,500 claims a year, the majority of the liability claims are brought by members of the public. All claims on the Motor policy will be related on an incident involving one of our vehicles, some will have a third

party involvement. All property claims will relate to damage to a property owned by the Council. Over recent years liability claims are averaging just under 900 claims a year, Motor claims are averaging just under 950 a year and Property claims are averaging just under 600 a year.

- 4.6 Claims are reserved (the potential cost of settlement, should it be necessary, including all potential legal costs) against the information provided by the third party. Where a claim reserve is higher than the excess the insurer has a right to take over conduct of the claim, working alongside the claims handler and Manager, to ensure an appropriate outcome.
- 4.7 All liability claim allegations must be associated with a breach of statute. It is for the claimant to bring the allegations of what statute/s they consider have been breached and for the claims handler to fully investigate the allegations and determine if the Council does have a defence or if there is a legal precedent (case law).
- 4.8 Where there are property damage claims the team act as loss adjustors and provide immediate recovery provisions. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre incident condition as soon as possible. The team will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. This will also include working with contractors and NPS where building works are necessary.
- 4.9 Norfolk County Council has recently procured a contract with four specialist restoration companies to provide specialist flood and fire recovery services in the event of major (or in some cases minor) losses. The companies are there to provide an immediate support service to the Insurance Team to ensure that within the first few key hours of an incident properties and workplaces can start to be restored. It is in these first few hours that major savings can be made by an effective restoration process being implemented.
- 4.10 Where a claim becomes litigated the handler will work in conjunction with one of our panel solicitors to develop our defence. Handlers will take witness statements, collate additional documentation, meet with barristers and eventually attend court to support our witnesses. Whilst in court they will record a transcript of the case for future learning points.
- 4.11 Denial rates (closing a claim with no payment to the third party) form part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 58% and Public Liability denials is 80%. Both of these are considered by our external solicitors as in the upper quartile when compared nationally. Clearly denial rates are very dependent upon what the individual departments and sections are doing and what policies and practices they are working to. Claims can only be defended and denied if there is sufficient documentation to prove the Council has complied with all that is required to do.
- 4.12 Where a claim has to be settled the Claims Manager and Claims Handlers will provide feedback to the individual departments and managers. This process is used

to improve and enhance further our future ability to defend similar claims. Sometimes this will require a change in working practices or consideration of how the activity can be delivered in a different way.

5. Insurance Fund

- 5.1 The Insurance Fund is the financial provision that is used to pay settlement compensation to successful claimants and any associated legal and medical costs. The fund is maintained by the collection of premiums paid by the departments against the policy cover provided.
- 5.2 For some classes of insurance it can take several months or even years to report, investigate, pay and close claims. For some large and complex claims, courts may need to decide on liability and this can add more time to the process. Claims relating to abuse or long-term disease such as mesothelioma can be open for 10 or more years until a final settlement can be agreed.
- 5.3 As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses. The total value of a claim (the incurred amount) is the amount paid to date plus the “outstanding” amount still to be paid. As money is paid out on a claim, the reserve will be reduced, however when calculating the total liability for a claim both the incurred and outstanding is combined.
- 5.4 The Council carries a sizeable deductible and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years as well as claims in the current policy year.

6. Assurance

- 6.1. Both the claims handling function and the Insurance Fund is reviewed regularly by external auditors to ensure that we are providing an excellent service and that the Insurance Fund is adequate to cover all liabilities.
- 6.2. The Insurance Fund is reviewed on an annual basis by Marsh Limited to provide the Council with the confidence and assurance that there are sufficient monies within the fund to cover actual and potential losses. The review uses statistical analysis to calculate how claims are expected to change over time before they are eventually concluded.
- 6.3. In addition to the Fund Review, the handling policies and processes are reviewed through external audits. Our previous insurer has carried out audits on an annual basis to provide them with assurance that we are delivering the appropriate level of expertise. Zurich, our new insurer undertook an audit but as part of the assurance process at tender stage when they reviewed the full insurance processes.

Subsequently they have undertaken an audit of our claims handling function to provide assurance that the Delegated Authority we have to handle claims is appropriate.

- 6.4. The outturns from such audits are used to develop learning packages for team members throughout the year. Zurich undertook the audit in August, the report states “Norfolk CC achieved an excellent result following this technical file review, and scored highly in the majority of their claims handling phases. The overall quality of claims handling found at Norfolk CC was of an excellent standard.”
- 6.5. As part of the general auditing process Claims Managers carry out random reviews of files at various times throughout the life of a claim to ensure consistence. In addition we have sessions with members of our panel solicitors who provide training and assurance in the context of national standards. Where a claim is litigated all documentation and information will be reviewed in conjunction with legal experts to ensure there is an effective course of action in defending.

Officer Contact

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

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Audit Committee

Item No.....

Report title:	Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for first half of year 2017-18
Date of meeting:	26 January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
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 , part 4.1 (4.4) page 9, which is part of the Council's Constitution Article 6, at page 5. The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are 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'.	

Executive summary

Norfolk Audit Services fulfils the internal audit function for the Council as required by its own Terms of Reference and the relevant regulations, which are considered annually by the Committee. Internal Audit's work is planned to support the Council's priorities, being:

- Excellence in Education
- Real Jobs
- Good Infrastructure
- Supporting Vulnerable People

The Internal Audit Strategic Planning:

- Supports the Council's [priorities](#) (page A6) and New Ways of Working with more transparent charging and costing, critical thinking methods and a business approach more akin to a commercial audit practice
- Complements the Council's Medium Term Financial Plan 2016-20 as published in the [Council's Budget Book](#) and the Corporate Risk Management work

This report sets out the:

- Requirements (Section 2.1)
- Internal Audit Budget 2017-18 (Section 2.4)

- Internal Audit Strategy 2017-20 (Section 2.9)
- Internal Audit Approach 2017-18 (Section 2.11)
- Strategic Audit Planning 2017- 20 (Section 2.14)
- 2017-18 Internal Audit Plan (Section 2.16)

Recommendation:

The Audit Committee is recommended to consider:

- That internal audit's strategy and plan, contribute to an effective system of internal audit and risk management and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice
- The strategy and plan being the; Internal Audit Strategy 2017-20 (**Appendix A**), the Approach 2017-18 (**Appendix B**), the Three Year Strategic Audit Planned Days to support the Audit Opinion (**Appendix C**), the Summary Internal Audit Plan for the first half of the year 2017-18 for work supporting the Internal Audit Strategy (**Appendix D**) and the Detailed Internal Audit Plan for the first half of the year 2017-18 (**Appendix E**) and mapping of Corporate Risks to the plan (**Appendix F**).

1. Proposal (or options)

1.1 The proposal is set out in the Executive Summary above.

2. Evidence

The Requirements

2.1 The top six risk priorities of Norfolk Audit Services activity remain as:

- That sound financial management, resilience and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. This risk is expanded to include where services may not ensure value for money
- That commissioning, procurement and contract management are well governed and achieve value for money
- That other key NCC management systems are fit for purpose
- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are met and internal controls and savings are maintained during and after that change
- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy and the CIPFA Code)
- That assets, physical and information, are secured and controlled effectively, including data quality.

2.2 During 2017-18 and going forward Internal Audit should be:

- Supporting the Council's [priorities](#) (page A6) and New Ways of Working with a very strong internal audit function that is able to operate in a much wider and strategic way, assisting the organisation by helping it put in place a more efficient and effective control, performance and governance environment
- Turning the strategy into action (see 2.11 below)
- Working on progressing and reporting the resolution of Corporate High Priority Internal Audit Findings
- Strengthening anti-fraud activities and arrangements within the Council
- Implementing the France Channel England Audit Authority
- strengthening the traded schools service; and
- working to reorganise the team to exploit any potential collaboration or contracting opportunities that may arise

2.3 The Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 set out the requirement for expected professional standards for internal audit in local government and the requirement for a risk based internal audit plan.

The Internal Audit Budget 2016-17

- 2.4 The overall planned internal audit days (audit opinion work) for the Council for 2017-18 (including contractor days) are 768 days. This is slightly higher than the 2016-17 revised days of 709, reported in September 2016 (see **Appendix D**). The detailed audit plan for 2017-18 will be presented as two half year plans with a split of 365 and 403 audit opinion days respectively.
- 2.5 Throughout the budget reduction process of recent years, an adequate and effective internal audit function has been maintained, as per the requirements of the Accounts and Audit Regulations 2015 and providing the necessary assurance to Members and the external auditors.
- 2.6 It is the current assessment that the review of all internal processes has delivered all the anticipated reductions in audit days. The generation of additional income through commercialisation may further reduce the net costs in the internal audit budget.
- 2.7 The net budget for internal audit remains at £520k for 2017-18. Projected income for 2016-17 is £91,007.
- 2.8 The budget plan reflects an unchanged resource requirement except for the work as European Union Audit Authority for the France-Channel-England (FCE) programme where the cost of the additional resource will be offset by EC income. The involvement of NCC as a Managing Authority

for the programme was endorsed by Cabinet on 10 June 2013, as supported by a report highlighting the risks and benefits of such an initiative. It was formalised through both the formal designation of NAS as Audit Authority for the FCE programme by DCLG on 26 January 2016 and the inclusion of the Audit Authority functions in NAS Terms of Reference, as approved by this Audit Committee on 28 January 2016.

- 2.9 The volume of work and number of the FCE Audit Authority audit days to be delivered over 2017-18 is expected to increase slightly, as the programme is now starting to incur expenditure and the audit work will move from the evaluation of the adequacy of the systems set up (as carried out in 2016-17) to the audit of the actual effectiveness of the systems. All costs incurred in delivering the audit authority function are recovered from the European Commission, such that the resources can be back filled, where necessary.
- 2.10 The proposed audit plan for the full year includes a target of 36 traded school audits, which is a slight increase in the 32 traded audits delivered in 2016-17. The target for each half year is 16 and 20 respectively. This increase is deemed realistic given the current climate schools are facing and the continued Government programme of schools academisation.
- 2.11 The proposed audit plan includes a target to complete 75% of carried forward audits during the first half of 2017-18, with the remaining 25% being completed early in the second half.
- 2.12 The proposed audit plan includes 20 new audit opinion topics. As the audit plan is oversubscribed by 48 days for the first half of the year it is expected that 3 identified audits will be given priority in quarter 3, the second half of the audit year, leaving 17 topics for the first half. The prioritisation of topics will be managed on a risk assessed basis. The target for final report and draft reports for audits as at 31 September (end of first half of year) are 6 of each (with 5 audits being work in progress at 31 September). It is expected to achieve 100% of these targets.

The Internal Audit Strategy 2017-20

- 2.13 Internal Audit's strategy and planning provides assurance on risk management, internal control and governance which support the Council in achieving its priorities. Internal audit contributes to this by:
- recognising the local government environment continues to change and adapt to external drivers, including financial pressures bringing greater risks for the Council to manage
 - helping to promote a secure and robust internal control environment, including the management and reporting of performance which enables a focus to be maintained on those priorities
 - supporting the Council to address the significant governance and control issues that have been identified and reported in some parts of the Council

- monitoring the statutory changes to Local Public Audit arrangements
- Ensuring robust and effective Anti-Fraud activity including prevention, detection and investigation continues and the planning makes provision for this.

2.14 Attached as **Appendix A** is the proposed Internal Audit Strategy 2017-20. This Strategy includes a stronger and clearer approach to how Internal Audit will support the delivery of the Council's priorities. The strategy provides greater clarification of roles, responsibilities and processes, together with how internal audit assess and report on audit outcomes and what measures are in place to hold responsible officers to account to make improvements where required.

The Internal Audit Approach 2017-18

2.15 The Internal Audit Approach translates the strategy (2.13) into planned work. The audit days to support the strategy for 2017-18 of 1,006 days 969 (16-17) days (see 2.4) is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's risk management, performance management and other assurance procedures.

2.16 The approach is set out in **Appendix B**. That document explains how and why the function operates describing:

- Regulatory Requirements
- Financial and Organisational Changes
- Approach to the Audit Plan 2017-18
- Scoping for 2017-18
- Conclusions

The Strategic Audit Planning 2017-20

2.17 The Strategic Plan Days for 2017-20 (**Appendix C**) to deliver the work to support the audit opinion has been devised following a risk based approach using the following.

- concerns from Members
- concerns from the County Leadership Team
- the Council's [priorities](#), (page A6)
- the Corporate Risk Register,
- departmental Risk Registers,
- engagement with senior officers,
- review of the External Audit and Inspections reports,
- a review of corporate strategies,
- cumulative audit knowledge and experience,
- engagement with other Heads of Audit and
- Professional judgement on the risk of fraud and error.

2.18 The Strategic Plan is designed to inform this process for providing relevant assurance opinions on systems either in place or developing and providing

directional assessments regarding actions required to implement any of the necessary improvements. The days proposed for supporting the Annual Audit Opinion in 2017-18 are 768 (709 for 2016-17 which was oversubscribed by 92 days), shown in Figure 2 below. The audit opinion work is shown in two halves of the year, i.e. as two six monthly plans. The plan for the first half of the year again exceeds the calculated available audit resource of 365 days (oversubscribed by 48 days) but audits will be undertaken on a risk based prioritisation as described in the plan below.

Figure2. Audit Days - Key Numbers for first half of 2017-18

Source:	First half of 2017-18 days	Full year days 2017-18	Revised 2016 -17 days
Audit Team Delivery to NCC Total (Appendix D)	485	1006	969
Audit Team Delivery allocation for audit opinion (Appendix D)	365	768	709
% of NCC delivery to support audit opinion	76%	76%	73%

The Internal Audit Plan for 2017-18

- 2.19 The authority's own audit days available for 2017-18 are calculated at 768 days (previously 709 as 2016-17 was oversubscribed by 92 days), which is considered sufficient to allow the Chief Internal Auditor to form an opinion on the authorities control environment, taking into account the authorities' risk management, performance management and other assurance procedures. It should be noted that the audit days for 2017-18 are in line with the revised audit days for 2016-17 (September committee) indicating that the days are stable for 2016-17 and 2017-18 in line with no change in the net budget. The planned percentage of time spent on NCC opinion work is 76% (73%) out of NCC total time is in line with the slight increase in audit opinion days.
- 2.20 Using the above sources of information, the Annual Internal Audit Plan for 2017-18 (**Appendix D**) has been drafted to balance the following:
- the requirement to give an independent, objective and evidence based opinion on all aspects of governance, risk management and internal control.
 - the requirement for External Audit to place reliance on internal audits of the key financial systems for their annual opinion on the financial statements,
 - identified control and governance issues,
 - Complementary sources of assurance are considered as part of the Audit needs planning and are recognised in the Council's Annual Governance Statement. Where reliance is to be placed on other

sources of assurance the quality and standards of the work are assessed to ensure they meet the required standard

- the requirement to inform and support the production of the Annual Governance Statement for the Council,
- best practice is that Internal Audit adds value through improving controls and streamlining processes. The work should have a balance of breadth and depth of scope
- the allocation of time required for responding to queries on control issues,
- the allocation of time required for responding to fraud queries and
- the resource and skill mix available to undertake the work.

2.21 In addition, major changes have continued to take place across the organisation. These include further re-organisation and transformation of the type of services that the Council provides to deliver its priorities. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major on-going impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and internal control and risk environment of the Council. However, it is important audit work is carried out on the key systems to provide assurance adequate controls are working as required during this period of change.

2.22 As a result of these on-going changes the audit plan has been developed as two half yearly plans. The first half of the year is detailed in Appendix D and has been consulted with, and agreed with Executive Directors and Senior Officers. The second half of the year detailed plan will be presented to Committee in September 2017. The assigning of the plan into two halves will help to ensure that each half is current, relevant and reflects the changing environment and will ease the administration necessary when adjustments to the plan need to be made. County Leadership Team, senior managers and Members will all have a role to play in determining the audit plan for each half of the year. It is the intention to ensure that regular scheduled meetings take place to discuss service developments, any emerging risks identified as a result of this and any requirements for the second half of the years audit plan, or indeed any changes that may be necessary to the first half of the year. This will keep the audit plan current and relevant addressing the areas of highest risk.

2.23 The first half of the year (1 April to 30 September 2017) Internal Audit Plan for 2017-18 is presented at **Appendix D** and is prepared in accordance with the relevant standards, the requirements, our proposed budget, our strategy, approach and strategic planning.

2.24 The proposed first half of the year plan includes a target of 16 traded school audits, with the second half of the year target being 20 (total 36), which is a slight increase in the 32 traded audits delivered in 2016-17. This increase is deemed realistic given the current climate schools are facing and the continued Government programme of schools academisation.

2.25 The proposed first half of the year audit plan includes a target to complete 75% of carried forward audits during the first half of 2017-18, with the remaining 25% being completed in the second half.

- 2.26 The proposed audit plan includes 20 new audit opinion topics of which 17 can be delivered within the available opinion days. The target for final report and draft reports for audits as at 31 September (end of first half of year) are 6 of each (with 5 audits being work in progress at 31 September). It is expected to achieve 100% of these targets.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council. Internal Audit's work provides assurance on the systems and internal controls that manage £1.405bn of Gross Revenue expenditure, £145m Capital programme and £977mm of Assets.
- 3.2. The three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2017-18. The overall resourcing levels remain unchanged. We will actively maintain traded services and pursue new opportunities when they arise.
- 3.3. There is a contribution to the fixed costs from the France Channel England Programme Technical Assistance. All costs incurred in delivering the audit authority function are recovered from the European Commission, such that the resources can be back filled, where necessary.

4. Issues, risks and innovation

4.1. Issues

Our audit planning is aligned to the new Council structure approved by Council on [20 October 2014](#) . and the Council's [priorities](#) (page A6) The priorities for the Service Departments, for Resources and Finance are set out clearly in those reports and inform our own planning to support those priorities and objectives.

Our audit planning will take account of any improvement plans and planned savings activity that are in progress and will complement that work where appropriate.

4.2. Risk implications

If appropriate systems are not in place or are not effective there is a risk of:

- the Council failing to achieve its corporate objectives
- the Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner; and
- not meeting statutory requirements to provide adequate and effective systems of internal audit.

The Internal Audit Plan complements the Councils Corporate Risk Register. The correlation of the audit topics to the corporate risks is described in the Charts 1 and 2 below.

Chart 1: Sources of Assurance on Corporate Risks 2017-18

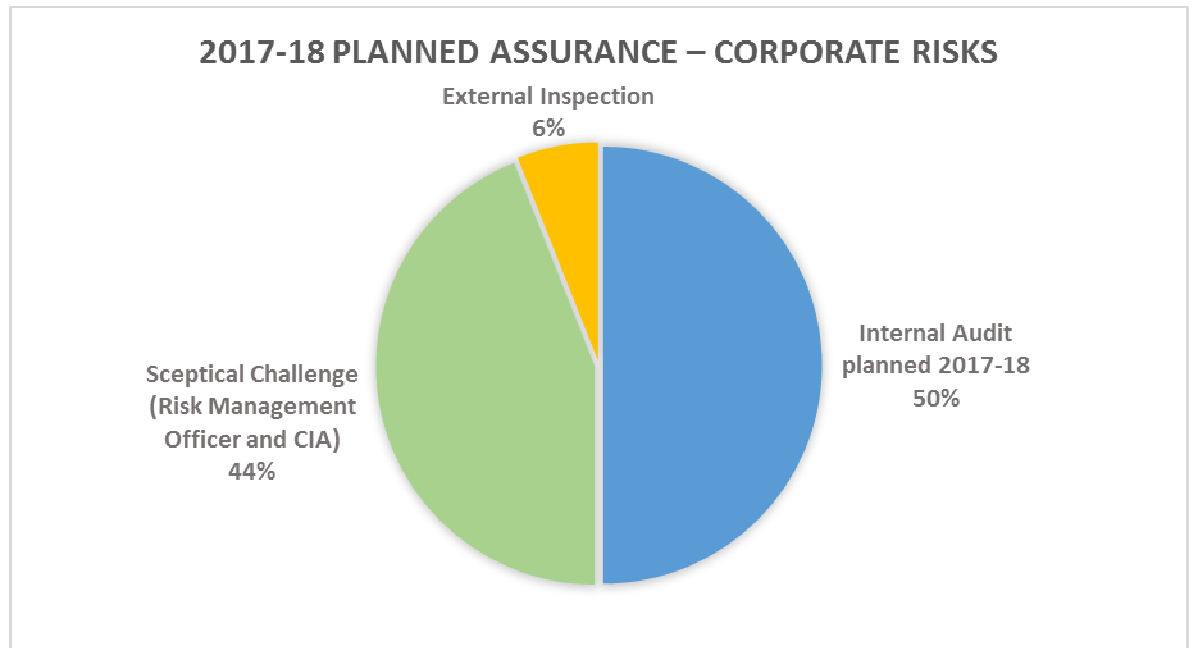
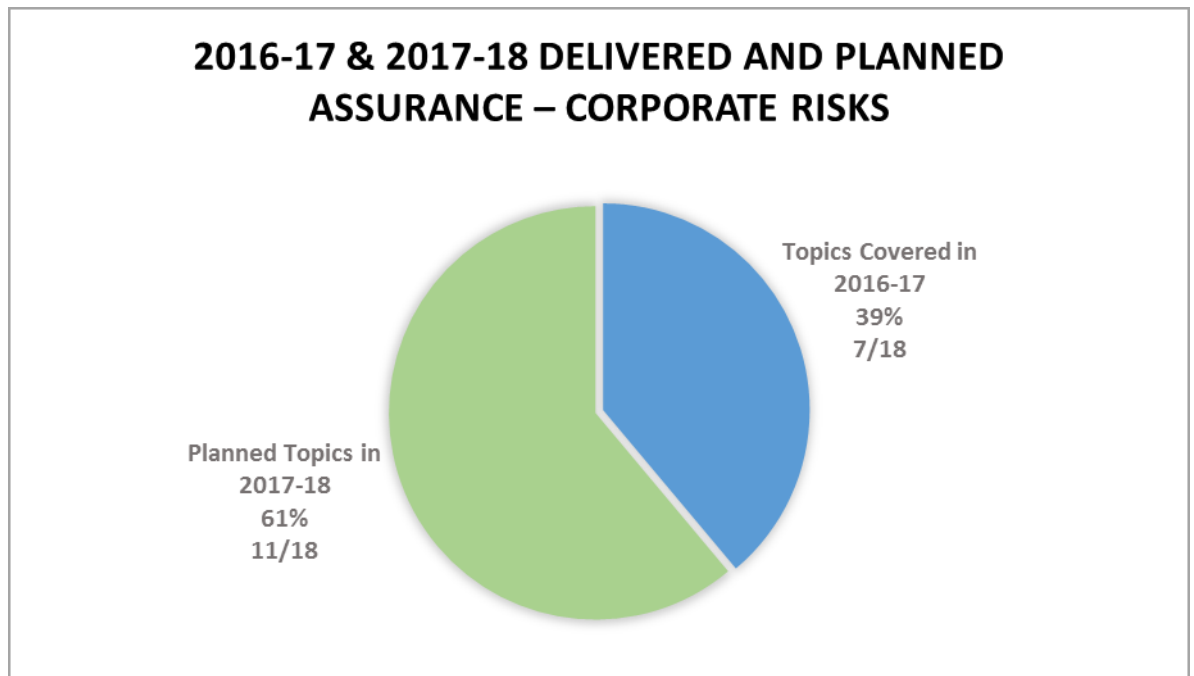


Chart 2: Sources of Assurance on Corporate Risks 2016-2018



These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these plans would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of internal audit which helps to lower their fees to the Council.

4.3. Resource Implications

There are no resources implications in respect of the proposed strategy. However significant changes to the Strategy, Approach and Plan may result in staffing and cost implications. A reduction in overall resources may expose the County Council to inadequate internal audit coverage and in turn to the risk of financial or reputational loss.

4.4. Legal Implications

Internal audit work should fulfil the requirement for an internal audit function as described in the Accounts and Audit Regulations 2015.

4.5. There are no implications with respect to:

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

4.6. Innovation

The Internal Audit Planning seeks to apply innovative practices, methodology, partnering and resourcing where possible, ensuring that relevant standards are maintained and that value for money is demonstrated.

Examples of such innovation include how we resource the audit plan through the in-house team, use of agency staff and contracting BDO to provide resilience and flexibility in audit delivery. We have in the past had PwC to undertake complex ICT auditing and will be procuring a new ICT audit provider for 2017-18.

5. Background

- 5.1 The Council is required under the Accounts and Audit Regulations (England) 2015 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and were revised on 1 April 2016. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards which remain current.
- 5.2 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.
- 5.3 Internal Audit helps this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

- 5.4 Internal Audit's planning has been designed in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

6. Background papers

The background papers relevant to this report are the Internal Audit Team's Audit Needs Assessment working papers.

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INTERNAL AUDIT STRATEGY 2017-20

The mission of Internal Audit is to, 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

[Public Sector Internal Audit Standards 2016]

This strategy sets out how Internal Audit's mission and core principles* will be achieved over the medium term in the context of further challenges which local government is facing. As part of the Council's continuing development, four leadership themes have been identified and these have been incorporated into this strategy, as underlined below. The Chief Internal Auditor is responsible for turning the Internal Audit's Strategy into action.

The elements of the strategy cover:

- Strategy into action and accountability (Paragraphs 1.1 – 1.6)
- Fulfilling our Terms of Reference for Risk Based Internal Auditing (2.1 – 2.2)
- Commerciality and Business Like for Delivery of Work (3.1 – 3.3)
- Code of Ethics (4)
- Raising our profile (5)
- Data Analytics and evidence based to Add Value (6)
- Collaboration and Influencing through Managing resources (7)
- Services to meet the strategy (8)

The Internal Audit Strategy was last approved at the January 2016 Audit Committee meeting.

*These are new areas in the PSIAS 2016

1. Strategy into action and accountability

1.1 As part of the Finance and Commercial Services Department, Internal Audit will ensure:

- the financial management, risk management and governance arrangements of the Council are adequate and effective
- the organisation works efficiently and effectively to develop and deliver services that represent good value for money, deliver the Council's priorities for Moving Norfolk Forward and improves outcomes for Norfolk people
- Compliance with relevant Public Sector Internal Audit Standards.

1.2 Internal Audit delivery and reporting should be:

- Outcome focussed ensuring the Council is better off
- Linked to strategic priorities
- Focussed on business critical services and processes
- Identifying areas where failure places the organisation in jeopardy
- Linked to financial and performance metrics
- Responding to the key risks of the Council

1.3 There needs to be a consistent and shared understanding of internal control and responsibilities. What are the internal controls, who is responsible for them, what are they actively doing to manage them and what measures are in place to hold people to account.

1.4 Corporately 'Moving Norfolk Forward' provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. The Council has a lot of data, performance information and risk information that will enable it to manage performance and help define future service delivery. Internal Audit contributes to further developing a culture that means we can have open and challenging performance conversations throughout the organisation – so that people are more aware of our priorities and targets and their responsibilities for delivering them

1.5 Internal to the team the key strategic priorities are:

- Complementary management of the Internal Audit, Risk Management, Anti-Fraud & Corruption and Whistleblowing functions
- Implementing a protocol between External and Internal Audit
- Recruitment and retention of appropriately qualified and experienced auditors
- A successful independent review, by CIPFA, of the application of the PSIAS

1.6 The success of this will be evidenced by:

- Delivery of the outcomes that Internal Audit are aiming to improve
- Clear objectives that describe what needs to be done and what success looks like
- Clear accountability, with established and effective escalation of problems
- A balanced set of performance indicators that measure the right things
- Joined up information – so we know where the key risks are, what assurances are already in place and can be relied upon, and how much work internal audit need to deliver to provide an annual audit opinion and what it will cost
- Clear reporting – so Members, staff and stakeholders are clear on how we are doing

- An improved performance management culture, awareness, challenge and wider perception and understanding of performance

5 Fulfilling our Terms of Reference for Risk Based Internal Auditing.

5.2 Our strategy fully meets and supports the requirements of our Internal Audit Terms of Reference which has been approved by the Audit Committee.

5.3 Our risk based internal auditing approach is aligned to the Corporate Risk Register and demonstrates the correlation of audit topics in the proposed audit plan to the corporate risk register. This includes sources of planned assurance, whether via Internal Audit, the Risk Management Officer or External Inspection (Chart 1 and 2).

5.4 **Our success is measured through** the review of the outcomes from audits and the difference we make and how the service department is better off as reported in the Chief Internal Auditor's Annual Internal Audit Report. Progress with dealing with Corporate High Priority findings are reported quarterly to the Corporate Leadership Team to ensure controls are strengthened in a timely manner.

6 Commerciality and Business Like for Delivery of Work

3.1 We aim to deliver the right work, of the right quality, to the right people at the right time and for the right price, which maximises appropriate revenue potential.

3.2 We support and promote the Council's Moving Norfolk Forward priorities, whilst considering changes resulting from the Council's journey of improving efficiency and modernisation and radically re-shaping its capacity while taking out costs.

Our success is measured through:

- Feedback that our audits add value
- Growth in the delivery of traded audits.

3.3 We plan, organise and control the delivery of all our services to professional standards (UKPSIAS). Delivering sound and timely advice that is fair and flexible.

- We aim to create and communicate high quality information about the effective operation of management's controls over risks.

- Our annual audit planning ensures the key areas required by UK PSIAS and the key areas requiring assurance and coverage within the Annual Governance Statement are included and these are matched to our resources in consultation with the Executive Director of Finance, Executive Directors and Members before approval by the Audit Committee.
- We aim to increase the take up of our traded audit services offering to schools, both maintained and academies. Our strategy continues to be to reduce the number of funded audits to schools, allowing our reduced audit resource to be directed elsewhere, but to provide assurances to schools and Children's Services through the growth of our traded work.
- Changes to the approved Internal Audit Plan are also agreed as above and notified to the Audit Committee throughout the year.
- We use our combined experience and knowledge to provide helpful and practical insight and recommendations. We are a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes.
- Audit work is reviewed to ensure that it is sound, meaning, evidenced based, independent, technically compliant, risk based, timely, and can demonstrate how services are better off through having an audit. We deliver all our services in compliance with the UKPSIAS. We employ quality controls, quality monitoring and quality reviews of our work. Our Internal Audit Terms of Reference, Code of Ethics and this Strategy meets the UKPSIAS.
- We identify audit resources (staff or contractors) with the appropriate skills to deliver the audit service, which meets required professional standards. We are committed to integrity, accountability and high customer care standards. This can involve the use of internal and/or external resources.
- All members of the team above the Senior Auditor level are professionally qualified. All Auditors and Senior Auditors are required to be Association of Accounting Technicians (AAT) or part IIA or CAAB qualified. We provide assistance with training and continuing professional development appropriately for all members of the team.
- We are responding to the ongoing difficulties faced in recruiting the 'right mix of experienced and qualified staff' by developing a 'mixed economy' resource delivery approach that enables us greater resilience and flexibility, especially for unplanned responsive work. The mixed economy consists of experienced in-house staff and call off arrangements with approved Contractors and temporary staff.
- The Authority and the audit team subscribe to professional support forums.
- The Chief Internal Auditor is a member of the County Chief Internal Auditor Network (CCAN), the Home Counties Chief Internal Auditor Group (HCCIAG) and the Norfolk Chief Internal Auditor Group in order to utilise the peer support that these groups provide.

- We have a Quality Assurance Improvement Plan (QAIP) as required by the Standard.

Our success is measured through meeting the Standards and the delivery of the annual Internal Audit Plan within planned resources as reported in the Chief Internal Auditor's Annual Internal Audit Report and in quarterly updates to the Audit Committee

4. Code of Ethics.

- 4.1 We will actively promote professional values, manage threats and report on compliance with the standard. Our Internal Code has been approved by the Audit Committee.

Our success is measured through the Chief Internal Auditor's Annual Internal Audit Report.

5. Raising our profile.

Our strategy is to strive to raise the profile of the team, as a trusted advisor, in a positive way at all times. The ways that we do this include:

- Professional advice and support to Members, Executive Directors and the Executive Director of Finance.
- Delivery of our principal services including quality audit reports (draft and final) and Committee reports.
- Attending committee, departmental management team meetings and working groups
- Contributing to Finance's publications
- Actively promoting our traded services to maintained schools and academies.
- Issuing Client Satisfaction Questionnaires for all work that we undertake and analysing and understanding the responses and acting on the messages contained within such questionnaires.
- Maintaining good client relations and to this end
 - We maintain web pages on the Council's websites to explain the role of the internal audit team and provide links to relevant information and advice.
 - There is provision within the audit plan for advice and assistance with respect to internal control for all our clients.
 - Detailed terms of reference are prepared for each audit based on close liaison with clients.
- We have a Pledge and Remedy statement
- Active and full participation in corporate initiatives.

Our success is measured through the feedback both formally and informally and requests for schools traded services, additional or ad hoc audit work and advice from our "auditees", the Executive Director of Finance, Chief Officers and the Audit Committee.

6 Data Analytics and evidence based to Add Value

Our strategy is to support good value for money in all we do.

Our work

- Aims to bring **Critical Thinking** to our audit approach and is designed to ensure service departments are better off from our audits
- is designed to help in the promotion of continuous performance and internal control improvement through the issue of reports containing recommendations and action plans
- helps to ensure that the Council delivers on Moving Norfolk Forward
- supports effective Financial Management
- helps to prevent fraud and corruption, assists in the safeguarding of assets and includes to undertake investigations where requested to do so by Executive Directors
- generally acts as a deterrent against fraud and corruption; and
- includes participation in benchmarking to measure our performance and value for money against peer organisations.

Our success is measured through the review of the outcomes from audits and the difference we make and how the service department is better off as reported in the Chief Internal Auditor's Annual Internal Audit Report.

7. Collaboration and Influencing through Managing resources

- Our approach is to continuously review our financial budget and any required savings to ensure that we remain in control and that there are no overspends. We take every opportunity to minimise our spend whilst maintaining or improving our service.
- We plan, record and monitor the time spent on all audit activities (audit and non-audit) to manage our staffing resources efficiently and economically.
- Our significant budget spend is on staffing resource. We have a recruitment strategy that sets out the recruitment standards to ensure all staff have the appropriate qualifications and experience. We have developed a mixed economy approach using outsourcing to fill any gaps in audit coverage which gives us greater flexibility and resilience.
- Our success in managing our resources will be measured against those targets set for NAS which form part of the Finance targets
- Our approach to additional non-statutory work is generally to accept such work on the basis of full cost recovery with the proviso that such work is not excessive. Such an approach therefore allows us to recover some of our overheads. Our traded schools work is delivered on the basis of full cost recovery.

Our success is measured through the delivery of the internal audit plan, whilst remaining within our budget allocation and delivering the corporate budgetary targets when required.

8. Services to meet the strategy

The table below sets out the services we deliver and the particular strategies for the delivery of these services:

Service	Particular Audit strategy for delivery/Measures of Success
Reporting to the Audit Committee, quarterly and annually.	Production and delivery of reports to a professional standard. Attendance at all meetings by the appropriate officers.
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees.	Manage the process for the delivery of the Annual Governance Statement in particular ensuring adequate and timely consultation with appropriate senior officers and members.
Provision of assurance to the Executive Director of Finance, the Section 151 Officer, with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees.	<p>Consider all aspects of governance, internal control and risk management throughout the authority or joint committee and arrive at a reasoned opinion.</p> <p>Consider all risks included in the Corporate Risk Register as part of the risk based internal audit approach.</p> <p>Demonstrate how corporate risks in the Corporate Risk Register are considered and covered in the annual audit plan and the sources of assurance available to ensure all corporate risks are adequately considered and have sufficient internal audit coverage.</p> <p>Report this to the Executive Director of Finance (Interim) and the appropriate committees.</p>
Undertaking audit work to support the opinion; this work produces draft and final reports which include recommendations for improvements in internal controls	In each audit carried out: Our audit findings are categorised into high, medium and low priority Action plans are agreed with management to mitigate risks for

and an action plan. This work also includes a deterrence element generally and “managed audit work” for the External Auditor with respect to key systems.	<p>medium and high priority findings</p> <p>Any findings of low priority are reported on as discussion points within audit reports</p> <p>We assess the findings to form an overall opinion of ‘Acceptable’ or ‘Key issues that need to be addressed’.</p> <p>All opinions are moderated by an Audit Opinion Group.</p> <p>We assess the corporate significance of the audit</p>
Provision of advice and assistance with respect to Internal Control to County Leadership Team (CLT) and other Senior Officers.	<p>Our annual resource plan provide for general liaison with CLT and other Senior Officers particularly in the formulation of the audit plan.</p> <p>We provide advice on new systems and answers queries in respect of internal control.</p>
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law.	<p>We review, with the Head of Law, the Anti Fraud and Corruption Strategy on an annual basis and update it as necessary. The Strategy has been updated and is presented on the Audit Committee agenda for this January meeting.</p> <p>A performance report with respect to Anti Fraud and Corruption is made to the Audit Committee half-yearly.</p>

Provision of an Internal Audit Service to Schools.	<p>The strategy for auditing schools from April 2012 has been agreed with the Audit Committee and is incorporated into the 2017-18 audit plan.</p> <p>Our proposals for marketing internal audit services to maintained schools and academies were included in a report to the January 2012 Audit Committee.</p>
Provision to undertake investigations where requested to do so by Chief Officers or the Audit Committee Chairman.	<p>To deliver professional and objective evidence based reports to assist with effective and efficient disciplinary or criminal proceedings. Our staffing strategy includes an investigative auditor role.</p>
Provision of an Internal Audit Service to the Norfolk Pension Fund.	<p>We provide an internal audit service to the Norfolk Pension Fund on a risk assessed basis.</p> <p>We provide these services on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.</p>
Provision of advice and assistance to the Eastern Inshore Fisheries and Conservation Authority.	<p>Provision of advice and assistance with respect to the Annual Governance Statements and other internal control issues.</p> <p>We provide this service on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.</p>
Undertaking Grant Certification work particularly with respect to EU grants.	<p>We provide this service on the required charges basis which enables us to absorb the cost of some of our senior management and other overheads.</p>
Setting up and delivering the Audit Authority function for the France-Chanel-England INTERREG 5a programme	<p>This work supports the Council's operation of the Managing Authority and Certifying Authority giving assurance on their controls and is externally funded.</p>

9. Reporting the success of the strategy

The results of the strategy are reported to the Audit Committee in the Chief Internal Auditor's reports annually and in summary each quarter. The Executive Director of Finance, Chief Officers and the Audit Committee provide scrutiny and challenge to this strategy.

INTERNAL AUDIT STRATEGY - TECHNICAL NOTE:

The Internal Audit Team provides value for all our stakeholders and to ensure that for those services we have audited, that the services are better off through having had an audit. There are three ways that we achieve this by providing:

- Assurance,
- Objectivity; and
- Insight.

The assurance is provided through three elements:

- Governance,
- Internal Control; and
- Risk Management.

Our objectivity is provided by our:

- Integrity,
- Accountability; and
- Independence.

The insight we deliver is through our:

- Analysis and 'Critical Thinking' of what makes the Council 'Better off',
- Assessment; and
- Action plans and High priority Findings reporting.

Nature of Work

The Public Sector Internal Audit Standards (UKPSIAS) state the internal audit activity must evaluate and contribute to the improvement of governance, risk arrangement and control processes using a systematic and disciplined approach. The main requirements are stated below.

- Governance

We are required to assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation

- Ensuring effective organisational performance management and accountability
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

We are also required to:

- Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities
- Assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

- Risk Management

We are required to evaluate the effectiveness and contribute to the improvement of the risk management process. This includes an assessment that:

- Organisational objectives support and align with the organisation's priorities
- Significant risks are identified and assessed
- Appropriate risk responses are selected that aligns risks with the organisation's risk appetite, and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

We are also required to evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programmes
- Safeguarding of assets
- Compliance with laws, regulations, policies, procedures and contracts.
- Potential for the occurrence of fraud and how the Council manages fraud risk

- Control

We must assist the authority in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

We are also required to evaluate the adequacy and effectiveness of controls responding to risks stated above.

INTERNAL AUDIT APPROACH 2017-18

1 Background

- 1.1 The Approach set out in this appendix translates the Internal Audit Strategy 2017-20 (**Appendix A**) into the planned work and aligns budget and workforce planning, explaining how and why Internal Audit operates.
- 1.2 The UK Public Sector Internal Audit Standard (the Standard) came into force on 1st April 2013 and was refreshed in April 2016 and CIPFA's guidance the LAGN on the Standard was also published in April 2013. This Standard and the Guidance replace the CIPFA Code of Practice for Internal Audit.

2 Regulatory Requirements

- 2.1 The Standard (1.2) requires that the 'Head of Internal Audit' for Norfolk, the Chief Internal Auditor, should prepare a risk based internal audit plan designed to implement an Internal Audit Strategy. The plan should 'take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes'. The Chief Internal Auditor has a duty to promote good governance, share best practices and review the internal controls within the authority.
- 2.2 CIPFA have published a statement on the 'Role of the Head of Internal Audit' and the Local Government version of that document includes; "the Chief Internal Auditor must lead and direct an internal audit service that is resourced to be fit for purpose". It goes on to say, "the resources available must be proportionate to the size, complexity and risk profile of the authority and must be enough for the Chief Internal Auditor to give a reliable opinion on the authority's control environment. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the authority". As Section 151 Officer, the Executive Director of Finance has a duty to consider the adequacy of the internal audit coverage. The Executive Director of Finance relationship with the Chief Internal Auditor is imperative in ensuring the value and quality of the systems within internal control.

3 Financial and organisational changes

- 3.1 The Managing Directors plan that went to P&R Committee in September 2015 proposed a three year strategy for delivering the Council's priorities and statutory duties with 75% to 85% of current resources, highlighting the still significant savings to be made within the Council. NAS continue to review the approach taken to Internal Audit work, the resources and our methodology to ensure 'Better ways of Working' are adopted to ensure adequate and effective audit coverage, albeit within a reduced internal audit resources.

3.2 The minimum coverage required for internal audit comprises both the 'Managed Audit' work, to support our external auditor, as well as the other internal work needed to comply with the Accounts and Audit (England) Regulations 2015 and to form an opinion with respect to the system of internal control, governance and risk management.

3.3 This annual plan, split into two half yearly plans will be flexible to cope with the inevitable changes that are required throughout the year. Allocating the plan into two halves will help ensure each half is current, relevant and reflects the changing environment. Any adjustments needing to be made to the plan will be reported to the Audit Committee in the quarterly reports with a formal review at the half year.

4 Approach to the Audit Plan for 2017-18

4.1 The internal Audit plan is designed to give sufficient coverage to form an overall audit opinion with respect to the systems of internal control, governance and risk management. The internal audit plan draws from the Managing Director's Performance monitoring report (P&R Committee October 2015) in that:

- It focusses on the right things and supports delivering the Council's priorities and managing its vital signs and key risks
- It will be able to demonstrate how services within the Council are better off through having had an audit
- It sets accurate baselines in that it is clear in the number of audits to be delivered within each key area to support the annual audit opinion and the Annual Governance Statement
- The plan strengthens accountability and ownership by focussing on key areas of risk within the Council

4.2 The key messages in this approach are:

- The audit plan focusses on the right things and only the 'essential' audit work, which our risk and needs assessment, undertaken with departments, identifies, will be met from the available resources,
- understanding what audit work will not feature in the plan and accepting the risks arising from that.

4.3 The Annual Internal Audit plan is kept under review through regular assessment by the Chief Internal Auditor, including assessing performance with delivery, and amended as appropriate to reflect changing priorities and emerging risks which are report to the Audit Committee.

5 Scoping for 2017-18

- 5.1** The total requirement for the full services we deliver, are presented in our Internal Audit Strategy 2017-19 (**Appendix A**). The Chairman and Vice Chairman of the Audit Committee will be consulted with respect to proposed changes during the year.
- 5.2** With our existing audit team, a mix of permanent and temporary staff, and reduced specialist contractor audit days, we propose that there should be 768 audit opinion days delivered days.
- 5.3** The audit plan will be based on an audit universe of both essential and desirable audits. These are risk assessed in consultation with Chief Officers. Essential audits will be defined as those with the highest risk and the detailed plan developed to match the resources available. It is expected that only audits deemed 'essential' will be included in the plan. The work to support the provision of the opinion to the Executive Director of Finance contains:
- Discretionary audits agreed with Executive Directors or County Leadership Team
 - Audit work supporting the external auditors
 - Traded Schools audit work; and
 - Specialist ICT and Health and Safety work.
- 5.4** The audit work to support the external auditor's assurance is fixed in nature and timing. We are consulting our external auditor to confirm their requirements for assurance work from us.
- 5.5** We will continue to engage specialist auditors for complex and highly technical audits within the cash limited budget (£21,000). These are currently identified as ICT and Health and Safety. Regarding ICT a mini competition exercise we will be held to replace PWC. Other experts will be procured as and when required.
- 5.6** Benchmarking is difficult in times where there are significant changes taking place. The audit resources are however still considered to be comparable and reasonable for the size of the authority. On an annual basis using CIPFA guidance, relevant data is benchmarked against the "most similar authorities" within the UK to ensure the comparison is meaningful. Data benchmarked includes auditor qualifications, chargeable audit days and cost per auditor. The CIPFA questionnaire is completed after data is compiled and after a detailed analysis the department can assess how efficient and cost effective it is against other similar authorities.
- 5.7** We continue to develop customer care and as part of this we ensure that our quality control and assurance procedures are met and are reviewed and updated as necessary.
- 5.8** The Audit Committee promote the value and quality of the systems of internal audit and support the Executive Director of Finance in maintaining appropriate resources and direction of the audit work. The Chairman's Half Yearly report explains how this is achieved.

5.9 The proposed 2017-18 Internal Audit Plan is presented at **Appendix E**.

6 Conclusions

6.1 There are requirements for an adequate and effective internal audit function to meet statutory, best practice and aspirational requirements, including the external auditor's value for money opinion.

6.2 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2017-18, of 768 audit opinion days is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's Risk Management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.

6.3 We will continue to seek and promote greater value for money in our audit delivery while maintaining sufficient coverage and quality standards.

6.4 The Audit Committee have a key role in promoting the value and quality of the systems of internal audit and in supporting the Executive Director of Finance in maintaining appropriate resources and direction of the audit work.

7 Resource Implications

7.1 Internal audit vacancies will continue to be managed flexibly with a mix of temporary and permanent staff under the corporate vacancy management policy. Resourcing needs identified from the rolling internal audit planning will be reviewed on an ongoing basis and reported to the Committee.

Appendix C

Internal Audit 3 year planned days 2017-18 to 2019-20 - Supporting the Audit Opinion

Assurance Area	First half 2017-18 days	Total 2017-18 days	2018-19 days	2019-20 days	2017-18	
					Direct Services days	Support Services days
Total Communities & Environment (2)	40	110	110	110	110	
Total Adult Services (2)	27	100	100	100	100	
Total Children's Services (2)	30	100	100	100	100	
Total Resources (2)	0	150	150	150		150
Total Finance (3)	210	225	225	225		225
Completion of previous years audits completion of previous half years audits	100	77	77	77	40	37
High Priority Findings	6	6	6	6		6
Contingency	0	0	0	0		0
Total Audit Days (see Appendix E)	413	768	768	768	350	418
NB:- Available days per NAS resource model	365	768				
First half audit plan oversubscribed by (4)	48					

Note:

- 1) The allocation of days for 2018-19 and 2019-20 are indicative based on current resource and budget and current risk and previous spread across Directorates
- 2) The allocations are at service directorate high level only to allow flexibility of coverage within each directorate
- 3) The 2017-18 allocations between direct services and support services are consistent with 2016-17. It should be noted that audits within support services are frequently across the service directorates thus providing additional assurance within service directorates
- 4) The oversubscription will be managed on a risk assessed basis

Proposed Delivery of Internal Audit Strategy for 2017-18

Element of Strategy	Total proposed 2017-18	% of NCC plan (excludes external clients)	Proposed Quarter 1 and 2	Proposed Quarter 3 and 4	Revised Total proposed 2016-17 September Audit Committee
Reporting to the Audit Committee quarterly and annually	50	5%	25	25	40
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	8	1%	0	8	8
Provision of assurance to the Executive Director of Finance (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	20	2%	15	5	10
Undertaking audit work to support the internal audit opinion (Appendix E) includes days delivered through mixed economy	768	76%	365	403	801
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	60	6%	30	30	50
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law (includes 2 audits)	60	6%	30	30	60
Provision to undertake preliminary assessments and investigations	40	4%	20	20	0
*Provision of chargeable Internal Audit Service to Schools	80		40	40	80
*Provision of an Internal Audit Service to Norfolk Pension Fund	80		40	40	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	6		0	6	6
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	144		88	87	138
*Setting up and delivering the Audit Authority Function to the FCE programme	175		91	84	155
Gross Total	1,491	100%	744	778	1,428
*Less Delivered to external Clients	485		259	257	459
Total to be Delivered to NCC (para 2.4)	1,006		485	521	969

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1	Q2	2nd Half of 2017-18 first call
Community and Environmental Services						
Environment, Development and Transport Committee and Economic Development Sub-Committee						
<u>Environment:</u> Flood & Water Management	15	Review of the strategy to see that it has been embraced and is delivering expected outcomes, and supporting the local flood management (surface water). Review of management and monitoring RAG rating and delivery against KPI's. Quality Assurance	Good infrastructure Supporting vulnerable People	15		
<u>Transport and Fire:</u> One Fleet	12	Highways and Fire assets have been brought together under "One Fleet". Review the completeness and accuracy of assets registers, cost and how they are relected on new structure to ensure complete and accurate. QA checks and project outputs. Quality Assurance and	Good infrastructure Supporting vulnerable People			12
Economic Development: No topics identified <u>Highways:</u> Contract Monitoring NDR Contract	15	Assurance that mitigating actions 4 and 5 in respect of corporate risk RM017 have been implemented and that controls are adequately managed, monitored and reported on. Contract Monitoring and Quality Assurance	RM017		15	
Planning: No topics identified Business Support: No topics identified Communities Committee <u>Customer Services:</u> Customer Complaints	10	Assurance that systems in place to facilitate and progress customer complaints and compliments operate effectively. Quality Assurance	Good Infrastructure	10		
<u>Public Health:</u> Contract Management	15	New contracts team is in place within Public Health. Assurance that the systems and controls in place are operating effectively. Procurement Controls anf Financial Governance	Good Infracture Supporting Vulnerable People			15
<u>Cultural</u> (Libraries, Museums, Norfolk Record Office, Norfolk Community Learning, Active Norfolk): No audits on a risk assessed basis <u>Resilience</u> (Business Continuity, Emergency Planning, Trading Standards): No audits on risk assessed basis <u>Norfolk Fire and Rescue Service:</u> One Fleet as detailed under transport above. <u>Registrars:</u> No audits on a risk assessed basis <u>Community relations and engagement:</u> No audits on a risk assessed basis						
Total Communities & Environment	67			25	15	27
Adult Social Services						
Business Support & Development						
No audits on a risk assessed basis						
Integrated Commissioning						

Proposed Internal Audit Plan for first half of 2017-18
 Detailed work to support the audit opinion
 Revisions to original draft plan highlighted in yellow

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1	Q2	2nd Half of 2017-18 first call
No audits on a risk assessed basis						
Early Help & Prevention						
Adult Social Work						
No audits on a risk assessed basis						
Adult Social Services Transport	15	Assurance that this corporate risks is being adequately managed and that systems and controls are in place to monitor, control and report on this demand led budget and that they are operating effectively. Budget Management, Financial Governance and Quality Assurance	RM014b	15		
Integrated Health & Social Care						
No audits on a risk assessed basis						
All Adult Service Areas						
Implementation of Care Act 2014 statutory obligations	12	Assurance that the agreed actions from the external review delivered by the Social Care Institute for Excellence (as reported to Adult Social Care Committee in July 2016) have been implemented or adequately planned for. Quality Assurance	RM020a and RM020b Supporting vulnerable people	12		
Payments made outside of Carefirst	15	Assurance that payments made outside of CareFirst are appropriate, authorised and monitored. Quality Assurance and Financial Governance	Good Infrastruture.			15
Total Adult Services	42			27	0	15
Children's Services						
Early Help						
Youth Offending Team - Financial and Governance review	15	Assurance that governance arrangements are adequate and effective. Financial Governance and Governance	Supporting vulnerable people Excellance in education			15
Children's Social Work						
No audits on risk assessed basis						
Education						
A review of the support mechanisms in place for early years settings	15	Assurance that systems and controls are in place and are operating effectively. Financial Governance and Quality Assurance	Supporting vulnerable people Excellance in education	15		
Home to School Transport (RM014a)	15	Assurance that this corporate risks is being adequately managed and that systems and controls are in place to monitor, control and report on this demand led budget and that they are operating effectively. Budget Management and Quality Assurance	RM014a	15		

Proposed Internal Audit Plan for first half of 2017-18
 Detailed work to support the audit opinion
 Revisions to original draft plan highlighted in yellow

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1	Q2	2nd Half of 2017-18 first call
Performance planning and QA No audits on risk assessed basis						
Total Children's Services (the proposed level of coverage for CHS considers other assurances obtained from third parties and other mechanisms such as Ofsted, Delivery Unit, risk register)	45			30	0	15
Resources Business Intelligence and Performance & Planning No audits on a risk assessed basis Programme support No audits on a risk assessed basis Communications No audits on a risk assessed basis HR & OD No audits on a risk assessed basis Law No audits on a risk assessed basis Democratic Services No audits on a risk assessed basis AGS Self Certification Process	days in strategy	Co-ordination of control self assessments by each service directorate. Governance	RM013 All NCC objectives	days in strategy		
Health & Safety No audits on a risk assessed basis						
Total Resources	0			0	0	0
Finance Audit of material financial systems	20	To provide assurance on the material financial systems to help support the external auditors. 2016-17 transactions to be looked at. Quality Assurance	All NCC objectives	20		
Subsidiary Companies (control self assessments and 1 full audit, were part of the strategy now brought into the plan)	20	Assurance that robust governance and financial arrangements are in place and operating effectively. Quality Assurance	RM013	20		
Budget and Financial control assurance audit - demand led budgets Children's Services and Adult Social Care follow up audit (extended to include Resources, Finance and Communities and Environment)	25	Assurance that systems and controls are in place to monitor, control and report on demand led budgets and other budgets and are operating effectively. Budget Management and Quality Assurance	RM002		25	
Teachers Pension Return	10	Required annually by External Auditors. Quality Assurance	Effective Support Services	10		
Capital Spending	15	Assurance on key controls. Budget Management	RM002 Good Infrastructure			15
Migration to Controcc - replacement system for CareFirst	15	To provide assurance that the data migration controls are operating effectively. Data Quality	RM019 All NCC objectives		15	
Payroll - Payroll Controls and Computer Systems	15	To provide assurance on key controls. Includes off payroll working changes in legislation. Quality	Effective Support Services		15	

Proposed Internal Audit Plan for first half of 2017-18

Detailed work to support the audit opinion

Revisions to original draft plan highlighted in yellow

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1	Q2	2nd Half of 2017-18 first call
Anti Fraud Audit	15	Supports the anti-fraud and corruption strategya dn plan. Anti Fraud and Corruption	All NCC objectives			15
County Farms follow up	10	Assurance that systems and controls are operating effectively. Quality Assurance	RM021	10		
Asset Management - Energy management	15	To provide assurance that the new energy management strategy is being effectively managed, delivered, monitored and reported. Quality Assurance	All NCC objectives		15	
Scheme of delegation	15	To provide assurance that the scheme of delegation is being complied with (to incldue NDR delegated purchasing (risk RM017). Quality Assurance and Financial Governance	All NCC objectives		15	
Contract Monitoring - Significant Contracts RM004	20	To provide assurance that the agreed corporate approach to contract monitoring of significant contracts is now in place and operating effectively. Contract Monitoring	RM004		20	
Conduct of Procurement by NPS	15	Assurance that CSO are being complied with. Quality Assurance	All NCC objectives	15		
Information Management						
Unannounced visits (Information Management Compliance)	15	Assurance that policies and procedures are operating effectively. Quality Assurance, Information Management	RM003 All NCC objectives		15	
Unspecified Audit to support the outomes of the ICO review. (Scope will be determined once the actions from the recent ICO inspection have been agreed)	15	Assurance that the agreed actions from the external review have been impelemented or are adequately planned for. Quality Assurance, Information Management	RM003		15	
Total Finance	240			75	135	30
Total Days to be delivered to NCC	394			157	150	87
Completion of 2016-17 Audits	100			75	25	
HPF follow up	6			3	3	
Contingency	0			0	0	
Total days to support the audit opinion Q1 / Q2	413			235	178	87
Days available for opinion work	365					
Q1 and Q2 audit plan over/under subscriber	48					

Mapping of Corporate Risks to 2017-18 Audit Plan (see Charts 1 and 2)								Appendix F	
Corporate Risk Register		December 2016			Met				
Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
CES	RM001	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk	<p>1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to:</p> <ul style="list-style-type: none"> • congestion, delay and unreliable journey times on the transport network • a lack of the essential facilities that create sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. <p>2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.</p>	01/04/2017	Amber	Tom McCabe	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM002	The potential risk of failure to manage significant reductions in local and national income streams	<p>This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2016/17- 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.</p> <p>The financial implications are set out in the Council's Budget Book, available on the Council's website.</p>	15/02/2017	Amber	Simon George	Internal Audit. A follow up audit planned on the review of budget and financial controls for demand led budgets Children's Services and Adult Social Services (Initial audits undertaken Quarter 4 2016-17). This follow up will be extended to include Resources, Finance and Communities and Environment.	25	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM003	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.	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.	31/12/2016	Amber	Simon George	Internal Audit. Two planned audits for 2017-18 under Information Management. In addition an audit is planned Q4 of 2016-17 to provide assurance over the embedding of new processes and procedures in relation to Information Management following the ICO visit and outcome.	30	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	<p>Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes</p> <p>The council spends some £600m on contracted goods and services each year.</p>	31/03/2017	Amber	Simon George	Internal Audit. Audit planned to provide assurance that an agreed corporate approach to contract monitoring of significant contracts is now in place and is operating effectively. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure the that risk RM004 is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence.	20	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
CLT	RM006	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	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.	28/02/2017	Green	Wendy Thomson	Risk Management Officer. No additional audit coverage planned as risk ranked 'green'. The 2016-17 audit plan included coverage of budget planning and budget monitoring (Q4) and quality of data in respect of the performance management system (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM007	Potential risk of organisational failure due to data quality issues.	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.	31/12/2016	Amber	Simon George	Internal Audit and Risk Management Officer. An audit of the Implementation and embedding of the Information Management Strategy (mitigating action 1) is included in the 2016-17 audit plan (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM010	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.	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 critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.	30/06/2017	Amber	Simon George	Internal Audit. Audit of Cyber Security arrangements to be undertaken 2016-17 audit plan (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
CLT	RM011	The potential risk of failure to implement and adhere to an effective and robust performance management framework.	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.	31/03/2017	Amber	Wendy Thomson	Internal Audit. Audits of Performance Management and Appraisals included 2017-18 audit plan. These cover mitigating tasks 1 and 2.	35	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
CLT	RM013	<p>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.</p> <p>The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.</p>	<p>The failure of governance leading to controlled entities:</p> <p>Non Compliance with relevant laws (Companies Act or other)</p> <p>Incuring Significant Losses or losing asset value</p> <p>Taking reputational damage from service failures</p> <p>Being mis-aligned with the goals of the Council</p> <p>The financial implications are described in the Council's Annual Statement of Accounts 2015-16, from page 88, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3.</p>	30/09/2016	Green	Wendy Thomson	<p>Internal Audit. Audits included in the 2017-18 audit plan to support the AGS and the self assurance statements for each of the controlled entities.</p>	20	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Children's	RM014a	The amount spent on home to school transport at significant variance to predicted best estimates	<p>There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates.</p> <p>Cause: Home to school transport being a demand led service.</p> <p>Event: The amount spent on home to school transport is at significant variance with the predicted best estimates.</p> <p>Effect: Significant overspend on home to school transport than has been estimated for.</p> <p>Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.</p>	31/03/2017	Red	Michael Bateman	Internal Audit. An audit of Children's Services budget and financial controls assurance for demand led budgets is included in the 2016-17 (Q4) with a follow up in the 2017-18 audit plan. Outcomes from these audits will inform an audit of home to school transport. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure the that risk RM014a is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence.	15	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Adult's	RM014b	The savings to be made on Adult Social Services transport are not achieved.	The risk that the budgeted savings of £3.8m to be delivered by 31 March 2017 will not be achieved.	31/03/2017	Red	Janice Dane	Internal Audit. An audit of Adult Social Care budget and financial controls assurance for demand led budgets is included in the 2016-17 (Q4) with a follow up in the 2017-18 audit plan. Outcomes from these audits will inform an audit of Adult Social Services transport. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure the that risk RM014b is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence.	15	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
CES	RM016	Failure to adequately embed Business Continuity into the organisation.	To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a significant incident (Major or Moderate) both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).	30/06/2017	Green	Tom McCabe	Risk Management Officer. Business continuity covered in the 2016-17 audit plan. No additional audit coverage planned as 'green' RAG rated. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		
CES	RM017	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)	There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental and/or 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 could result in the inability to deliver other elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan. It could 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).	12/02/2018	Red	Tom McCabe	Internal Audit and Risk Monitoring Officer. A contract Monitoring audit planned in respect of mitigating actions 4 and 5 to provide assurance that mitigating actions have been implemented and that costs are adequately managed, monitored and reported on. In addition, the Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the other mitigating actions and progress to date in respect of this risk.	15	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Children's	RM018	Potential failure to meet the needs of children in Norfolk.	CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted and subsequently, children and families do not receive a good/outstanding service.	31/03/2017	Amber	Andrew Bunyan	External Inspection. No coverage in the 2017-18 internal audit plan. Reliance placed on the DfE and Ofsted External Inspection, monitoring and reporting regime.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Adult Services (Lead Director) Shared Re-procurement of social care system for Adults, Children's and Finance Departments -	RM019	Failure to deliver a new fit for purpose social care system on time and to budget.	A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)	30/06/2018	Green	James Bullion	Internal Audit. Audit of data migration controls replacement Carefirst system 2017-18. In addition sceptical challenge work is planned by the Risk Management Officer and Chief Internal Auditor of the mitigating actions and planned activities to deliver the project as per the most recent Social Care Replacement System Highlight report.	15	

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Adult Social Care Committee Transformation	RM020a	Failure to meet the long term needs of Norfolk citizens .	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.	31/03/2030	Amber	James Bullion	No additional audit coverage planned. Adult Social Care demand led budgets are to be audited quarter 4 of 2016-17 with a follow up in 2017-18 (risk RM002). The Risk Management Officer and CIA to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk each quarter.		
Adult's Services	RM020b	Failure to meet the needs of Norfolk citizens .	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	31/03/2017	Amber	James Bullion	Risk Management Officer. No additional audit coverage planned. Adult Social Care demand led budgets are to be audited quarter 4 of 2016-17 with a follow up in 2017-18 (risk RM002). The Risk Management Officer and CIA to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk each quarter.		

Area	Risk Number	Risk Name	Risk Description	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Means of Assurance for 2017-18 internal audit plan	Q1/Q2 2017-18 Audit Days	Q3/Q4 2017-18 Audit Days
Finance	RM021	Failure of Estate Management	There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.	31/03/2017	Amber	Simon George	Internal Audit. A follow up audit was undertaken as part of the 2016-17 audit plan (Q3). A further follow is planned for Q1 2017-18	10	
County Leadership Team	RM022	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.	<p>There are far-reaching implications to the Council, most notably for the Council's EU funded programmes supporting economic growth and regeneration, employment, environmental protection, research and development, and agricultural support within Norfolk.</p> <p>There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery.</p> <p>Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU.</p> <p>Cause: The EU Referendum held in June 2016, with the UK voting to leave the EU.</p> <p>Event: Article 50 being triggered with a limited understanding as to how the terms of exit affect Norfolk County Council service delivery.</p> <p>Effect: Uncertainty over the nature and the extent that the terms of exit triggered by invoking Article 50 will impact upon Norfolk County Council.</p>	01/04/2017	Red	Wendy Thomson	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.		
							Total Audit Days	200	-

Audit Committee

Item No.....

Report title:	External Auditor's Annual Audit Letter 2015-16 and Audit Committee Briefings
Date of meeting:	26 January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services

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 Annual Audit Letter 2015-16, which is attached as **Appendix A**. This letter is one of certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee will receive a separate letter for their approval. This letter has been published on the [Council's website](#)

There is one topic in the report (at page 11) which has required follow up action. As reported to 22 September 2016 Audit Committee, there were two material adjustments made to the financial statements, primarily within the Property Plant and Equipment note, and an additional audit fee of £3,463 charged [NB:- this fee is subject to confirmation].

Improvements for 2016-17 have been implemented to include a reduced volume of underlying data, fewer reconciling lines, and all the fixed asset reconciliations being brought into one concise spreadsheet as concerns were raised, in the letter, about the complexity of what have been long standing asset register reports and procedures. With 3,000 assets, fixed asset spreadsheets can be large by their nature. However, it is accepted that the format of reconciliations passed to the auditors can be improved and simplified going forward.

Our External Auditors publish Local Government Audit Committee Briefings and the latest briefings for Local Government/Fire and Rescue sector Audit Committee briefings are attached as **Appendices B and C**.

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 Letter 2015-16
- the key messages in the briefings

1. Introduction

This Annual Audit letter (Appendix A) is one of certain communications that EY must provide to the Audit Committee of the audited client (at page 15 of their plan). This letter complements the External Auditor's Annual Results Report for 2015-16 reported to this Committee on 22 September 2016.

2. Evidence

The External Auditor's Annual Audit Letter for 2015-16 is attached as **Appendix A** to this report. Briefing notes for the Committee are attached at **Appendices B and C**.

3. Financial Implications

There are no specific financial implications other than those noted above.

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 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	PwC
Independence Matters	EY
<i>Not consolidated on basis of materiality:</i>	
<i>Hethel Innovation Limited</i>	<i>Small Companies Exemption from Audit –</i>
<i>Great Yarmouth Development Co. Ltd</i>	<i>Companies Act 2006 (part 476 and 477)</i>
<i>Norfolk Energy Futures Ltd</i>	
<i>Norfolk Safety CIC</i>	

Officer Contact

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

Name	Telephone Number	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Adrian Thompson	01603 222784	adrian.thompson@norfolk.gov.uk



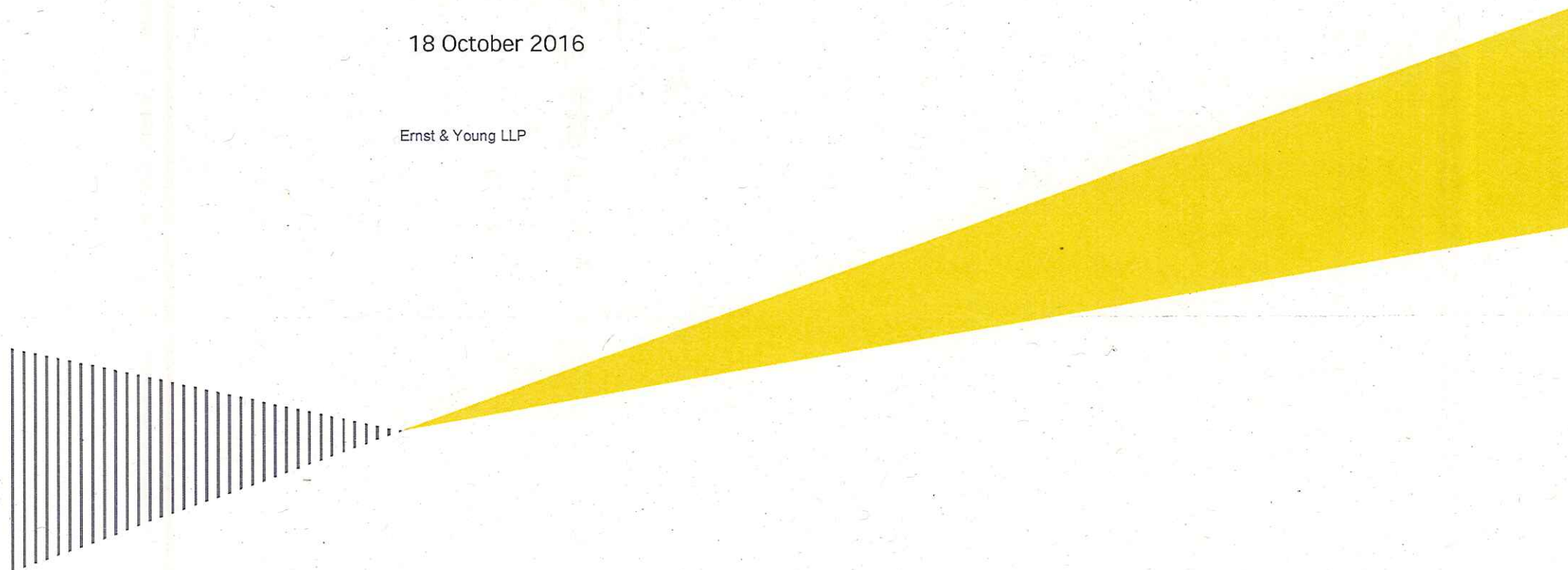
If you need this Agenda in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Norfolk County Council

Annual Audit Letter for the year ended 31 March 2016

18 October 2016

Ernst & Young LLP



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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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

A hand holding a pen writing on a document, with a calculator and a cup visible in the background.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Norfolk County Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 16 September 2016 for Norfolk County Council and 17 August 2016 for Norfolk Pension Fund.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 11 October 2016.

We would like to take this opportunity to thank the Council and Pension Fund staff for their assistance during the course of our work.

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

A photograph of a meeting around a table. Several people's hands are visible, some holding pens. On the table is a whiteboard with a diagram. A large yellow box is placed over the top part of the diagram, with the word 'Purpose' written on it. The diagram on the whiteboard shows a central circle with the word 'Organization' written inside. An arrow points from this circle down to a larger circle at the bottom containing the word 'Work'. There are also some other faint markings and pens on the table.

Purpose

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in 2015/16 in the following reports:

- 2015/16 Audit Results Report for Norfolk County Council - Reported to the Audit Committee on 22 September 2016; and
- 2015/16 Audit Results Report for the Norfolk County Council Pension Fund - Reported to the Pension Committee on 6 September 2016 and the Audit Committee on 22 September 2016.

We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plans that we issued we issued for the County Council and the Local Government Pension Fund on 21 April and 6 June 2016 respectively. The audit has been conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements, including the Pension Fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.



Financial Statement Audit

Significant Risk	Conclusion
<p>Norse Group Ltd</p> <p>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.</p> <p>The Norse Group Ltd moved their year end from 31 January to 31 March. This is now coterminous with that of 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 required 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.</p> <p>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.</p>	<p>We assessed the group accounting instructions and consolidation schedules issued to Norse Group Ltd by Norfolk County Council.</p> <p>We liaised with Grant Thornton LLP, the external auditors of the Norse Group, issuing them with instructions that detailed the required audit procedures they were to undertake on the consolidation schedules prepared by Norse and we ensured that appropriate consolidation procedures were applied when consolidating the Norse Group into the Norfolk County group accounts.</p> <p>We have gained sufficient assurance over the consolidation procedures reported in the Group financial statements.</p> <p>We have no matters to report.</p>

Significant Risk	Conclusion
<p>Property, plant and equipment valuations</p> <p>Property, plant and equipment represent a significant balance in the Council's accounts and this is an area which involves judgemental inputs and estimates.</p> <p>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.</p> <p>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.</p>	<p>We reviewed and relied on management's valuation experts, including comparison to industry valuation trends and reliance on our own valuation experts where significant unexplained variations were identified.</p> <p>We tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.</p> <p>We reviewed and tested the Council's application of IFRS13 to ensure the fair value of relevant assets is based on economic best interest.</p> <p>We identified the following material errors:</p> <ul style="list-style-type: none"> • Additions to operational assets were incorrectly shown as additions to "Assets under Construction" with a subsequent transfer to operational assets in Note 12: Property, Plant and Equipment. There is no impact on the balance sheet. • The Council was responsible for the construction of new buildings for sponsored academies. The capital expenditure on these buildings has been accounted for under 'Assets under Construction' as the associated land was on a short term lease until the building was complete. These works were completed in 2015/16 and transferred to the Academies under a long term lease. The value in 'Assets under Construction' should have been treated as a loss on disposal in keeping with the transfer of assets to Academies, but was incorrectly treated as 'revenue expenditure funded from capital under statute'. There is no impact on the balance sheet. <p>The Council have not been applying the correct depreciation charge on componentised assets. This has resulted in depreciation charges being under stated by £1.21 million (estimated) for the last three years.</p>

Significant Risk	Conclusion
	<p>We experienced delays in the audit concerning property, plant and equipment. The reporting functions in the Council's fixed asset register are complicated and do not provide a clear audit trail. Officer's use large excel spreadsheets to extract data from the fixed asset register and adjust for reporting in the statement of accounts. This increases the work of Council staff when compiling the statement of accounts, and audit time for testing the spreadsheets. Significant audit time was required to reconcile the fixed asset register to the trial balance and statement of accounts. This is in addition to the audit adjustments reported above.</p> <p>Procedures will need to be improved going forward as the deadlines for preparation, approval and audit opinion move to the 31 May and 31 July respectively in 2017/18.</p> <p>In the County Council's Audit Results Report we recommended the Council should review the current closedown arrangements for preparing the supporting records to the statement of accounts for property, plant and equipment. This should factor in the earlier reporting deadlines in respect of the 2017/18 financial statements.</p>

Significant Risk	Conclusion
<p>Better Care Fund</p> <p>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.</p> <p>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.</p> <p>The detailed form of local pooled arrangements is not prescribed and has been agreed locally between partners.</p> <p>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.</p>	<p>We reviewed the BCF agreements with each of the CCGs and the Council's assessment of the agreements and accounting approach.</p> <p>We determined 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 we tested transactions and disclosures to underlying evidence.</p> <p>We identified the need for additional disclosures within Note 26 – Pooled Funds for the BCF.</p> <p>We have gained sufficient assurance over the amended BCF disclosures.</p>

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We reviewed and tested revenue and expenditure recognition policies.</p> <p>We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias. We tested material revenue and expenditure streams. We reviewed and tested revenue cut-off at the period end date.</p> <p>Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition. Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position. We tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>
<p>Management override of controls</p> <p>A risk present on all audits is that 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.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We reviewed accounting estimates for evidence of management bias; and we evaluated the business rationale for any significant unusual transactions.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Other Key Findings	Conclusion
<p>Academies</p> <p>Schools have continued to convert to academy status during 2014/15. 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.</p> <p>There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.</p>	<p>We reviewed the arrangements for agreeing with the schools the assets, liabilities and balances for transfer and we tested how the transfers have been accounted.</p> <p>We have gained sufficient assurance over the accounting for schools converting to academy status during the year.</p> <p>We have no matters to report.</p>
<p>Existence of plant and equipment assets</p> <p>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.</p> <p>Without a regular asset verification exercise there is a risk that assets recorded on the balance sheet are no longer used by the Council.</p>	<p>We reviewed the Council's controls concerning asset verification, and we carried out testing of assets for continuing existence.</p> <p>We have gained sufficient assurance over the existence of plant and equipment assets.</p> <p>We have no matters to report.</p>

Local Government Pension Fund Accounts

Significant Risk	Conclusion
<p>Risk of management override</p> <p>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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed accounting estimates for evidence of management bias and we evaluated the business rationale for any significant unusual transactions.</p> <p>Our planned procedures in relation to this risk are complete. We have identified no findings that would indicate there is a risk of material misstatement due to fraud or error.</p>

Other Key Findings	Conclusion
<p>Valuation of complex investments (Unquoted investments)</p> <p>The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.</p> <p>Judgments are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgment could result in a material valuation error.</p> <p>Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.</p>	<p>We assessed the competence of management experts.</p> <p>We reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of the valuation methods used.</p> <p>We reviewed the latest audited accounts for the relevant fund managers, ensuring there are no matters arising that highlight weaknesses in the funds valuation and we performed analytical procedures and checked the valuation output for reasonableness against our own expectations.</p> <p>Our planned procedures in relation to this risk are complete. We concluded that we could rely on management experts and did not identify a need for our internal valuation specialists to support our work in this area.</p> <p>We agreed the management experts valuations to the investment valuations reported in the financial statements.</p>



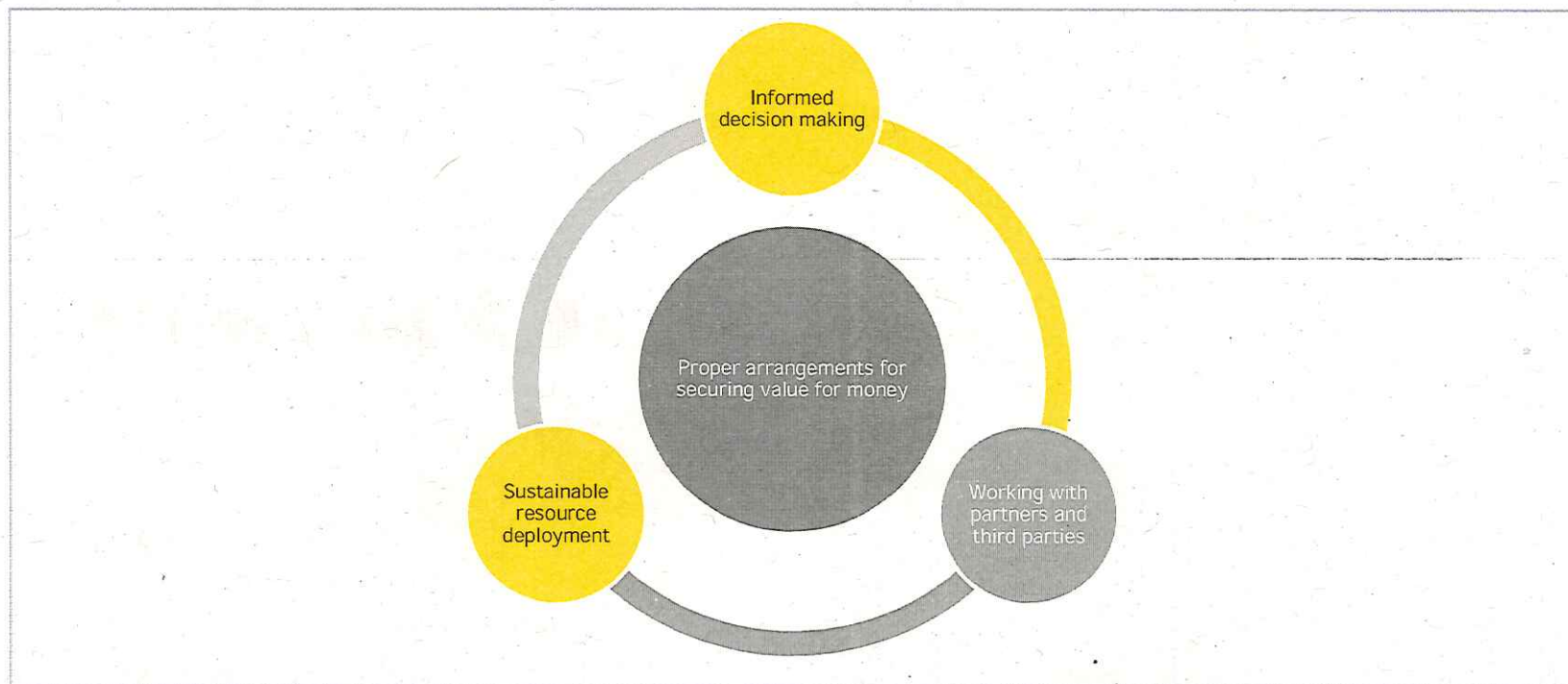
Value for Money

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. This is known as our value for money conclusion.

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.



We issued an unqualified value for money conclusion on 27 September 2016.

Our audit did not identify any significant matters in relation to the Council's arrangements. We did however identify the following areas to bring to your attention.

Key Findings

Deploying resources in a sustainable manner

Risk - Achievement of savings required 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 assessed and identified plans to make the savings, there remains a risk that savings are not achievable at the planned level. In addition, further savings need to be identified to close the funding shortfall in 2017/18 and 2019/20.

Findings

- The Council has appropriate processes for setting its budget, and the budget assumptions appear reasonable. The Council has a good record of identifying and making savings, and in meeting its budget, with cumulative savings of £138.4 million between 2012/13 and 2014/15.
- The medium term financial strategy includes £115.182m budget savings to be delivered across four years. The Council has made good progress in identifying and risk assessing proposals. When setting the 2016/17 budget, the update to the medium term financial strategy reported further savings of £8.827 million were needed to close the funding shortfall in 2017-18.
- The Council have general fund reserves of £19.52 million at 31 March 2016, which is above the minimum levels set by the Council's s151 officer of £19.2 million. The medium term financial strategy is based on general fund reserve balances remaining above the Council's approved minimum level. The Council recognise the risk associated with the level of reserve balances. They are monitored at service and council level, and benchmarked against other Councils.
- The Council also has substantial levels of earmarked reserves. These are £81.774 million (excluding LMS reserves of £21.334 million) at 31 March 2016. These have been set aside to support the Council's planning for future spending commitments. The Council plan to use £48 million of earmarked reserves over the life of the Medium Term Financial Strategy.
- The Council need to identify additional savings proposals to bridge the funding gap, and deliver the significant savings already identified, however the current level of reserves and borrowing headroom provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, would have a detrimental impact on the Council's financial standing.

Challenges for the next year

The Council have made significant savings in prior years, but will have limited opportunity to make further savings through service re-design alone; the Council have developed and challenged budget estimates and budget saving proposals to ensure the robustness of estimates used.

The Council also undertook a large scale public consultation to identify the views of stakeholders on service and spending priorities, the results of this consultation are being factored into the initial planning, that has already been undertaken, to establish the detailed savings plan and the medium term financial strategy.

Delivery of the savings identified will remain a challenge and Member action will be required to monitor progress and to ensure that the necessary delivery action is undertaken.

Informed decision making

Risk - Improvements to services

Ofsted carried out an inspection 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.

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.

Findings

- The Council have established arrangements to consider the recommendations raised in the inspection.
- The Council provide regular reporting to members who are involved in decisions making and monitoring of actions.
- In July 2016, a follow up inspection by Ofsted concluded 'Senior managers and leaders have responded positively to the outcome of the last inspection and are making reasonable progress in addressing the serious and widespread shortfalls that the inspection identified. However, as the local authority recognises, there is still a considerable way to go to achieve the lasting and sustainable shift required in the quality of services that children and young people receive. The pace of improvement needs to increase to make this happen.'

Challenges for the next year

There are significant challenges to delivering the medium term financial strategy particularly in respect of Adult Social Care and Children Services. The Council are considering planned programmes for Adult Social Care and Children Services which are aimed at reviewing the operating model in key areas. At a nation and local level the demand for services is increasing and the ongoing challenge will remain, it is therefore important that once agreed, planned actions are delivered.

A blurred photograph of a meeting or conference. Several people are seated around a large, light-colored wooden table. The background is a warm, orange-toned wall. A yellow rectangular box is overlaid on the left side of the image, containing the text "Other Reporting Issues".

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our County Council and Local Government Pension Fund Audit Results Reports to the Audit Committee on 22 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have tested the controls of the Council only to the extent necessary for us to complete our audit.

We have reviewed IT general controls and have not identified any significant control weaknesses. There are a few areas where controls could be further strengthened in relation to access control. We have shared these observations with management.

In accordance with our Audit Plan we have tested the key financial controls within a number of financial systems.


We have not identified any issues with testing of key controls in the following systems:

County Council

- Accounts receivable
- Accounts payable
- Local Management of Schools (LMS access database)
- Payroll
- Planning and transportation operations (Exor)
- Supporting people (recurring payments database)
- Local Government Pension Fund
- Contributions payable

We have adopted a fully substantive approach for other key processes and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

A close-up photograph of a person's face, focusing on their eyes as they look through a pair of black binoculars. The person's nose and mouth are visible in the lower half of the frame, slightly out of focus. A bright yellow rectangular box is overlaid on the left side of the image, partially covering the binoculars and the person's face. Inside this box, the text "Focused on your future" is written in a black, sans-serif font.

Focused on your
future

Focused on your future

Area	Issue	Impact
EU referendum	Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.	Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions. We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.
Highways Network Asset (HNA)	<p>The Code of Practice on Transport Infrastructure Assets (TIA Code) was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. During 2016, this guidance has been renamed and updated, with the Highways Network Asset (HNA) Code, Guidance Notes and Accounting Guidance being published. Local Government has historically used depreciated historic cost (DHC) as the valuation approach for infrastructure assets. The introduction of the HNA Code will see this valuation basis change to depreciated replacement cost with effect from 1 April 2016. The change will be applied prospectively from that date, so Highways Authorities are not required to disclose comparative information.</p> <p>This is a fundamental change in approach which will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems.</p>	<p>The impact on the Council's Balance Sheet will be highly significant; with the recognition of a single highways network asset of approximately £13 billion. The impact on the audit will also be significant, as auditors will need to obtain sufficient assurance over the material accuracy of this asset.</p> <p>We will continue to work closely with the Council at both the local level, regarding system implementation, valuation procedures and accounting, and at the wider level through the continuation of our HNA Client Workshops.</p>

A man with dark hair, wearing a grey V-neck sweater over a light purple long-sleeved shirt, is looking down at a large stack of papers on a desk. A laptop is visible in the foreground on the left. The background is a blurred office setting with warm lighting.

Appendix A

Audit Fees

Appendix A Audit Fees

The table below sets out the scale fees and the final audit fees for 2015/16.

Description	Proposed Final Fee 2015/16 £	Scale Fee 2015/16 £	Comments
Total Audit Fee – Norfolk County Council	134,081	117,045	Notes 1, 2 and 3
Non-audit work	To be confirmed	14,900	Note 4 - Relates to Teachers Pensions claim and Local Transport Plan Major Project return
Total Audit Fee – Norfolk Pension Fund	27,099	27,099	

Note 1 - The proposed fee includes an 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. This is currently subject to final approval by Public Sector Audit Appointments Ltd (PSAA).

Note 2 - The proposed fee includes an additional fee of £2,856. We have undertaken a review of the Council's approach to the Minimum Revenue Provision. This has been approved by Public Sector Audit Appointments Ltd (PSAA).

Note 3 - As reported in the financial statement section, we experienced delays in the audit concerning property, plant and equipment. This increased the audit time for testing, reconciling the fixed asset register to the trial balance and statement of accounts, and resolving a number of audit adjustments. The additional fee for the work, £3,463, is included in the proposed fee. This is currently subject to final approval by Public Sector Audit Appointments Ltd (PSAA).

Note 4 - We have not commenced our work in this area.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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Local government audit committee briefing

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Government and economic news

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Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

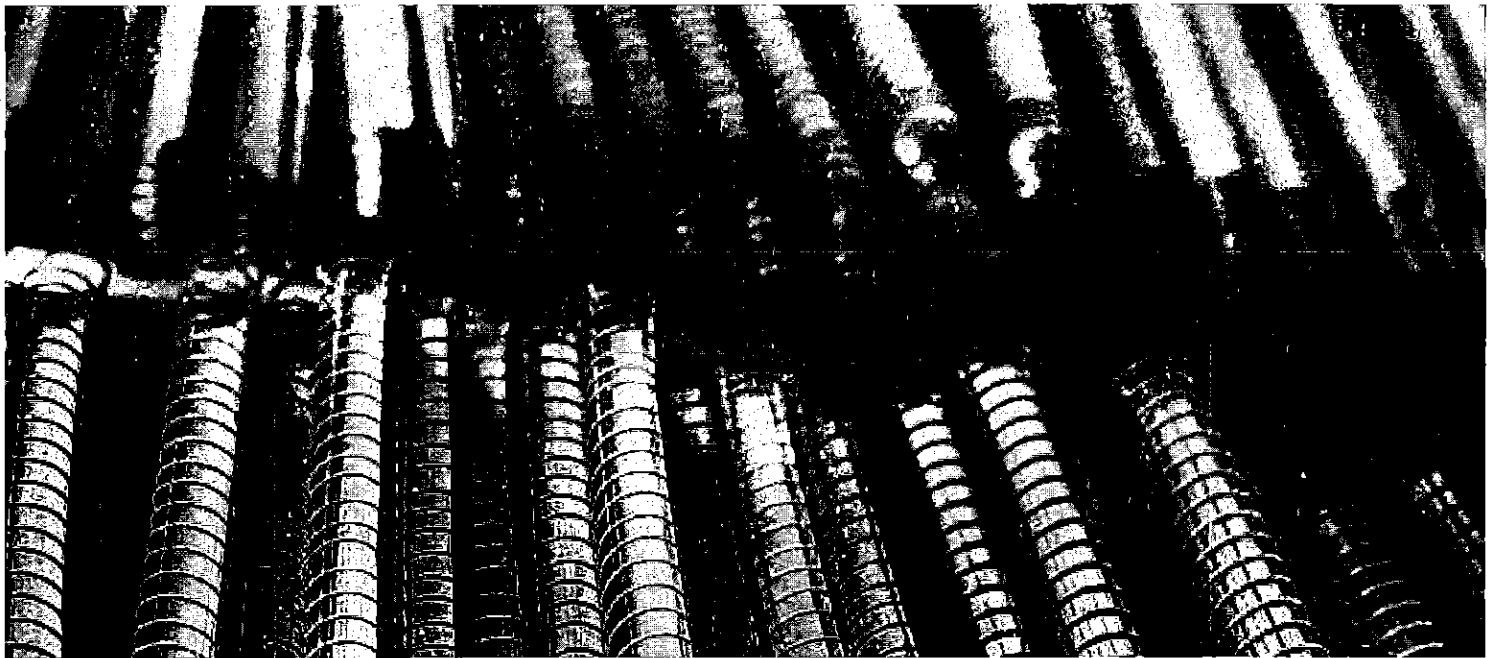
The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Building a better
working world



Government and economic context

EY Item Club

The latest EY Item Club forecast (Autumn 2016) focuses on the United Kingdom's decision to leave the European Union and highlights that it believes the relatively small impact on the economy to date may be deceptive. The Sterling's performance could be an indication that troubles lie ahead.

At the moment, growth in the economy is being driven entirely by the consumer, supported by rising employment and real wages, as well as ultra-low interest rates. However, sterling's devaluation will push inflation up to 2.6% temporarily next year. With average earnings still subdued, which will slow the consumer. In the meantime, many firms have put investment and recruitment on hold whilst they assess the likely impact of the Article 50 negotiations on their business and consider their long-term options.

Policy uncertainty is feeding through into lower levels of business confidence which we expect to translate into lower investment in 2017. This together with a squeeze on margins from input cost inflation and a tightening labour market in some areas is leading to investment projects that are seen as marginal either being cancelled or delayed, with some of this capital being diverted to other geographies.

Now is the time to update strategies and associated business plans to reflect the slowing macro-environment and emerging policy outlook. Slowing growth and rising inflation together with a depreciating currency which could negatively impact the economy.

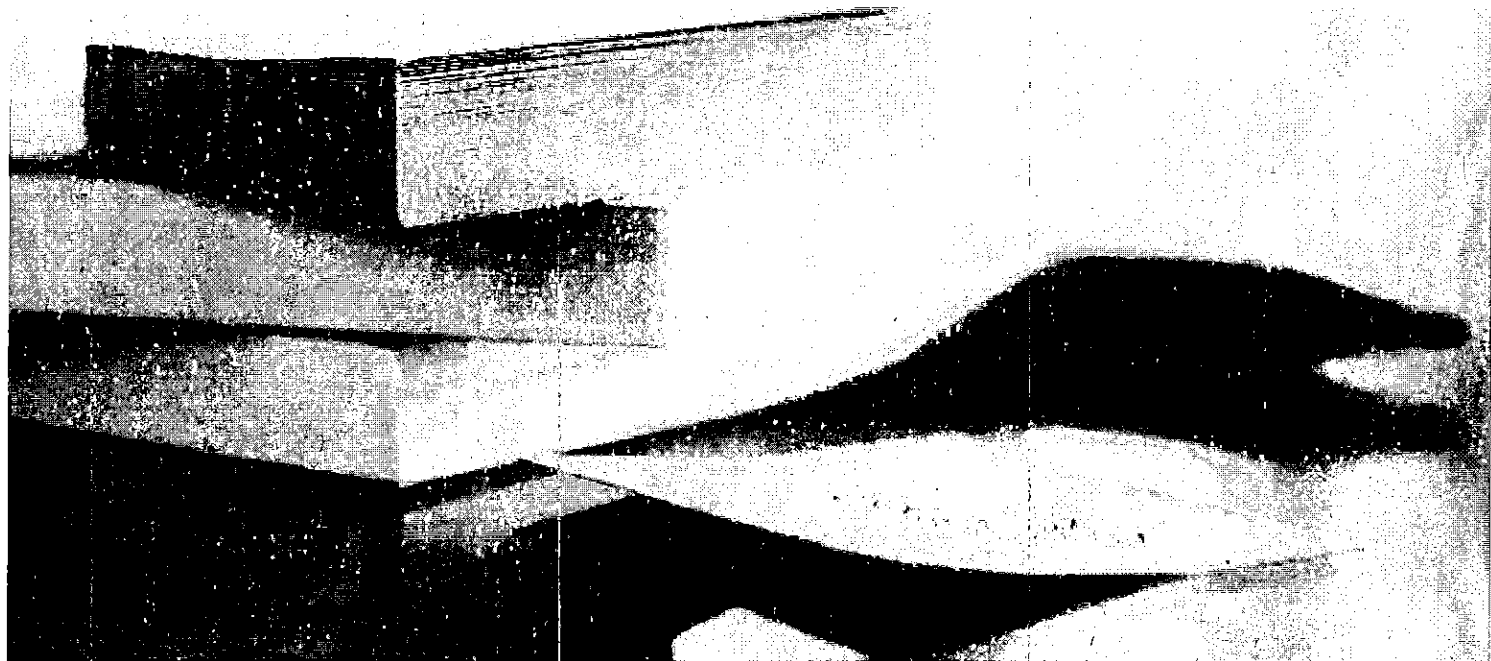
Sustainability and transformation plans

The NHS Planning Guidance issued in December 2015 included the requirement for Sustainability and Transformation Plans (STPs). NHS organisations were asked to work together to come up with a 5-year plan for their area for all areas of NHS spending.

A named individual has been identified to lead each STP. In most cases this is from CCGs, NHS Trusts and Foundations but there are a smaller number from local government bodies.

These STPs have now been delivered and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effective delivery of the STP. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.



GOVERNMENT AND LOCAL GOVERNMENT

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The STPs have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the STPs are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted plans will need further development and engagement before they can be effectively implemented.

Four of the STPs have been published early and these demonstrate the significance of the changes being considered under these plans, including reducing the number of acute hospitals and the consolidation of services. Such changes are likely to lead to public and political opposition.

The challenge for STP partners will be to move from the planning phase to implementation in order to realise the objectives agreed.

Treasury confirms public sector pay offs to be capped at £95,000

The Treasury have confirmed that public sector exit packages will be capped at £95,000. The announcement follows a consultation period which heard replies from over 350 interested parties. The changes will apply to the majority of the five million public sector workers. Reflecting on the announcement the Treasury noted that the reduction in exit packages across the public sector would result in significant savings but would still offer a comparable and competitive settlement process similar to that in the private sector.

The proposals include the following:

- ▶ A cap on the salary level at which exit packages can be calculated. It is likely that this will fall in line with the current NHS cap of £80,000
- ▶ The tariff for calculating exit packages will be based on three weeks' pay per year of service with a maximum of 15 months being the cap
- ▶ A clawback proposal would also come into effect which would mean that anyone returning to a public service post soon after leaving with an exit package would be required to repay their redundancy payment



Government and Local Authorities

Pension investment schemes

There is a proposal to replace the Local Government Pension Scheme 2009 with new draft regulations as set out below:

The two main areas of reform are:

- A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk
- The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary

Revaluation of business rates

The next revaluation of all properties for business rates will take effect from 1 April 2017. From next April, businesses will benefit from the biggest ever cut in business rates in England-worth £6.7bn over the next five years. £3.4bn worth of transitional relief will be available to provide support for the changes. By 2020 councils will be able to keep 100% of all local taxes to fund local services. Invoices will be issued by councils, and the valuations carried out by the VOA, as is currently done, to avoid conflict of interest.

The small business rate multiplier is expected to fall from April 2017 by 1.7p to 46.7p, the standard rate multiplier is also expected to fall by 1.7p to 48.0p.

Schools no longer required to convert to academies

The government will no longer pursue a bill making it compulsory for all schools to convert to academies after protest from Councils, the bill will now only encourage converting.

The original plans required all schools to have converted, or have plans in place to do so by 2022. The announcement coincides with draft plans to introduce more grammar schools in England, reversing the 1998 ban on new grammar schools. And proposals suggesting more schools will be allowed to select pupils based on academic ability which is under consultation until mid-December.

In addition a bill on technical and further education has been published with the aim of boosting the countries productivity by addressing skills shortages by providing high quality technical education. This stems from the independent panel chaired by Lord Sainsbury, which undertook a review of the post-16 skills system and advised Government on measures to improve technical education in England, this led to the Post-16 Skills Plan published in July 2016, which set out the plan to replace thousands of courses with 15 routes into technical employment.



GOVERNANCE AND ECONOMIC NEWS

Public sector borrowing

Public sector borrowing for August has decreased by £0.9bn to £10.5bn compared with the same month last year. This is due largely to a decrease in central government net borrowing of £0.4bn as well as a fall in local government borrowing of £0.2bn.

Public sector net debt at the end of August was £1,621.5bn which is equivalent to 83.6% of UK GDP. This is an increase of £52bn compared with August 2015.

The latest figures come 2 months after the vote to leave the European Union in June.

The Emergency Services Network

In 2011 the Government set up the Emergency Services Mobile Communications Programme to look at options to replace the current provider, Airwave Solutions Limited, for communications between personnel in the field and control rooms. The current contract is set to expire in 2019 and the objective was to replace the current service with one that:

- ▶ Makes high speed data easily available to the emergency services
- ▶ Provides more flexibility and takes advantage of new technologies as they emerge
- ▶ Costs less

The chosen option to replace the Airwave service and meet the three objectives is the Emergency Services Network (ESN). The provision of this service has been contracted out to three main providers Kellogg Brown and Root, Motorola Solution and EE Ltd.

The plan is emergency services will start moving to this new network in September 2017 and the process will be complete by December 2019.

It is estimated to cost £1.2bn from April 2015 to March 2020. After this date the ESN is expected to save money compared to Airwave, the current provider.

Barclays changes LOBO loans to fixed rate loans

Following a period of public scrutiny Barclays has changed its Lender Option Borrower Option (LOBO) Loans to Councils and Local Authorities to a fixed rate basis. The LOBO's had initially been offered at lower rates than the other main source of public sector funding the Public Works Loan Board (PWLb) however Barclays always retained the right to adjust the interest rate. This had come under scrutiny and it was argued didn't offer value for money for taxpayers. A series of objections by local electors have been made to the 2015-16 accounts of 24 local authorities that have taken out LOBO loans. The objections predominantly argued that the decision to take out LOBO loans was irrational and unreasonable, and thereby unlawful. Appointed auditors are currently considering these objections under the legal framework for objections contained in the Local Audit and Accountability Act 2014.

Under the changes Barclays has stated that over 100 local authorities and housing associations will benefit from the change. It will also give such bodies much more certainty over their finances in the future as it will remove an element of uncertainty attached with the nature of the loans by locking the loans in at a fixed rate for the duration of the loans. Barclays said that clients impacted had been notified of the change in June 2016.



Accounting, auditing and corporate governance

PSAA as appointing person

In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation three of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

Appointments for 2018/19 must be made by 31 December 2017. Details of the scheme as well as a timetable will be available soon.

Governing culture: practical considerations for the board and its committees

Corporate culture has been a hot topic for many years now and we are finding Boards and Audit Committees are starting to question more and more how they can ensure proper oversight. The EY Corporate Governance team have prepared a report that summarises the findings of the recent EY and FT board survey on culture and their own work at individual organisations.

We would define culture as the collective values and beliefs that exist in an organisation, or parts of an organisation, that inform and influence behaviours, actions and decision making. Culture can then be split into four organisational pillars:

- ▶ Political architecture: where does power lie and how is it used?
- ▶ Performance architecture: how do economic and performance objectives drive behaviour?
- ▶ Social architecture: what values govern relationships and what behaviours do these drive?
- ▶ Operational architecture: how do organisational frameworks, systems and processes affect behaviour?

Audit committees have a unique role to play in the governance of culture, which can directly affect internal control processes, risk management and the integrity of the financial statements. The Corporate Governance team included the following key messages for the audit committee:

- ▶ The audit committee should understand how culture can impact the effectiveness of risk mitigation strategies and support decision making throughout the company in line with the risk appetite determined by the board
- ▶ The committee should consider the cultural context for performance and results and the integrity of the financial statements
- ▶ Data analytics can help the committee create a picture of culture throughout the company, including across international locations. This data should form part of the overall analysis that is used to drive further assurance and oversight efforts
- ▶ The committee should be aware of cultural factors that can influence the relationship with the external auditor. It should use internal audit as a resource for monitoring and championing the desired culture throughout the organisation

If you have any questions on culture or corporate governance then please speak to your external audit team who will be able to provide information on the various pieces of work we have done, and could do, for your organisation.



Regulation moves

Gender Pay Gap

Subject to the approval by Parliament the regulations for mandatory reporting on the gender pay gap will come into force during October 2016. However, employers will have around 18 months from commencement to publish the required information for the first time.

Employers with 250 or more employees will fall within the scope of the regulations.

Pay

The regulations will require employers to publish their overall mean and median gender pay gaps as they are complementary indicators. As well as giving employers a better understanding of any pay gaps identified, this will facilitate comparisons with national and international figures.

Bonus

Employers within scope will need to publish the difference between the mean bonus payments paid to men and women (regulation 6). The mean takes into account the full distribution of bonuses paid by an employer. Only those employees who receive 10 bonuses should be included in the calculation. Employers will also be required to publish the proportion of male and female employees that received a bonus.

Salary Quartiles

Employers will be required to report on the number of men and women in each quartile of their pay distribution (regulation 7). Quartiles split into four equal groups, where each group contains a quarter of the data. Employers will calculate their own salary quartiles based on their overall pay range. The objective is to identify the numbers of women and men in each quarter by the overall pay distribution. This is straightforward to produce and will help employers consider where women are concentrated in terms of their remuneration, and if there are any blockages to their progression.

Impact

This is not yet a disclosure requirement but is something that could emerge in the future.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Do we have appropriate governance arrangements in place to facilitate the delivery of the STP?

Are we ready for the changes to exit package calculations?

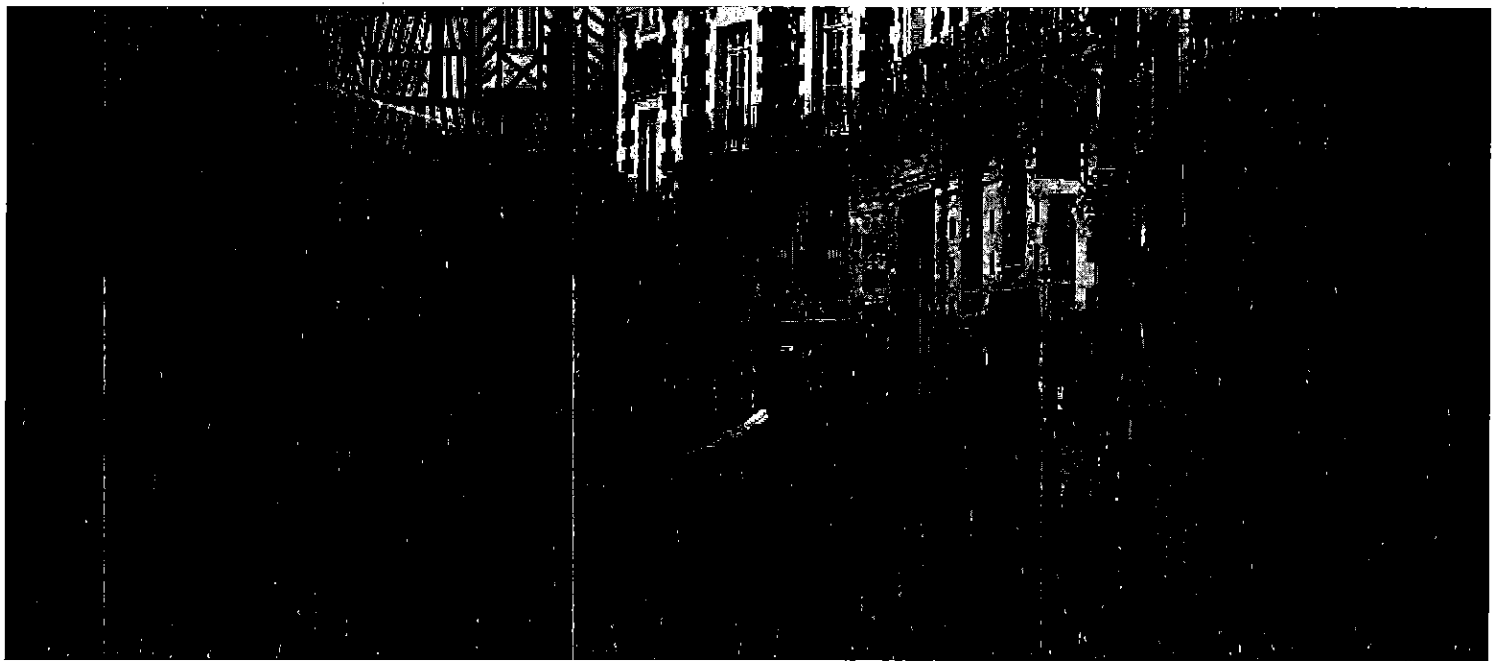
If you are an administering authority has the impact of the proposed changes to the new pension investment scheme been considered and how the local authority will go about determining the value of their own investment?

Did your local authority have a Barclays LOBO and if so have the impact of the changes made by Barclays been considered by your organisation?

Has the local authority got a plan in place to appoint an external auditor before 31 December 2017?

How thoroughly has the committee discussed the impact of culture on risk, risk management and the internal control environment?

Are there systems in place to be able to calculate the gender pay gap, ensuring your organisation is prepared if this does become a requirement?



Find out more

EY Item Club

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Sustainability and transformation plans

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

Exit packages

<http://www.publicfinance.co.uk/news/2016/09/treasury-confirms-public-sector-pay-offs-be-capped-ps95k>

Pension investment schemes

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479642/Consultation_on_investment_reform.pdf

Revaluation of business rates

<https://www.gov.uk/government/news/government-promises-fairer-bills-for-business-across-the-country>

Schools conversion to academies dropped

<http://www.bbc.co.uk/news/education-37791282>

and

<https://www.gov.uk/government/collections/technical-and-further-education-bill>

Public sector borrowing

<http://www.publicfinance.co.uk/news/2016/09/public-sector-borrowing-falls-august>

The Emergency Services Network

<https://www.nao.org.uk/wp-content/uploads/2016/09/Upgrading-emergency-service-communications-the-Emergency-services-Network.pdf>

Barclays changes LOBO loans to fixed rate loans

<http://www.publicfinance.co.uk/news/2016/09/barclays-ditches-lobo-loans>

PSAA as appointing person

<http://www.psaa.co.uk/2016/08/news-release-psaa-specified-as-appointing-person/>

Governing culture: practical considerations for the board and its committees

<http://www.ey.com/uk/en/issues/governance-and-reporting/corporate-governance/ey-governing-culture---practical-considerations-for-the-board-and-its-committees>

Gender Pay Gap

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

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Fire and rescue sector audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing
and governance

Regulation news

Key questions
for the audit committee

Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Fire sector, and the audits that we undertake.

The briefings are produced by our national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

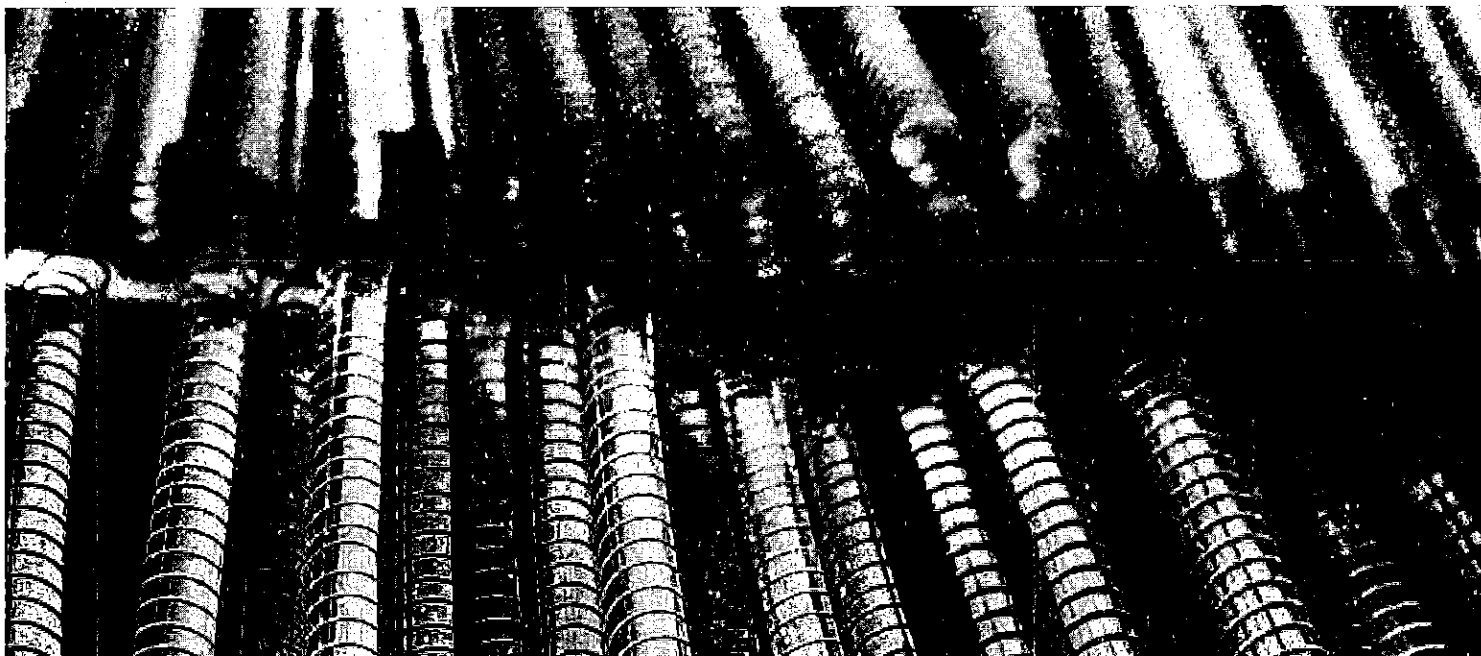
The briefings bring together not only technical issues relevant to the Fire sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Building a better
working world



Government and economic news

EY Item club

The latest EY Item Club forecast (Autumn 2016) focuses on the United Kingdom's decision to leave the European Union and highlights that it believes the relatively small impact on the economy to date may be deceptive. The Sterling's performance could be an indication that troubles lie ahead.

At the moment, growth in the economy is being driven entirely by the consumer, supported by rising employment and real wages, as well as ultra-low interest rates. However, sterling's devaluation will push inflation up to 2.6% temporarily next year. With average earnings still subdued, which will slow the consumer. In the meantime, many firms have put investment and recruitment on hold whilst they assess the likely impact of the Article 50 negotiations on their business and consider their long-term options.

Policy uncertainty is feeding through into lower levels of business confidence which we expect to translate into lower investment in 2017. This together with a squeeze on margins from input cost inflation and a tightening labour market in some areas is leading to investment projects that are seen as marginal either being cancelled or delayed, with some of this capital being diverted to other geographies.

Now is the time to update strategies and associated business plans to reflect the slowing macro-environment and emerging policy outlook. Slowing growth and rising inflation together with a depreciating currency which could negatively impact the economy.

Treasury confirms public sector pay offs to be capped at £95,000

The Treasury have confirmed that public sector exit packages will be capped at £95,000. The announcement follows a consultation period which heard replies from over 350 interested parties.

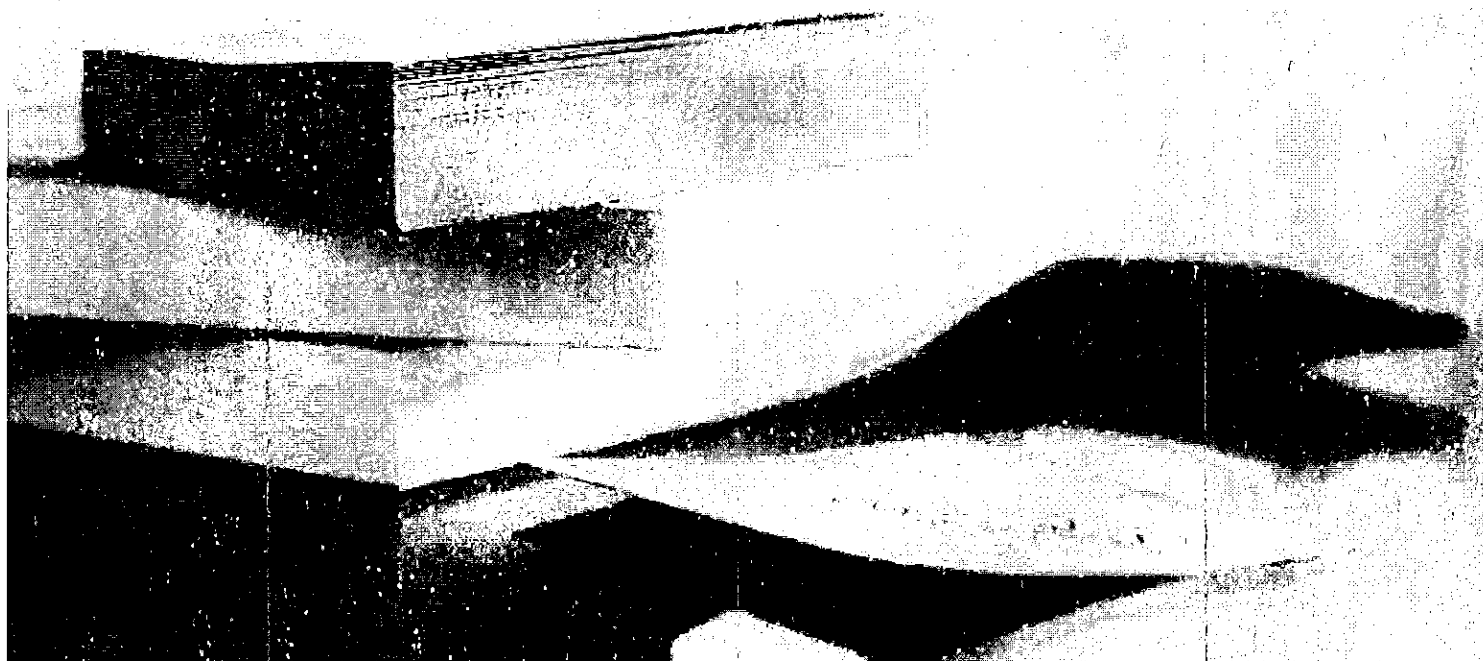
The changes will apply to the majority of the five million public sector workers. Reflecting on the announcement the Treasury noted that the reduction in exit packages across the public sector would result in significant savings but would still offer a comparable and competitive settlement process similar to that in the private sector.

The proposals include the following:

- ▶ A cap on the salary level at which exit packages can be calculated. It is likely that this will fall in line with the current NHS cap of £80,000
- ▶ The tariff for calculating exit packages will be based on three weeks' pay per year of service with a maximum of 15 months being the cap
- ▶ A clawback proposal would also come into effect which would mean that anyone returning to a public service post soon after leaving with an exit package would be required to repay their redundancy payment

Barclays changes LOBO loans to fixed rate loans

Following a period of public scrutiny Barclays has changed its Lender Option Borrower Option (LOBO) Loans to Councils and Local Authorities to a fixed rate basis. The LOBO's had initially been offered at lower rates than the other main source of public sector funding the Public Works Loan Board (PWL) however Barclays always retained the right to adjust the interest rate. This had come under scrutiny and it was argued didn't offer value for money for taxpayers. A series of objections by local electors have been made to the 2015-16 accounts of 24 local authorities that have taken out LOBO loans. The objections predominantly argued that the decision to take out LOBO loans was irrational and unreasonable, and thereby unlawful. Appointed auditors are currently considering these objections under the legal framework for objections contained in the Local Audit and Accountability Act 2014.



GOVERNMENT AND FIRE SERVICE NEWS

Under the changes Barclays has stated that over 100 local authorities and housing associations will benefit from the change. It will also give such bodies much more certainty over their finances in the future as it will remove an element of uncertainty attached with the nature of the loans by locking the loans in at a fixed rate for the duration of the loans. Barclays said that clients impacted had been notified of the change in June 2016.

- Fire and Rescue Service staff spent 730,000 hours on Home Fire Risk Checks in 2015/16, which is 26 per cent lower than five years beforehand
- The average age of firefighters has increased each year over the last three years. The number of firefighters in the three youngest age bands have decreased every year between 2014 and 2016 (see figure below)

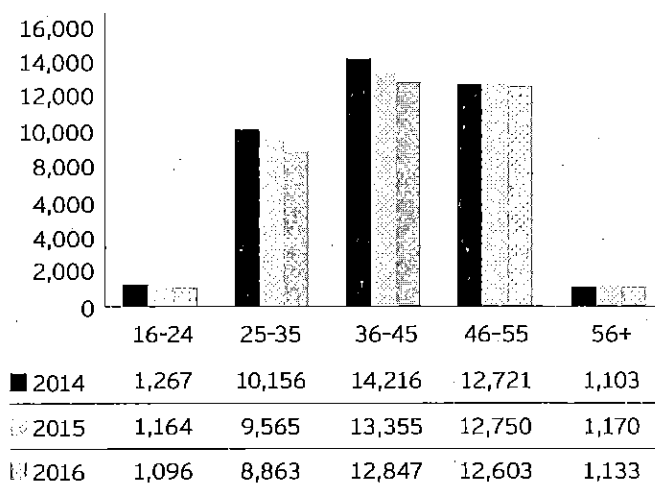
Fire and rescue authorities: operational statistics bulletin for England 2015 to 2016

The annual statistics for fire and rescue authorities for the year 2015/16 were made available in October 2016 which not only considered the current year statistics, but also compared the results to previous years to identify trends.

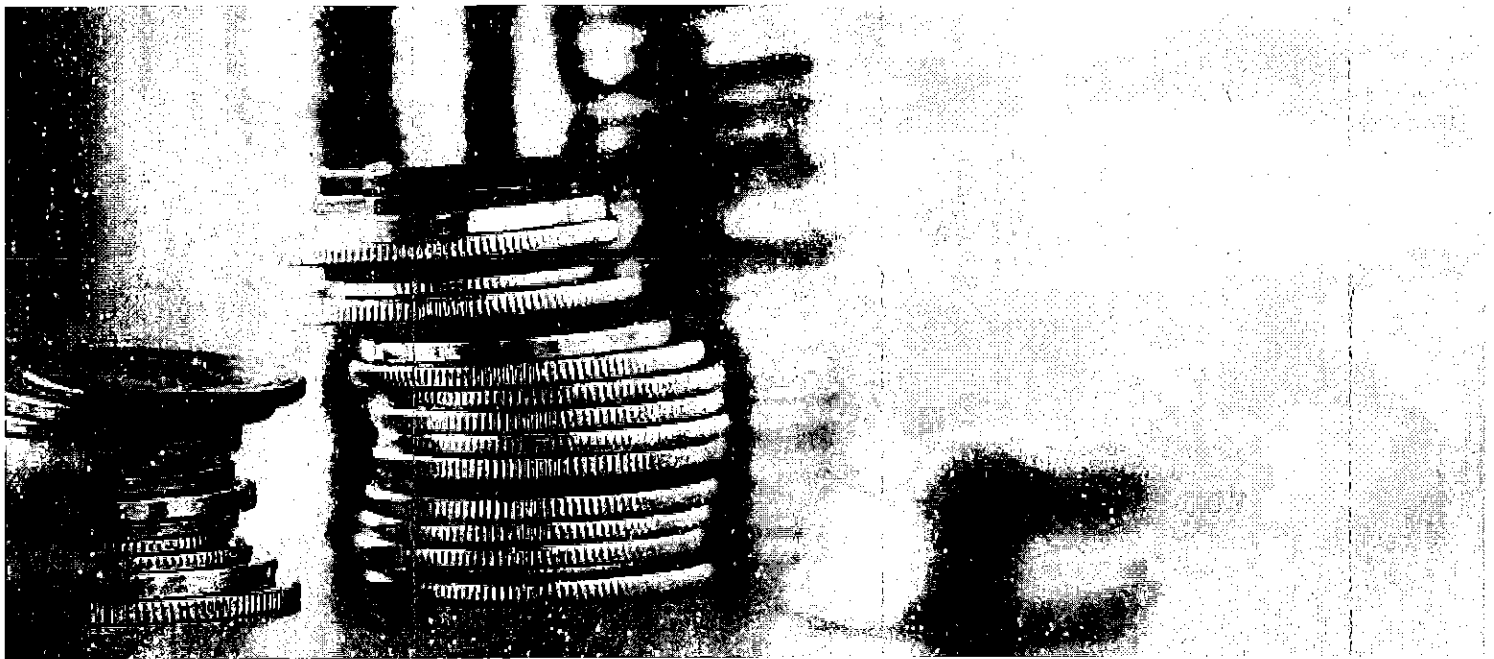
The main findings from these statistics were:

- Approximately 42,300 full time equivalent Fire and Rescue Service staff were employed in England in 2016. This figure is four per cent lower than in 2015 and 17 per cent lower than five years before
- 95 per cent of firefighters in England were male and 95 per cent were white in 2016
- Approximately 2,600 injuries were sustained by firefighters during 2015/16, one per cent lower than in the previous year and 26 per cent lower than five years beforehand

Analysis of age of Firefighters



Source: Home office operational statistics data collection, figures supplied by fire authorities



Accounting, auditing and governance

PSAA Ltd specified as 'Appointing Person'

In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments Ltd (PSAA) as an appointing person under regulation three of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements. Appointments for 2018/19 must be made by 31 December 2017. Details of the scheme as well as a timetable will be available soon, but it is likely that a significant number of authorities, including fire and rescue authorities will opt into the PSAA appointment arrangements, as an alternative to making their own auditor appointment directly either individually or in collaboration with other authorities.

Governing culture: practical considerations for the board and its committees

Corporate culture has been a hot topic for many years now and we are finding Boards and Audit Committees are starting to question more and more how they can ensure proper oversight. The EY Corporate Governance team have prepared a report that summarises the findings of the recent EY and FT board survey on culture and their own work at individual organisations.

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- ▶ The audit committee should understand how culture can impact the effectiveness of risk mitigation strategies and support decision making throughout the company in line with the risk appetite determined by the board
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- ▶ The committee should be aware of cultural factors that can influence the relationship with the external auditor. It should use internal audit as a resource for monitoring and championing the desired culture throughout the organisation

If you have any questions on culture or corporate governance then please speak to your external audit team who will be able to provide information on the various pieces of work we have done, and could do, for your organisation.



Regulation news

Report by the home secretary on fire and rescue authorities' progress with the fire and rescue national framework for England

The Home Office undertook an examination of a random sample of fire and rescue authority assurance statements to confirm that authorities are complying with the Framework.

The findings of this work confirmed that all fire and rescue authorities sampled were compliant. However there were a number of areas where practice could be improved.

These include;

- ▶ The consistency of approach on how fire and rescue authorities present their evidence and the information that supports their Assurance Statement
- ▶ Sign off by the Chair of the fire and rescue authority; the timing of revisions to integrated risk management plans
- ▶ The provision of more information on how National Resilience requirements were being met
- ▶ The value of highlighting examples that could constitute best practice on assurance statements

The Home Office will liaise with fire and rescue authorities to explore where further guidance in relation to this would be valuable.

Gender pay gap

Subject to the approval by Parliament the regulations for mandatory reporting on the gender pay gap will come into force during October 2016. However, employers will have around 18 months from commencement to publish the required information for the first time.

Employers with 250 or more employees will fall within the scope of the regulations.

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Impact

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Key questions for the audit committee

Has the Authority considered the potential implications of the decision to leave the European Union?

Is the Authority prepared for the changes to exit package calculations?

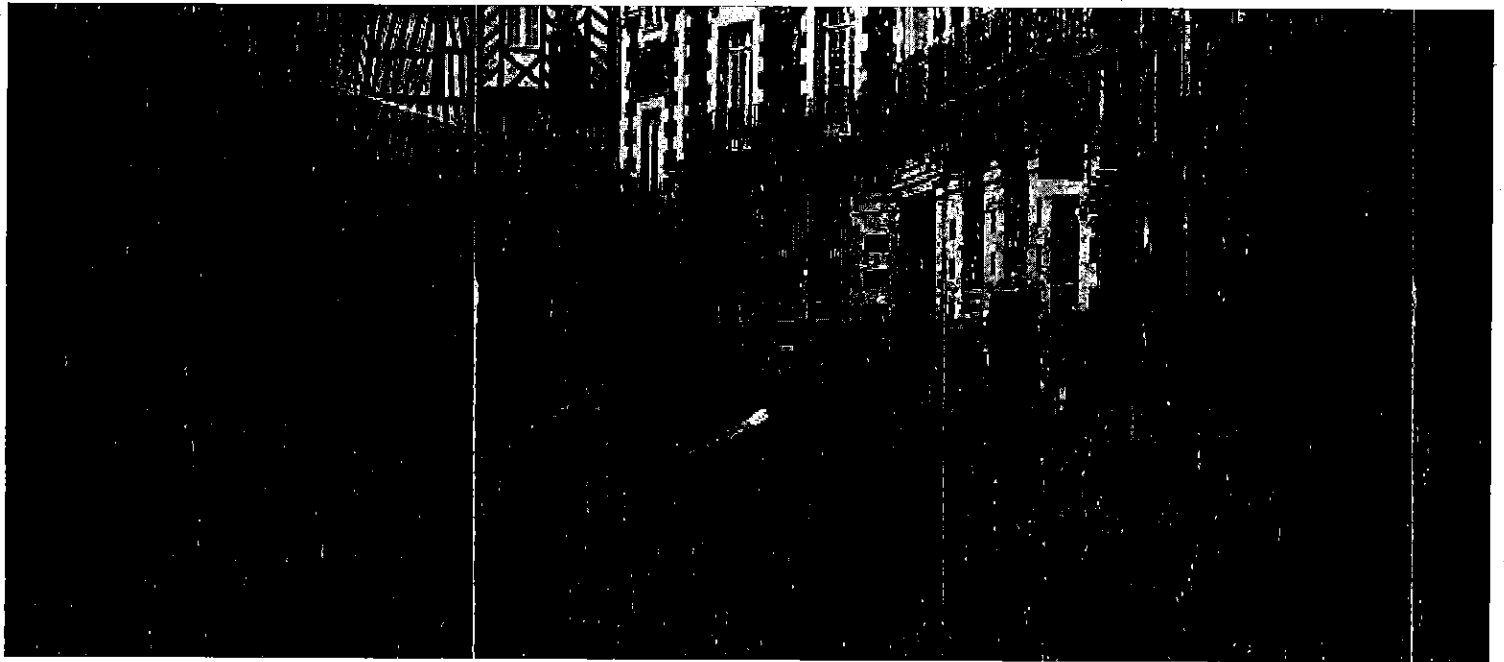
Did your organisation have a Barclays LOBO and if so have the impact of the changes made by Barclays been considered?

Does the Authority have procedures in place to appoint an external auditor before 31 December 2017?

Has the Authority considered the impact of culture on risk, risk management and the internal control environment?

Has the Authority considered the national statistics for fire and rescue authorities and whether there are any issues for the Authority given its own workforce profile?

Are there systems in place to be able to calculate the gender pay gap, ensuring your organisation is prepared if this does become a requirement?



Find out more

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<http://www.publicfinance.co.uk/news/2016/09/public-sector-borrowing-falls-august>

Barclays changes LOBO loans to fixed rate loans

<http://www.publicfinance.co.uk/news/2016/09/barclays-ditches-lobo-loans>

Operational statistics for England 2015/2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563118/fire-rescue-operational-statistics-201516-hosb1216.pdf

PSAA as appointing person

<http://www.psaa.co.uk/2016/08/news-release-psaa-specified-as-appointing-person/>

Governing culture: practical considerations for the board and its committees

<http://www.ey.com/uk/en/issues/governance-and-reporting/corporate-governance/ey-governing-culture---practical-considerations-for-the-board-and-its-committees>

Report on progress with the fire and rescue national framework

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534439/fire-and-rescue-national-framework-progress-report-print.PDF

Gender Pay Gap

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

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Audit Committee

Item No.....

Report title:	Anti-Fraud and Corruption Update
Date of meeting:	26 January 2017
Responsible Chief Officer:	Chief Legal Officer
Strategic impact	
The Committee takes a lead on the Council's Anti-Fraud and Corruption responsibilities and the implementation of that policy and strategy.	

Executive summary

This report provides an update for the Committee on the Council's Anti-Fraud and Corruption activity for the period from January 2016 to December 2016.

Key Messages:

- The Council's Anti-Fraud and Corruption Strategy is being updated (2.2)
- There are adequate resources to manage the risk of fraud and corruption (2.3)
- CIPFA have published the [Fighting Fraud Locally Strategy 2016-2019](#) (2.2)
- The Home Office and Department of Communities and Local Government (DCLG) have published guidance on Procurement and Organised Crime (2.3)
- All Members have been asked to undertake the e-learning via a Powerpoint version of the anti-fraud e-learning package (2.4)
- There are 701 completions for the Fraud Awareness eLearning and 391 completions for the Fraud Prevention eLearning from April 2014 to present. Reminders and new requests, to take the course, were issued in December 2016 (2.5)
- A relevant employee e-learning proposal is being drafted (2.6)
- School Governors, Headteachers and Finance Staff now have access to the Fraud Awareness and Fraud Detection and Prevention e-learning via the Schools learning hub (2.8)
- The 2015/16 transparency data for Fraud has been updated (2.11)
- NFI data has been submitted for 2016/2017 (2.12)
- A Countywide Campaign on the use of Blue Badges took place in November 2016 (2.18)

Recommendation:

The Audit Committee should consider the Anti-Fraud and Corruption Plan at **Appendix A** and; there has been adequate progress to date.

1. Proposal (or options)

- 1.1 The proposals are set out in the Executive summary above.

2. Evidence

- 2.1 This report provides an update for the Committee on Anti-Fraud and Corruption activity for the period from January to December 2016. The last update was presented to the Committee in January 2016. The profile of the Anti-fraud and Corruption arrangements remain high.
- 2.2 The Audit Committee approved the January 2014 edition of the Anti-Fraud and Corruption Strategy, its Policies and Guidance at the January 2014 meeting of the Committee. This is being updated to the latest best practice, including the recently published [Fighting Fraud Locally Strategy 2016-2019](#). The County Leadership Team will be consulted on the policy and strategy.
- 2.3 The Home Office and Department of Communities and Local Government (DCLG) have published guidance on Procurement and Organised Crime. The guidance will be considered and included in the Action Plan, presented at (**Appendix A**).
- 2.4 Adequate resources for Anti-Fraud and Corruption work were set out in the approved Internal Audit Plan for 2016-17 and proposed for the 2017-18 plan going forward. An Investigative Auditor post, to manage any unplanned, reactive investigative work, has been approved. This post is being advertised in January 2017.
- 2.5 A “power point” version of the Anti-fraud e-learning has been created and all Members were made aware of, and asked to undertake, the training in the Members Insight issued on 27 November 2015. Political Assistants were asked to remind Members that this course is available for completion and to advise the Member Support team when they have completed the course in November 2016.
- 2.6 NAS continue to target key finance roles across the authority to promote and increase completion of the e-learning:
- a. All Budget Manager Users and Finance staff have been requested to undertake the course(s) and to encourage staff they are responsible for to undertake them too. Reminders have been sent to users/staff who have not completed the course(s). Any new Budget Manager Users and Finance staff are also asked to undertake the course(s) (the latest reminder or first request was sent in December 2016).

At 30 November 2016 74% of staff who have access to the Budget Manager have completed the Fraud Awareness Course and 46%¹ have completed the Prevention and Detection Course.

- b. The completion of courses has increased across the authority at 30 November 2016. The total take up is shown in Table 3 below:

Table 3 - eLearning Take-up between 1 April 2014 to 30 November 2016

Directorates:	Fraud Awareness	Fraud Detection and Protection
Resources (inc. Finance)	308	222
Community and Environmental Services	256	105
Children's Services	63	43
Adults Services	46	15
Other	28	6
Total	701	391

- 2.7 A relevant e-learning proposal for Fraud Awareness will be presented to the Managing Director in early 2017.
- 2.8 From 1st April 2016 Headteachers, Governors and Finance staff in Norfolk Local Authority Schools have been able to access the Fraud Awareness and Fraud Prevention and Detection courses via the Schools Learning Hub. The course was adapted to incorporate examples which are meaningful to the schools setting. Take up of the courses can be seen in table 4, below.

Table 4: e-learning uptake in LA Schools from 1st April 2016 is as follows:

No. of participants:	Fraud Awareness	Fraud Detection and Protection
Governors	17	5
Headteachers	6	3
Finance Staff	7	2
<i>No of LA schools</i>	<i>27</i>	<i>10</i>

- 2.9 NCC participated in the CIPFA Counter Fraud and Corruption tracker and the CIPFA Counter Fraud Benchmarking Club surveys in 2015. The results of the surveys were reviewed in early 2016 and no actions were identified for NCC.
- 2.10 Due to the low participation across the Home Counties it was agreed that NCC would not participate in the CIPFA Counter Fraud and Corruption tracker and the CIPFA Counter Fraud Benchmarking Club surveys in 2016 to allow priority to be given to delivering the 2016/17 internal audit plan and other work.
- 2.11 Mandatory information required by the [Code on Local Government Transparency](#) has been updated to reflect 2015-16 data, and will be updated again in June 2017 to reflect 2016-17 data. Work is in progress to

¹ Figures are based on all staff with access to Budget Manager. The Prevention and Detection course is aimed at Managers, reports used to establish these figures did not differentiate between Staff and Managers and therefore it would be expected that the percentage would be lower for this course across Budget Manager users.

investigate the further information that is recommended for publication in the Transparency Code. The outcome will be reported to a future meeting.

- 2.12 Data required for the 2016-17 National Fraud Initiative exercise was provided in October 2016 in line with the Cabinet Office timescales and data specifications. Matches are expected to be released in mid-January 2017. Data sets for 2016-17 remain unchanged:
- Creditors
 - Private Residential Care Homes
 - Insurance Claims
 - Direct Payment Personal Budgets
 - Payroll
 - Pensions
 - Concessionary Travel Passes
 - Blue Badges
- 2.13 Work on the 2014-15 exercise is being finalised. There are a small number of low value matches currently being investigated but no significant irregularities that cause concern have been reported.
- 2.14 An Unannounced Cash Spot Checks audit to ensure adequate processes are in place to sufficiently safeguard against misappropriation, misuse, loss and theft for cash held on site was undertaken in February and March 2016. The audit opinion was that internal controls assessed via Cash Spot Checks (Unannounced Visits) are Acceptable.
- 2.15 A high level review was undertaken on the Segregation of Duties on Key Financial Systems in November 2016 at the request of the Audit Committee Members. A management letter detailing the outcome of this review is due to be issued shortly.
- 2.16 During 2016/17 we have been developing the inclusion of anti-fraud awareness and completion of the fraud e-learning courses in our audits to enable us to establish the level of awareness across NCC and to inform our Anti-fraud Action plan. The results will be reported in our Annual Internal Audit report.
- 2.17 An audit of Gifts and Hospitality and of Conflicts of Interests is planned for 2016/17 Quarter 4.
- 2.18 A county wide campaign on the use of blue badges took place in November 2016. The purpose was to raise awareness of the correct use of badges and for any suspected misuse to be reported to NCC.
- 2.19 During the reporting period the Internal Audit Team have not attended any Disciplinary Action Review Group meetings.
- 2.20 The "Take Five" national campaign was promoted via the Friday Takeaway in November 2016. The campaign offered straight-forward and impartial advice to help everyone protect themselves from preventable financial fraud and was led by Financial Fraud Action UK Ltd.

- 2.21 Norfolk Audit Services plan for future work on Anti-Fraud and Corruption Activity is presented at **Appendix A**. Progress is considered satisfactory.
- 2.22 Technical details appear in **Appendix B**, for information.

3. Financial Implications

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

4. Issues, risks and innovation

4.1. Risk implications

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. Resource Implications

Our resources for Anti Fraud Activity are set out in the Audit Plan agreed in January 2016. It includes 20 days for the "provision of advice and assistance", which is largely aimed at raising awareness and prevention. There is also provision of 40 days to provide specific audits that seek to detect Fraud. We have made no provision for investigations, although we may become involved in some during the course of the year and where we do we will in the first instance charge the relevant service, but there may be a charge on the contingency. Should there be a major investigation additional resource may be sought.

- 4.3. There are no implications with respect to:

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

5. Background

- 5.1. It is considered that with the proposed changes to Local Public Audit by the Government the scope of Internal Audit's work for public interest matters, such as fraud or corruption, may well become more significant as the External Auditor's role is limited through cost considerations to the mandatory and regulatory requirements.
- 5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take into account the crime and disorder

implications of all of its work, and to do all that it reasonably can to prevent crime and disorder in Norfolk. The Anti-Fraud and Corruption activity is directly aimed at fulfilling this statutory duty and this report sets out the activity for January to December 2016 and future plans with respect to this work.

5.3. **Background papers**

There were no background papers relevant to 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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Anti-fraud Action Plan

For each element of the Strategy there are various actions planned and these are set out below, new ones are underlined>. Resources have been allocated to this plan from within the existing audit team and are considered adequate. Progress has been delayed in the reporting period due to managing vacancies within the team

Prevention Actions	Committee Target Date
<p>Continue to:</p> <ul style="list-style-type: none"> • promote and encourage all staff to undertake the 'Fraud Awareness' e-learning course and the "Fraud Prevention and Detection" e-learning package for all managers. • promote the Anti-fraud and Corruption Policy Strategy and associated policies. • develop & promote Anti-fraud work to raise fraud risk awareness across the authority, which include posters, attending team meetings and items in key publications such as Norfolk Manager and Horizon • seek to improve our use of data, information and intelligence to further focus our counter-fraud work, in partnership with other teams within NCC, including the Risk Management Officer. • assess processes against CIPFA Guidance on Managing the risk of fraud and corruption, and any subsequent publications • to follow the lessons from the approach encouraged by TEICAFFs Protecting the English Purse to promote high levels of transparency and accountability in our approach to countering fraud • work with the wholly owned companies, including NorseCare Ltd, to maintain consistent prevention measures 	Ongoing
<p>Be alert to:</p> <ul style="list-style-type: none"> • risks of fraud, particularly in growing risk areas, such as Social Care and Direct Payments • risks of organised crime, particularly for procurement 	Ongoing
Review and update the Anti-Fraud and Corruption policy, strategy and supporting documents to incorporate the latest best practice annually	Annually
Improving evidence available to support the processes and controls for procurement risk identification and assessment and for consideration to be given to including a summary of fraud risks identified and reported as part of audits to Audit Committee as part of the half yearly update	June 2017

Engage with BDO to use their expertise and knowledge to facilitate developing the use of data analytics to support audit work.	June 2017
To explore the development of and strengthen Gifts and Hospitality recording referencing best practice	June 2017
Consider increasing the number of qualified Investigators in the Internal Audit team	January 2017
Add Text and On-line referral to the 'How to Contact Us section of the Anti-Fraud Strategy and facilitate these options	June 2017
Investigate encouraging the introduction of Anti-Fraud and Corruption champions within departments. <i>Role to include promotion of anti-fraud, to encourage participation in completion of Anti-fraud e-learning and to identify roles at risk of, and support training sessions to raise awareness of the risk bribery and corruption, across their department.</i>	January 2018
Complete a member survey of anti-fraud and corruption arrangements during 2017/18	January 2018
Investigate and consider the benefits of introducing CIPFA Whistleblowing e-learning	January 2018
Detection Actions	
Participation in the 2016-17 NFI exercise – all key matches to be investigated at a minimum by end April 2017	June 2017
Anti-fraud audits are included in the 2016/17 audit plan: <ul style="list-style-type: none"> • Segregation of duties on Key Financial Systems (end Qtr 3) • Gifts and Hospitality (Qtr 4) • Conflicts of Interest (Qtr 4) 	June 2017

Investigations Actions	
An annual review of our investigation methodology and our reports	June 2017
A annual review the Fraud Response plans	June 2017

Anti-Fraud Technical Details

Section 1 - Prevention

- 1.1 The County Council has clear procedures for the processes to be followed for Cash Handling, Gifts and Hospitality, Conflicts of Interest and Segregation of duties.
- An Unannounced Cash Spot Checks audit to ensure adequate processes are in place to sufficiently safeguard against misappropriation, misuse, loss and theft for cash held on site was undertaken in February and March 2016. The audit confirmed there were adequate internal controls for Cash.
 - A high level review was undertaken on the Segregation of Duties on Key Financial Systems in November 2016 at the Audit Committee Members. A management letter detailing the outcome of this review is due to be issued shortly.
 - An audit of Gifts and Hospitality and of Conflicts of Interests are planned for 2016/17 Quarter 4.
- 1.2 Promotion of the Anti-fraud Awareness and Detection and Prevention courses via targeted emails to finance roles and inclusion of Anti-fraud awareness in audit work.

Section 2 – Detection

- 2.1 The Cabinet Office administrator the bi-annual National Fraud Initiative exercise (NFI) to help detect fraud, overpayments and errors which NCC participate in. Data for 2016/17 exercise was submitted in October 2016, and matches are expected to be released at the end of January 2017. Work on the 2014-15 exercise is being finalised. There are a small number of low value matches currently being investigated. No significant issues have been identified to date and this indicates a positive outcome for NCC.

Section 3 – Investigation

- 3.1 NAS will be recruiting an Investigative Auditor in January 2017.
- 3.2 NAS has engaged the services of a Counter Fraud Officer from Broadland District Council.

Section 4 – Anti-Fraud Benchmarking

- 4.1 Results of the TEICCAF 2015/16 detected fraud survey are due to be published in the “Protecting the English Public Purse 2016” in January 2017. The report is expected to contain a checklist for those responsible for combatting fraud and corruption which will be considered for NCC.
- 4.2 The CIPFA Fraud and Corruption Tracker 2016 report has been received and no action has been identified to be taken by NCC.

Audit Committee

Item No.....

Report title:	Work Programme
Date of meeting:	26 January 2017
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact <p>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.</p> <p>In accordance with its Terms of Reference the Committee should consider the programme of work set out below.</p>	

April 2017	
NAS Quarterly Report Quarter ended 31 December 2016 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director, Finance and Commercial Services
External Auditor's Audit Plan 2017-18	Executive Director, Finance and Commercial Services
Review of the Whistleblowing Policy	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Revised Anti-Fraud and Corruption Strategy	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Internal Audit Terms of Reference and Code of Ethics	Executive Director of Finance

June 2017	
Annual Update of the Audit Committee	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended 31 March 2017	Executive Director, Finance and Commercial Services
Monitoring Officer Annual Report 2016-17	Chief Legal Officer
Annual NAS Report 2016-17	Executive Director, Finance and Commercial Services

Risk Management Annual Report	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer
Audit Committee Work Programme	Executive Director, Finance and Commercial Services

September 2017	
NAS Quarterly Report Quarter ended 30 June 2017	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Governance Statement 2016-17 for Approval	Executive Director, Finance and Commercial Services
Statement of Accounts 2016-17 for Approval	Executive Director, Finance and Commercial Services
Letter of Representation for Statement of Accounts 2016-17, Audit Results Report 2016-17	Executive Director, Finance and Commercial Services
Internal Audit Plan for the second half of 2017-18	Executive Director, Finance and Commercial Services

Officer Contact

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