



Norfolk County Council

Audit Committee

Date: Thursday, 27 September 2018

Time: 14:00

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

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

Membership

Mr I Mackie - Chairman

Mr S Aquarone

Mr C Foulger

Mr A Jamieson - Vice-Chairman

Mr S Morphew

Mr H Thirtle

Mrs K Vincent

**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

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

A g e n d a

1. **To receive apologies and details of any substitute members attending**

2. **To confirm the minutes from the Audit Committee meeting held on 31 July 2018.**

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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 Report for the Quarter ending 30 September 2018.**

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Report by the Executive Director of Finance & Commercial Services.

6. **Risk Management Report**

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Report by the Executive Director of Finance & Commercial Services.

7. **External Auditor's Annual Audit Letter 2017-18**

Page 97

Report by the Executive Director of Finance & Commercial Services.

8. **Revised Internal Audit Plan 2018-19** **Page 129**
Report by the Executive Director of Finance & Commercial Services.
9. **Work Programme** **Page 155**
Report by the Executive Director of Finance & Commercial Services.

Group Meeting

Conservative Group 1pm Conservative Group Room, South Wing, County Hall

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

Date Agenda Published: 19 September 2018



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Audit Committee
Minutes of the Meeting held on Tuesday 31 July 2018 at 2pm in
the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie
Mr S Aquarone
Mr C Foulger
Mr A Jamieson
Mr H Thirtle
Mrs K Vincent

1 Apologies for Absence

- 1.1 An apology for absence was received from Mr S Morpew.

2 Election of Chairman

- 2.1 Mr I Mackie was elected Chairman of Audit Committee for the ensuing year.

Mr I Mackie in the Chair.

3 Election of Vice-Chairman

- 3.1 Mr A Jamieson was elected Vice-Chairman of Audit Committee for the ensuing year.
- 3.2 The Chairman thanked the Mr H Thirtle, the previous Vice-Chairman for his work on the Committee and congratulated him on his appointment as Chairman of the Broads Authority.

4 Minutes

- 4.1 The minutes from the Audit Committee meeting held on 19 April 2018 were agreed as an accurate record and signed by the Chairman.

5 Declaration of Interests

- 5.1 Mr A Jamieson declared an other interest as he was a non-Executive Director of Norse.
- 5.2 Mrs K Vincent declared a pecuniary interest as she was a Member of the Norfolk Pension Fund and also a non-pecuniary interest as her husband had been appointed Leader of Broadland District Council.
- 5.3 Mr H Thirtle declared an other interest as he was a Member of Great Yarmouth Borough Council and also a Member of the Norfolk Pension Fund.

- 5.4 Mr C Foulger declared an other interest in agenda item 14 (Great Yarmouth 3rd River Crossing – Project Update) as he was Chairman of the 3rd River Crossing Member Working Group.

6 Items of Urgent Business

- 6.1 On behalf of the Committee, the Chairman welcomed Stephanie Mullarney and Alan Lincoln who would be retiring on 31 October 2018 after nearly 29 years' service and 53 years' service at Norfolk County Council respectively. Both Officers had worked on preparing the Annual Statement of Accounts for several years and had worked in varying roles at the County Council. The Committee placed on record its thanks to Stephanie and Alan for their hard work and Service to Norfolk County Council and wished them both well for their retirement.

7 Norfolk Pension Fund Governance Arrangements 2017-18

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of Pensions outlining the ongoing governance arrangements of the Norfolk Pension Fund.
- 7.2 In introducing the report, the Head of Norfolk Pension Fund advised that Mrs J Oliver had been appointed Chairman of the Pensions Committee following the sad passing of the previous Chairman, Mr C Jordan.
- 7.3 The following points were noted in response to questions from the Committee:
- 7.3.1 The Norfolk Pension Fund had been working with ten other Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. A legally binding Inter Authority Agreement, setting out the governance arrangements, had been agreed.
- 7.3.2 The Chairman of the Pensions Committee was a Member of the Access Pool Joint Committee, which consisted of the Chairmen of the 11 Pension Committees within the Pool. The Chairman of each Pensions Committee had delegated powers to make some decisions, which would then need to be ratified by the individual Pensions Committees.
- 7.3.2 As the project was still in its early stages, no financial investments had been made. It was hoped that Financial Conduct Authority (FCA) approval for the first sub-fund would be received within the next month or so.
- 7.3.3 The Chairman congratulated the Head of Pensions and her team for their achievement in establishing the Pool.
- 7.3.4 In response to a question, the Head of Pensions confirmed that the increase in the number of employers joining the pension scheme was primarily due to the number of Norfolk schools converting to academies.
- 7.4 The Committee considered the report and **RESOLVED** to:

- **Note** the Norfolk Pension Fund's governance arrangements were fully compliant with legislative requirements, regulatory guidance and recognised best practice.

8 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Summary for the year ended 31 March 2018.

- 8.1 The Committee received the report by the Executive Director of Finance and Commercial Services 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 2018.
- 8.2 A copy of the amendments to the Statement of Accounts since the agenda had been published was tabled at the meeting. The amendments are attached at Appendix A.
- 8.3 The Chairman welcomed Mr M Hodgson and Mr D Riglar, from External Auditors Ernst & Young to the meeting.
- 8.4 Mr M Hodgson, introduced the Norfolk County Council Audit Results Report and was pleased to advise that there were no matters which needed to be brought to the attention of the Committee and that they would be issuing an "unqualified opinion".
- 8.5 The Chairman thanked everyone involved in preparing the accounts.
- 8.6 Mr Hodgson introduced the Norfolk Pension Fund Audit Results Report and was pleased to report an "Unqualified Opinion".
- 8.7 The External Auditors thanked the Executive Director of Finance & Commercial Services and the Finance Team for the support and producing two robust sets of draft Accounts in a timely manner, particularly as this was the first year of the early closure of accounts, which needed to be signed off by the end of July.
- 8.8 The Committee considered the matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports before Ernst & Young issued their audit opinions and **RESOLVED** to:
 - **Note** the report.

9 Annual Statement of Accounts and Annual Governance Statement 2017-18.

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services introducing Norfolk County Council's Annual Governance Statement and the Statement of Accounts of Norfolk County Council for 2017-18 which had been subject to external audit by Ernst & Young. The Executive Director of Finance and Commercial Services anticipated that the Council would receive an unqualified audit opinion.
- 9.2 In introducing the report, the Corporate Accounting Manager advised the Committee of some amendments to the Annual Governance Statement made by the Leader. A copy of the amendments is attached at Appendix B.

- 9.3 The Chairman, on behalf of the Audit Committee, thanked the Executive Director of Finance & Commercial Services, the Finance Team and Ernst & Young for their efforts in achieving an unqualified audit opinion.
- 9.4 The Committee considered the report and **RESOLVED** to:
- **Note** that, following annual reviews, the systems of internal control and internal audit were considered adequate and effective;
 - **Approve** the Annual Governance Statement (At Annex 1 of the report);
 - **Approve** the Council's 2017-18 Statement of Accounts (at Annex 2 of the report).

10 Letters of Representation 2017-18

- 10.1 The Committee received the report by the Executive Director of Finance and Commercial Services introducing the letters of representation of Norfolk County Council and Norfolk Pension Fund for 2017-18. The letters of representation covered matters material to the financial statements and possible non-compliance with laws and regulations.
- 10.2 In presenting the report, the Corporate Accounting Manager advised that, since the agenda had been published, the External Auditors had requested an additional paragraph in the Letters of Representation to be signed by the Executive Director of Finance and Commercial Services and the Chairman of Audit Committee. Copies of the revised letters are attached at Appendix C.
- 10.3 The Committee considered the report and **RESOLVED** to:
- **Endorse** the letters of representation in respect of the Pension Fund and of Norfolk County Council, and
 - **Authorise** the Chairman of the Audit Committee and Executive Director of Finance and Commercial Services to sign the letters on behalf of the Council.

The meeting adjourned at 2.50pm and reconvened at 3pm during which time the Chairman and Executive Director of Finance & Commercial Services signed the Letters of Representation.

11 Counter Fraud, Bribery and Corruption – Audit Committee Annual Report.

- 11.1 The Committee received the report by the Chief Legal Officer providing an annual summary against the criteria set out in the Norfolk County Council Anti-Fraud, Bribery and Corruption Operational Strategy (v2019) (The Strategy), based on the work undertaken during the reporting period in accordance with the agreed activity plan.
- 11.2 In response to a question about whether the level of fraud had dropped since 2016-17, the Investigative Auditor said that although there had been an increase in the number of frauds, there had been a decrease in the amount of investigations carried out.
- 11.3 The Committee **RESOLVED** to:

- **Note** the content of the Anti-Fraud, Bribery and Corruption Annual Report 2017-18.

12 Deputy Monitoring Officer's Annual Report 2017-18

- 12.1 The Committee received the report by the Chief Legal Officer summarising the internal governance work carried out by the Monitoring Officer and Deputy Monitoring Officer in 2017/18 and providing assurance that the organisation's control environment, in the areas which were the responsibility of the Monitoring Officer, was adequate and effective.
- 12.2 The Committee **RESOLVED** to:
- **Note** the contents of the report and, in particular, the key messages set out in the Executive Summary and Appendix A of the report.

13 Risk Management Report

- 13.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing it with the corporate risk register as it stood in July 2018, along with an update on the Risk Management strategy, and other related matters, following the latest review conducted during June 2018.
- 13.2 When introducing the report, the Risk Management Officer drew the Committee's attention to the main changes summarised in Appendix A of the report. The Risk Management Officer also advised that a business continuity exercise had been carried out in July 2018 to test the business continuity plan should County Hall become unavailable due to a fire. The exercise had been very successful and had tested the robustness of departmental business continuity plans.
- 13.3 The Chairman applauded the work undertaken regarding business continuity and said he hoped the momentum would be maintained.
- 13.4 In response to questions from the Committee, the following points were noted:
- 13.4.1 Regarding Risk 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 - 'Brexit'), the Committee was advised that the risk had been drawn up in 2016, following the referendum and was a general risk covering all possible changes.

The Risk Management Officer assured Members that the risk would continue to be monitored once decisions had been made and the risk amended accordingly. The latest guidance stated that any EU Funding already awarded would remain in place until the end of the project, although this position could change if no Brexit deal was achieved. The Committee was assured that as soon as any information was received, the risk would be updated accordingly.

- 13.4.2 The Risk Management Officer would feed back a suggestion of having a risk register in place for all possible risks arising from the Brexit negotiations to the County Leadership Team for consideration. He would also try to gather an

overview of all possible risks, particularly relating to staffing, contracts, resilience and EU funding around procurement of goods and services, to give Members a sense of possible impacts.

- 13.4.3 Al Collier, Head of Procurement, was the Senior Commissioning Officer for Norse Services regarding Risk RM004 (The potential risk of failure to deliver effective and robust contract management for commissioned services).
- 13.4.4 Regarding Risk RM011 (The potential risk of failure to implement and adhere to an effective and robust performance management framework), the average number of days lost through sickness was 4 days lost, down from 7 over the last year.
- 13.4.5 The Risk Management Officer agreed to ascertain the details of the sector based plans for providers which modelled expected needs and demand associated with demographic and social change and feed this information back to Members. (Risk RM023 (Failure to understand and act upon changes to demography, funding, and government policy with particular regard to Adult Services)).
- 13.4.6 The Risk Management Officer would provide a written response giving details of agency and contract staff spending. (Risk RM011 – The potential risk of failure to implement and adhere to an effective and robust performance management framework).
- 13.5 The Committee **RESOLVED** to **Note**:
 - a) The changes to the corporate risk register, the progress with mitigating the risks;
 - b) The scrutiny options for managing corporate risks;
 - c) The movement of corporate risks since the last meeting; and
 - d) The background information to the report.

14 Great Yarmouth Third River Crossing – Progress Update

- 14.1 The Committee received the report by the Executive Director of Communities and Environmental Services providing assurance to Members of the effective current and continuing project governance.
- 14.2 The Committee welcomed Tom McCabe (Executive Director of Community & Environmental Services), Andrew Skiggs (Finance Business Partner Community and Environmental Services) and David Allfrey (Infrastructure Delivery Manager) who attended the meeting to update the Committee on the latest risks on the project and answer questions from the Committee.
- 14.3. The Executive Director for Communities and Environmental Services reassured the Committee that lessons from the Broadland Northway project had been learned, including establishing a Member Working Group to consider key learning points and how these could inform the Great Yarmouth 3rd River Crossing project.
- 14.4 The following points were noted in response to questions from the Committee:

- 14.4.1 In response to a comment that some Members had read about increased costs of the NDR project in the media before being notified to the County Council, the Executive Director of Communities and Environmental Services reassured the Committee that all the information reported in the media had been gleaned from Committee reports and that he updated Members regularly.
- 14.4.2 Any increase to the capital budget would need to be approved by full Council.
- 14.4.3 Under the Norfolk County Council Constitution, once a new contract was awarded, officers had delegated powers to make appropriate payments for the project up to the cost of the contract.
- 14.4.4 The Infrastructure Delivery Manager and his team would ensure the details within the contract were correctly administered. If a claim was received from the contractor which was unjustified, the claim would be refuted and appropriate measures taken to resolve any issues.
- 14.4.5 The Project Board would monitor the project costs, in conjunction with the Member Working Group with the Environment, Development and Transport Committee receiving reports at appropriate times determined by the Board. The Project Board met monthly and would continue to meet monthly until the completion of the project.
- 14.4.6 The quantitative risk assessment (QRA) was a formal and systematic risk analysis to quantify the risks associated with the delivery of the project.
- 14.4.7 The Infrastructure Delivery Manager advised that the project was progressing well and remained on track for construction to commence in October 2020 with the crossing opening in January 2023.
- 14.4.8 Three bidders had now been shortlisted and competitive dialogue with the shortlisted bidders would commence in August 2018. Competitive dialogue would help to ensure the bidders understood Norfolk County Council's requirements and their own obligations under the proposed contract.
- 14.4.9 It was anticipated that Environment, Development and Transport Committee would receive a report at its meetings in October/November 2018, recommending it to award the three-stage contract which would then commence from January 2019.
- 14.4.10 The development consent order process for the project was ongoing, with the public consultation expected to run from mid-August to October 2018 and the results of the consultation would help inform the formal application to the Secretary of State to examine and approve the Development Consent Order. It was anticipated that approval would be within timescales that enabled the construction to commence in October 2020.
- 14.4.11 If the costs of the contract (target cost) rose by more than 7.5% of the tendered price at the end of stage 1 of the contract, Norfolk County Council would not be obliged to continue to the construction phase (stage 2) of the contract.
- 14.4.12 The Committee was reassured that if planning permission (development consent) was not granted, safeguards had been written into the contract to

make sure Norfolk County Council did not face the same risks as they had faced under the Willows project.

- 14.4.13 The Third River Crossing Project was a challenging scheme, although the contractors would have sufficient knowledge to carry out the contract and any risks appropriate for them to manage would be included within their quotation.
- 14.4.14 The cost of the project was estimated to be around £121m, with the Department for Transport having already committed to a grant of £98m which would remain in place as long as Norfolk County Council adhered to the terms of the funding approval letter and the Development Consent Order (DCO).
- 14.4.15 The Project Team was working to ensure the statutory DCO process and the procurement process were aligned, with the statutory consultation starting in mid-August and concluding early October 2018. The findings from the consultation would inform the final DCO application documents which should be submitted by Spring 2019.

14.5 The Chairman thanked everyone for attending and for providing the update.

14.6 The Committee **RESOLVED** to:

- **Note** the report.

15 Governance, Control and Risk Management of Treasury Management

15.1 The Committee received the report by the Executive Director of Finance and Commercial Services providing assurance as to the adequacy and effectiveness of Governance, Control and Risk Management of Treasury Management arrangements.

15.2 The Committee **RESOLVED** to:

- **Note** the report.

16 Liquidlogic/Social Care System Replacement Implementation

16.1 The Committee received the report by the Executive Director of Adult Social Services informing it of the progress of the Social Care System Replacement (SCSR) programme in light of the corporate risk (Risk RM109 – Failure to deliver a new fit for purpose social care system on time and to budget).

16.2 The Committee welcomed Janice Dane (Assistant Director Early Help and Prevention, Adult Social Care), Amy Lees (Social Care Systems Support Manager), Andrew Pettitt (Senior Project Manager – Adults) and Miles Fox-Boudewijn (Senior Project Manager – Children's) who gave the Committee a brief overview about how the Liquidlogic system worked. The Chairman asked that the Committee's thanks be recorded to everyone who had worked on the project for the fantastic achievement of setting up the system.

The Assistant Director Early Help and Prevention, Adult Social Care) advised that phase 1 of the project had been delivered and the planning and resourcing of phase 2 was now taking place. Phase 2 would be exploiting the potential

benefits of the new Liquidlogic and ContrOCC systems to roll out a mobile app and device; Client and online financial assessment portals and integration with health.

- 16.3 The Committee received and **noted** the demonstration of the new LiquidLogic software.
- 16.4 The following points were noted in response to questions from the Committee:
- 16.4.1 Once a personal budget and a package of support and care for those eligible had been established, individuals would be able to spend that money how they wished. Consideration was being given to offering pre-loaded payment cards as an additional option of paying for services users wished to purchase. Other ways included bank transfers, direct payments, or Norfolk County Council purchasing services on behalf of service users.

Mr H Thirtle left the meeting at 4pm.

- 16.4.2 At the moment there were two separate recording systems for Children's Services and Adult Social Services clients. Some work was being undertaken to try to link the Children's Services and Adult Social Care systems in order that children moving to Adult Social Care would no longer have an entry on each system.
- 16.4.3 Responsibility for security of records on the system rested with the software supplier as part of the contract for hosting the data and ensuring the data was kept as safe as possible.
- 16.5 The Committee **RESOLVED** to:
- **Note** the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance;

17 Norfolk Audit Services Report for the Quarter Ending 30 June 2018.

- 17.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work of Internal Audit and how the work would contribute to the new Council priorities.
- 17.2 The Committee **RESOLVED** to **note**:
- 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 operation of the 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.

18 Yearly Update of the Audit Committee

- 18.1 The Committee received the report by the Executive Director of Finance and Commercial Services summarising the work of the Audit Committee from 1 April 2017 to 31 March 2018 and confirmed, during 2017-18, its function had been consistent with best practice, demonstrating the impact of its work and explained how it added value.
- 18.2 The Committee **RESOLVED** to **Note** that Audit Committee was:
- Independent of the executive function, reports directly to full Council and had terms of reference that were consistent with CIPFA's 2016 guidance and best practice.
 - Provided effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public, and
 - Can demonstrate the impact and value of its work.
- 19 Work Programme**
- 19.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.
- 19.2 The Committee asked that consideration be given to introducing Brexit contract risks.
- 19.3 The Committee considered and **noted** the report.

The meeting ended at 4.15 pm

Chairman



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Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Commercial Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Executive Director of Finance and Commercial Services's Responsibilities

The Executive Director of Finance and Commercial Services is responsible for the preparation of the council's Statement of Accounts **including those of the Pension Fund** in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Executive Director of Finance and Commercial Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Executive Director of Finance and Commercial Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Executive Director of Finance and Commercial Services

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council **and that of the Pension Fund** at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Simon George
Executive Director of Finance and Commercial Services
Date: 31 July 2018

I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 31 July and has been re-signed as authorisation to issue.

Cllr Ian Mackie
Chairman of Norfolk County Council Audit committee
Date: 31 July 2018

30 July 2018

Annual Governance Statement 2017-18

Please find attached the amended version of the document tabled at the Audit Committee for their approval:

- Para 1.2 - replaced 'will be approved' with 'has been approved'
- Para 2.8 - Reference to 'an additional pooled fund in the future' removed. This potential pooled fund, part of the Transforming Care Programme, is not agreed yet so not relevant at this stage
- Para 2.8 – Replaced 'three pooled funds' with 'five pooling arrangements' and added two new sections to cover the Business Rates Pooling and the CIL income pool that the Council hosts.
- Para 5.1 and 5.2 (F) – References to the Managing Director added as suggested
- 5.2 (B) – Reference to the Norfolk Strategic Planning Framework corrected.
- Signatures – Titles amended.

Adrian Thompson

Chief Internal Auditor (01603) 222784

Annual Governance Statement for Norfolk County Council 2017-18

1. Introduction

1.1. The Accounts and Audit (England) Regulations 2015 require that:

- The Council must conduct a review at least once a year of the effectiveness of its system of internal control,
- Findings of this review should be considered by the Council,
- The Council must approve an Annual Governance Statement; and
- The Annual Governance Statement must accompany the Statement of Accounts.

For Norfolk County Council (the Council) the Audit Committee undertakes these duties on behalf of the Council.

1.2. The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on 19 April 2018 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2017-18, was acceptable and therefore considered sound. The Committee agreed with this opinion. This statement has been approved, along with the Statement of Accounts, at the 31 July 2018 meeting of the Audit Committee.

1.3. As part of producing this statement, Executive Directors have completed and signed an Annual Positive Assurance Statement and completed a supporting departmental assurance table.

2. Scope of responsibility

2.1. The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way it exercises its functions having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2.2. The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014). The Code was approved by the Policy and Resources Committee on 26 March 2018. If you require any further information regarding this statement please

contact Mr. Simon George, Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

- 2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, the Annual Governance Statement must include reference to controls where significant activities take place through a group entity. This includes Companies that the Council owns or part owns.
- 2.4. This statement explains how the Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2015, in relation to the publication of an Annual Governance Statement.
- 2.5. The Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the [Norfolk Pension Fund Governance Statement 2017](#).
- 2.6. The Council hosts or is represented in several Joint Committees, which are:
- Norfolk Records Committee,
 - Norfolk Joint Museum Committee,
 - Eastern Shires Purchasing Organisation (ESPO),
 - Norwich Highways Agency Committee,
 - Eastern Inshore Fisheries and Conservation Authority
 - Norfolk Parking Partnership Joint Committee
 - Norfolk and Waveney Joint Health Scrutiny Committee.
 - Road Casualty Reduction Partnership Board
- 2.7. The Council has ten subsidiary companies and one legislator company, detailed below:
- Active Companies:
- The largest wholly owned company by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. These companies are referred to throughout this statement as NORSE. The governance arrangements for NORSE are included in the body of this report. Where there are unique arrangements these appear at the end of each section and where the arrangements are specific to NORSE, they appear in a separate section. For more information regarding NORSE and its services, please refer to its website at <http://www.norsegroup.co.uk>
 - Hethel Innovation Ltd, is wholly owned by the Council, see link for further information at <http://hethelinnovation.com/>.
 - Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. The Council owns 49% of the shares for the initial contract period of three years which was extended for two years. For more information regarding

Independence Matters please refer to its website at <http://independencematters.org.uk/>.

- Norfolk Safety Community Interest Company (CIC) operates in partnership with Norfolk Fire and Rescue Service, and provides a range of risk management, training and development and other services to public bodies, third sector organisations and businesses. For more information please refer to website <http://norfolksafety.org/>
- Legislator 1656 Limited is a holding company which is jointly owned with Norwich City Council and is controlled through each party owning 50% of the voting share capital. The company owns a 4.9% share in Norwich Airport Limited and 100% of Legislator 1657 Limited whose principal activity is the leasing of investment properties.

Non Active companies:

- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, with each party owning 50%. The company is currently in the process of being closed.
- Norfolk Energy Futures Ltd is wholly owned by the Council. The company is currently in the process of being closed.
- Norfolk Regeneration Company Limited (NRC) is a wholly owned by the Council. It is currently dormant.
- Educator Solutions Ltd, incorporated on 15 April 2016, is a wholly owned by the Council. It is currently dormant.
- Public Law East Limited, incorporated on 13 February 2017, is a wholly owned company. It is currently dormant.
- Repton Property Developments Ltd, incorporated on 27 July 2017, is a wholly owned by the Council.

Where appropriate the wholly owned/partly owned companies have Council Member and/or Officer representation on their boards of directors. An audit has recently been undertaken (and not yet reported) of Norfolk Safety Community Interest Company. All other significant companies have signed an Annual Positive Assurance Statement and completed a supporting assurance table.

2.8. The Council is a partner in five pooling arrangements, detailed below:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. The Council now receives funding directly from Central Government as part of the formula funding
- Norfolk Pharmaceutical and Medicines Management Pooled Fund. The Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a

pharmaceutical and medicines management service in Norfolk. The Council provides financial management for the Pooled Fund

- There is a Better Care Fund pooled arrangement in place, covering the five CCGs in Norfolk. The Better Care Fund (BCF) requires local authorities with responsibility for social services and CCGs to create a pooled commissioning fund for the provision of integrated health and community care services, with a priority purpose of supporting the integration of health and care. The pooled fund is secured through an agreement under section 75 of the National Health Service Act 2006. The Norfolk and Waveney Chief Officer Group oversees the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council administers the pooled funds
- Norfolk County Council is a member of the Norfolk Business Rates Pool which as of 2018-19 now includes all seven district councils. The Pool enables Norfolk Authorities to retain revenue from additional business rates growth by avoiding a levy on growth which would otherwise be payable to Central Government. The pooled funds are used to support economic development projects in Norfolk with Norfolk Leaders approving the allocation of funds to projects. More information on the Pool can be found in the latest [Norfolk Business Rates Pool Annual Report](#). Item 11 (page 199) of the October 2017 Policy and Resources Committee
- Norfolk County Council acts as the accountable body for the [Infrastructure Investment Fund](#) (referenced on page 224). The 2013 Greater Norwich City Deal allows, amongst other things, access to £60 million of Public Works Loan Board (PWLb) borrowing at a favourable rate to fund strategic infrastructure. The agreement included a commitment from Broadland District Council, Norwich City Council and South Norfolk Council to pool CIL income, and in October 2015 an agreement including Norfolk County Council was signed to pool CIL income in order to create a substantial local growth fund to support local infrastructure projects.

2.9 Norfolk County Council has been designated to manage the 2014-2020 France (Channel) England Interreg Va European programme.

Assurances were provided by the UK Government in October 2016 that for projects selected prior to the actual exit date, partners from the UK will have their full funding guaranteed.

The programme is an EU Commission programme funded through the Cohesion Fund and provides up to €223M of grant covering the geographic area of South and East England and Northern France. This will leverage up to a total of €315M of funds (with match funding). The programme budget is agreed by the French and UK Governments. The Cooperation Programme (CP) was approved by both national governments and by the Commission in October 2015. For further information please refer to website <https://interreg5a-fce.eu>

Within the Council, a Project Board has been set up to oversee the management of risks this initiative generates for the authority.

The Audit Authority reports to the Audit Committee on progress made against the strategy and plan. Should significant issues arise and fail to be resolved with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2017/18.

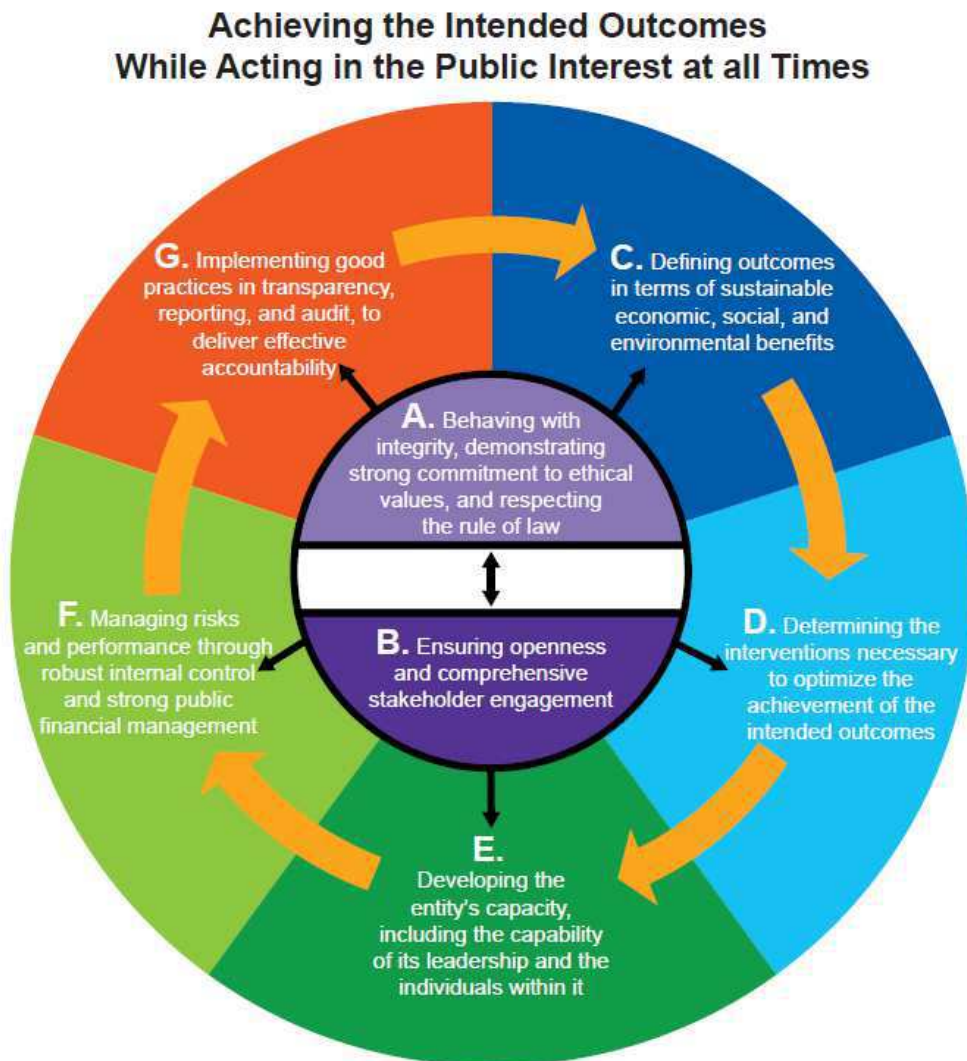
The programme also has its own governance arrangements involving Member States and EC representatives.

3. The purpose of a governance framework

- 3.1. A governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and consider whether they have led to the delivery of appropriate, cost effective services.
- 3.2. The system of internal control is a significant part of that framework designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify and prioritise such risks, it evaluates the likelihood of them being realised and the impact they would have should they be realised and helps manage them efficiently, effectively and economically.
- 3.3. All wholly owned companies have a system of governance which is the responsibility of their Board of Directors and designed to give the Directors adequate information to review the activities of the Group and review and control the business risks.

4. The Governance Framework

- 4.1. The council achieves good standards of governance by applying the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (The 'International Framework').



- 4.2. This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times. As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)
- 4.3. The Council's [Code of Corporate Governance](#) details the arrangements in place to comply with each of the principles. The Annual Governance Statement reviews the effectiveness of those arrangements.

5. Effectiveness of the governance framework

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

That review is informed by:

- The work of the Managing Director and Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment
- The Statutory roles of the Council's Monitoring Officer and Section 151 Officer
- The signed departmental assurance statements received and signed by Executive Directors
- The Annual Governance Statement working group
- Work performed by Internal Audit
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls carried out as outlined in the Code of Corporate Governance.

Responsibility for this annual review has been delegated to the Audit Committee. Overall it is considered the Council's governance arrangements continue to be fit for purpose, in accordance with the governance framework.

5.2 The effectiveness of the governance framework can be demonstrated by the following:

	Principles	Comment
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<p>Executive Directors have confirmed services comply with the Council's Constitution, Financial Regulations and key policies and procedures which include for declarations, compliments and complaints and whistleblowing. Relevant topics, for example health and safety, are reported to committees during the year.</p> <p>There are up to date registers of Members interests and register of gifts and hospitality published for each Member on the Norfolk County Council internet.</p> <p>The Standards Committee met twice during 2017-18. The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.</p> <p>Progress on the Council's Equality, Diversity and Inclusion objectives 2017-2020 was reported to the Policy and Resources committee in January 2018.</p> <p>An Annual report of the Monitoring Officer will be made to the Audit Committee at the 31 July 2018 meeting. There are no exceptions to report.</p>

	Principles	Comment
B	Ensuring openness and comprehensive stakeholder engagement.	<p>Committees and Full Council have met regularly throughout the year. These are open meetings and the agenda and public reports are available to the public prior to the meetings. There is also provision for the public to ask questions. Decisions taken at these meetings have been recorded in minutes. The agendas, public reports and minutes are available on the Council website, with the exception of certain confidential information.</p> <p>NCC's vision and strategy for 2018-2021 is published on the internet.</p> <p>A Norfolk Strategic Planning Framework has been approved. It includes the shared objectives with Norfolk's Local Planning Authorities (including Norfolk County Council).</p> <p>During the year the Council has engaged with individual citizens and service users effectively. The Council embraced the philosophy "We Asked, You Said, We Did" approach to consultation and promotes material advising the public and other stakeholders of the key findings from consultations and how they have been considered. An example of this was in respect of budget saving proposals.</p> <p>As well as formal consultations the Council runs a variety of events and manage a variety of panels or forums. In doing so, these create opportunities for open dialogue with people who use our services enabling them to feedback their views, interests and concerns relating to the services we offer. Our key events and public forums included a Business Rates Consultation Event, Make it Real Older People's forum, In Care Council, Norfolk Youth Parliament and Residents' panel.</p> <p>There is an agreed Communication Strategy and Media Protocol. Roles and responsibilities for communication should be clear.</p>
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.	<p>The previous County Council Plan 2016-19 had set out the Council's previous strategic ambition, priorities and the areas of the Council's business where it needs to make the fastest improvements to secure Norfolk's long term future. It was refreshed during the year.</p> <p>The vision for Norfolk in 2021 was approved by Full Council on 12 February 2018. This sets out the direction</p>

	Principles	Comment
		<p>of the Council in the next three years and what it would like to achieve.</p> <p>The 'Vision for Norfolk 2021 Caring for our County' outlines the Council's commitment to:</p> <ul style="list-style-type: none"> - Building communities we can be proud of - Making the most of our beautiful County - Starting a new relationship with Norfolk families - Investing in children and families - Helping our population remain independent, resilient and well - Getting our own house in order. <p>The approach is guided by four key principles:</p> <ul style="list-style-type: none"> - Offering our help early to prevent and reduce demand for specialist services - Joining up our work so that similar activities and services are easily accessible, done well and done once - Being business-like and making best use of digital technology to ensure value for money - Using evidence and data to target our work where it can make the most difference <p>The Council has also identified seven priorities to bring focus and energy to this phase of transformation – under the banner of 'Norfolk Futures'. These priorities are:</p> <ul style="list-style-type: none"> - Safe children and resilient families - Promoting independence for vulnerable adults - Local service strategy - Smarter information and advice - Towards a Norfolk housing strategy - Digital Norfolk - Commercialisation. <p>There is focussed activity on each priority, with County Leadership Team sponsors and Senior Officer Business Leads.</p> <p>Each Committee has produced a 3 year plan, setting out how their areas of responsibility will be shaped by the ambition and principles of "Norfolk Futures" and promote the council's vision. These plans were approved by Service Committees in March 2018. Progress against</p>

	Principles	Comment
		overall transformation is being monitored by the Policy and Resources Committee.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.	<p>During the year each Service Committee received performance monitoring reports on the identified key areas (vital signs). These included performance dashboards and a detailed review of those areas not performing as expected. These provided both quantitative and qualitative performance information.</p> <p>In parallel, each Departmental Management Team reviewed performance at least monthly, with challenge provided by the Business Intelligence function.</p> <p>The specific targets included in the County Council Plan 2016-19 are monitored through reports to Service Committees. Where performance is not meeting expectations, the reasons why are discussed and the required action to perform performance is identified. An example of this can be found here on page 91.</p> <p>The vital signs have recently been updated for all departments, to ensure the most important areas are monitored. Each department has produced a Plan on a Page and are being reported to Service Committees. These detail 'what we'll do', 'how we'll do it' and 'how we'll know if we've made a difference'.</p> <p>External challenge has been provided through benchmarking, inspections and peer reviews. Details of inspections and peer reviews are included in Appendix 1.</p>
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.	<p>During the year the County Leadership Team signed off an Organisational Effectiveness Strategy and plan including key priorities on leadership, shared purpose and performance.</p> <p>To embed the refreshed County Plan and strategy, a refreshed performance development framework has been developed and is now being rolled out to all managers in April 2018.</p> <p>Refreshed key people measures have been signed off and work has been underway to refresh the Council's values and key leadership attributes for roll-out in April 2018.</p>

	Principles	Comment
F	Managing risks and performance through robust internal control and strong public financial management.	<p>Corporate and departmental risk registers are up to date and are being used by managers as a management tool.</p> <p>Reporting of risk management activity to Members and senior management is embedded; for instance corporate risk registers have been reported quarterly and annually to the Audit Committee and the County Leadership Team. Departmental risk registers have been reported quarterly to the Service Committees. The quality and range of data and information included in these reports has been strengthened to better inform on progress with managing specific risks and give them a better overview of the risk profile of each service. The risk management framework and policy have been updated during the year, as reported in the Annual Risk Management report (page 188).</p> <p>Under the Fire and Rescue Services Act 2004 (The Act), the Council is the statutory Fire and Rescue Authority (FRA). The Act makes it a statutory requirement for the Fire and Rescue Authority to produce an Integrated Risk Management Plan. Norfolk FRA published its Integrated Risk Management Plan (IRMP) for 2016-2020 in February 2016. The latest annual Norfolk FRA Statement of Assurance, covering 2016-17, was approved and published in March 2018.</p> <p>Performance monitoring is reported through to Committees.</p> <p>The Managing Director and Executive Directors have confirmed approved protocols, signed contracts and effective governance arrangements are either in place or in the process of being put in place for work performed by third parties.</p> <p>Performance of wholly owned companies is monitored by Senior Officers and Members attendance at Board Meetings.</p> <p>The Council has effective overview and scrutiny. Decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. The Member Training Programme ensures Members are aware of their responsibilities in decision making. This includes being sufficiently challenging and ensuring they have the appropriate level of support and information to enable them to make an informed decision.</p>

	Principles	Comment
		<p>The Council has robust internal control:</p> <ul style="list-style-type: none"> • An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April meeting. There were no exceptions to report. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. These controls are clearly described in the Council's Medium Term Financial Plan agreed by the Council in February 2018. In addition, a Going Concern Statement has been produced to provide additional assurance. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information systems and authorisation and approval processes. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • Risk management arrangements are effective. • An effective Audit Committee is in place. • Measures are in place to prevent, detect and investigate fraud and corruption. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. From January 2017 these were updated and are now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Outstanding corporate high priority audit recommendations are followed up to ensure controls are put in place as soon as possible. A summary of the outstanding corporate high priority audit findings is reported to the Audit Committee. <p>Information Asset Owners of key systems provided assurance during a data quality audit that in their opinion</p>

	Principles	Comment
		<p>controls and processes are robust enough to ensure good quality data. All Executive Directors have confirmed there are processes in place to ensure the quality of data is maintained to enable effective decision making to be made. Action plans are in place following internal audit work on Information Security during the year and has been included as a Corporate Risk (RM003). The Council has had a plan in place for the General Data Protection Regulation (GDPR) preparations which is regularly reviewed by the County Leadership Team.</p> <p>We have strong public financial management. Responsible Budget Officers are responsible for managing their budgets effectively. At the end of every month financial information on expenditure is produced including forecast expenditure and the planned impact on earmarked reserves. Finance Monitoring Reports are discussed at Service Committees.</p>
5.3	Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.	<p>During the year the Council has published information, including reports, in a manner which is accessible to citizens and other stakeholders. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames.</p> <p>Reporting on performance, value for money and the stewardship have been included in the Annual Report, Statements of Accounts and Annual Governance Statement.</p> <p>The Audit Committee has considered matters of governance, including internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit during 2017/18.</p> <p>An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April. There were no exceptions to report.</p> <p>All Executive Directors have confirmed staff are aware of their responsibility to report upwards any unresolved matters of concern about internal control.</p>

5.3 Wholly owned Companies have completed assurance statements confirming the effectiveness of their governance framework, with the exception of Norfolk Safety Community Interest Company where an audit has been carried out during the year. No concerns have been identified.

6. Review of Effective Action on Significant Governance Issues 2016/17

6.1 There were no significant governance issues reported in 2016-17.

7. Significant Governance Issues

7.1 There are no significant governance issues to report for 2017-18.

Councillor Andrew Proctor
Leader of the County Council

Dr Wendy Thomson CBE
Managing Director

Notes:

Note 1: The following senior officers have contributed to drafting this statement

- Managing Director
- Executive Director of Adult Social Services
- Executive Director of Children's Services
- Executive Director of Community and Environmental Services
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Strategy Director
- Head of Democratic Services
- Head of HR.

Executive Directors who have produced signed Annual Positive Assurance Statements and supporting assurance tables

Executive Director of Community and Environmental Services
Executive Director of Adult Social Services
Executive Director of Finance and Commercial Services
Executive Director of Children's Services
Strategy Director

Appendix 1

External Reviews carried out during the year

	Comment
3	<p>Finance and Commercial Services</p> <ul style="list-style-type: none"> The overall key message in the external auditor's (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2016-17) was that an unqualified opinion was issued on the Council's accounts for 2016-17. The County Council was also given an unqualified 'Value for Money' opinion, within the Annual Audit Letter 2016-17. The controls within the payroll function are audited annually by internal audit. <p>HR</p> <ul style="list-style-type: none"> The Health & Safety function is ultimately answerable to the HSE and in the last year we had one investigations by the HSE. The HSE concluded that our systems were satisfactory. There is a third investigation which is ongoing at this point. <p>nplaw</p> <ul style="list-style-type: none"> NpLaw had its external Lexcel (the Law Society's legal practice quality mark for excellence in legal practice management and excellence in client care) assessment in March 2018 and its accreditation as a legal practice was renewed. <p>Children's Services</p> <p>The re-inspection Ofsted report dated January 2018, in respect of children in need of help and protection, children looked after and care leavers, recognised Norfolk County Council had shown a significant increase in the pace of change, with visible and effective interim senior leaders working purposefully to tackle critical weaknesses. The support for children looked after, care leavers and children with a plan for adoption has improved and most receive timely, effective help. However, these services still require improvement to be good. The service provided to children with a plan for adoption is outstanding.</p> <p>Community and Environmental Services (CES)</p> <ul style="list-style-type: none"> An internal audit (resourced by BDO) was carried out on the compliance with NDR Contract Management and an internal audit was completed for the NDR Scheme of Delegation. An acceptable opinion was given for both audits.

	Comment
	<ul style="list-style-type: none"> Norfolk Community Learning Services were shortlisted as one of the six finalists for the most improved Council category, in the Municipal Journal awards 2017. Other accreditation obtained by CES have been appended at Appendix 1.

My Ref: audit letter of rep

Your Ref: .

Please ask for: Howard Jones
Direct Dialling Number: 01603 222832
Email: howard.jones@norfolk.gov.uk

31 July 2018

Mr M Hodgson
Ernst & Young
One Cambridge Business Park
Cambridge
CB4 0WZ

This representation letter is provided in connection with your audit of the consolidated and council financial statements of Norfolk County Council ("the Group and Council") for the year ended 31 March 2018.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the financial position of the Group and Council financial position as of 31 March 2018 and of its financial position (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing yourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

2. We acknowledge as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The reasons for not adjusting are as follows:
 - a. Adjustment to the net group pension liability: no adjustment has been made for the change due to its immateriality in the context of the group accounts.
 - b. PFI and similar contracts – disclosure of future payments: the accounts have not been adjusted due to the complexity of both the calculations and the underlying historic financial models. The changes will be fully implemented for 2018-19 and beyond.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - a. involving financial statements;

- b. related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- c. related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- d. involving management, or employees who have significant roles in internal controls, or others; or
- e. in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the significant assumptions that we have used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately

reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in the relevant notes to the consolidated and Council's financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.
2. Following the end of the financial year, Norwich City Council announced their intention to take back in-house four contracts with the Norse Group. The impact of this action is estimated to be a loss of income of approximately 2.5% of NCC group revenues and is a non-adjusting event for the 2017-18 group statement of accounts. Due to uncertainty over the contract negotiations yet to take place, and the value involved as a proportion of NCC group revenues, no disclosure has been made in the NCC financial statements.

F. Group Audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. We confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

G. Other Information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Norfolk County Council Statement of Accounts 2017-18.
2. We confirm that the contents contained within the other information is consistent with the financial statements.

H. Going Concern

1. We have made you aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the usable and unusable reserves.

K. Use of the Work of a Specialist – Property, Plant and Equipment

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Valuation of Property, Plant and Equipment Assets

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
2. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.
5. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
6. We confirm that for assets carried at historic cost, no impairment is required.

M. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

N. Use of the Work of a Specialist – Pension Liabilities

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events.

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 31 July 2018

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

Audit Committee

Item No.....

Report title:	Norfolk Audit Services Report for the Quarter ending 30th September 2018
Date of meeting:	27 September 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services

Strategic impact

The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the [Council's Constitution, part 4.1 \(4.4\)](#) (page 13) being:

B. INTERNAL AUDIT AND INTERNAL CONTROL

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

C. RISK MANAGEMENT

5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.

The Accounts and Audit Regulations 2015 require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. Internal Audit is part of the Policy and Resources Committee Service Plan 2018-21.

Executive summary

The Council has approved a clear set of priorities 'Norfolk Futures', based around the Administration's 'Caring for our County' priorities. Internal Audit's work will contribute to these new priorities through the activity set out in the Policy and Resources Committee Service Plan.

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 school audits and the operation of the Audit Authority for the France Channel England Interreg Programme
- The plans (2.9 to 2.12) to strengthen corporate development themes

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.19)
- France Channel England FCE Update (2.24)
- External matters of Note (2.26)

Work to Support the opinion

2.2 The audit work and opinion supports the Policy and Resources Committee Plan 2018-21. Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described specifically on page 12 of that Committee Plan.

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

- Final reports issued in the period (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 Progress with delivering the audits brought forward from the 2017/18 Audit Plan is shown in **Table 1** below. Progress with delivering the 2018/19 Audit Plan (first half year) is shown in **Tables 2 and 3** below. The details appear at **Appendix A**. Details of the number of Corporate High Priority Audit Findings are shown in **Table 4**.

Table 1: The thirteen 2017-18 Audits Brought Forward

Report Type	2017/18 B/fwd
Draft Reports Issued (WIP)	1
Final Reports Issued (non-schools)	9
Management Letters Issued	2
Total Audits for Opinion Work	12
Traded Schools (including traded audits and health checks)	1
Total	13

Table 2: The 2018-19 (Q1 and Q2) Audit Plan: at end of Quarter 2

Work Type	Audits Not Started	Work in Progress	Draft Reports Issued	Final Reports Issued	Total
Opinion Work	0	9	1	6	16
N.B. In the quarterly report ending 30 th June 2018, the total number of opinion audits was 27. Of these, three audits have been cancelled, four have become watching briefs for consideration in the 2019/20 Audit Plan and four have moved into quarter 3/4.					
Traded Schools (including traded audits and health checks)	0	0	2	2	4
Schools – Compliance / themed Audits)	0	0	0	1	1
Pensions	0	0	2	1	3
N.B. In the quarterly report ending 30 th June 2018, the total number of Pensions audits was 4. Of these, one audit has moved into quarter 3.					
Totals (Target*)	0	9 (6)	5 (6)	10 (6)	24 (18)

*The target values were reported to the Audit Committee in the January Committee.

Table 3: Certified Grant Claims (Q1 and Q2): at end of Quarter 2

Grant Type	Number of Grant Certifications Required in Q1/2	Number of Grant Claims Certified at end of Q1	Number of Grant Claims Certified at end of Q2
LGA (Local Government Association)	7	2	5
EU	4	2	2
External Clients	0	0	0
Internal Clients	2	2	0
Total	13	6	7

- 2.5 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. There are no findings that are rated as Amber or Red. Four findings are rated Blue for removal as they have been completed. Details are shown in Table 4 below:

Table 4: Corporate High Priority Audit Findings

Department	Green Rated	Amber Rated	Blue Rated	Total
Adult Care	0	0	0	0
Children's Services	0	0	0	0
Communities and Environment	1	0	0	1
Finance and Commercial Services	7	0	4	11
Total NCC	8	0	4	12
Schools	0	0	0	0
Total Corporate High Priority Findings	8	0	4	12

- 2.6 There has been a slow take up of Traded Schools Audits in the first half of the year. Table 1 above details Quarters 1 and 2's activity and we have had two further enquiries to be followed up and booked for quarters 3 and 4. We

are sending letters/reminders to those schools who are overdue for an audit.

- 2.7 Details were set out in the separate Internal Audit Strategy report to the January 2018 meeting of this Committee, to develop an action plan for the Internal Audit Team to further develop four 'ways of working', these being:
- Strategy into Action/Accountability
 - Commerciality/Business Like
 - Data Analytics/Evidence Based
 - Collaboration/Influencing
- 2.8 Strategy into Action / Accountability – we have enhanced the audit planning process whereby deadlines dates for each step in the audit process are documented for planning and monitoring purposes. Managers are spending more time with the Senior Auditors, challenging the adequacy and appropriateness of the budgets set as well as reviewing the scheduling of all parts of the audit process. Ongoing regular monitoring is helping to ensure audit work moves forward within the timescales set. A new protocol for working with our contracted audit firm, BDO has also been agreed and will ensure that audits contracted out also move forward within the timescales agreed.
- 2.9 Commerciality / Business Like: - In Quarter 1, we reviewed the basis of our approach to charging our time for grant certifications for both internal and external clients and in line with Council policy we have moved to a full cost recovery hourly rate. These rates will now apply to all grant certification work in 2018/19. We will also be reviewing our blended daily rate which we use to charge external clients for audit work in 2018/19 as well.
- 2.10 Data Analytics / Evidence Based: - We have been looking at the Information Management Team's (IMT) business intelligence and analytics platform that has a central repository to hold the Council's and third party data and the associated data analytics software and how we can use this in our audit work. We are in the process of identifying what data we wish to analyse and in Quarter 2 we have been learning how to use the software and exploring which audits would benefit from data analytic testing. Furthermore, we are exploring how we can use this technology on a live basis to employ preventative measures to combat fraud or error. One area under development is mortality screening, the process of identifying deceased individuals within a given payment system thus reducing the risk of overpayments.
- 2.11 Collaborative/Influencing: - We participate in points of practice requests from our peers. We coordinate responses and share best practice.

Whistleblowing

- 2.12 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. An appropriate investigator will be allocated where an investigation is required. There have been five disclosures received in 2018-19. Three related directly to the Council's services and two for those we do business with. Four were anonymous disclosures and one remains confidential. The topics raised can be categorised as follows (some disclosures cover more than one category):

- Conduct (2)
- Governance (3)
- Procedural (4)

Anti-Fraud and Corruption

- 2.13 An Anti-fraud action plan has been approved by this Committee.

Ongoing projects are to review and update the following:

- Rolling out the e-learning packages for all key employees
- Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)

- 2.14 The progress with allegations and cases investigated is shown in **Table 5** below. The "**Fraud Detected**" column represents cases that resulted in either a sanction/redress or other corrective action to mitigate the risk of reoccurrence

Table 5: 2018/2019 Fraud, Bribery and Corruption referrals.

Cases ongoing from 2017/2018	Total referrals received 2018/2019	Cases closed – Fraud/error Detected	Cases closed – No Further action	Total cases on-going
1	3	1	1	2

From the referrals received:

- 2 cases relate to social care payments.
- 1 case related to conflicts of interest and did not present an immediate fraud risk.
- 1 Case related to a traded investigation

The total cases worked during the period is 4, which is in keeping with the quarterly average of referrals received in the previous financial year.

- 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 when grant certification work is completed. We have received positive feedback for 6 responses in the quarter ending 1st January 2018 – 30th June 2018, 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. We will also be reviewing the client feedback process during 2018/19 and considering if there is a better way of obtaining client feedback.
- 2.18 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

Other relevant information

- 2.19 External Review of compliance with the Public Sector Internal Auditing Standards (PSIAS) – Status is Current
- 2.20 It is a requirement that every five years an independent external review of our compliance with the PSIAS is undertaken. CIPFA Services were commissioned to undertake this review in early May 2017. The review identified no areas of non-compliance with the Standards that would affect the overall scope or operation of internal audit activity. Nine out of the eleven recommendation are completed, one is in progress and the actions for one is not due to be completed yet. Eight of the eleven suggestions are completed, two are in progress and the actions for one are not due yet.
- 2.21 A self-review of the quality of audit files completed in quarters 1 and 2 is due to take place in quarter 3 as part of our ongoing Quality Assurance Improvement Plan. The results of this self-review will be shared with the Executive Director of Finance and Commercial Services and the Team for action.
- 2.22 LGPS Pooling Update
 - a. The Government requires regional Local Government Pension Scheme (LGPS) Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.
 - b. The Norfolk Pension Fund is working with 10 other Administering Authorities, collectively known as the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. An Inter-Authority Agreement (IAA) has been signed by all 11

authorities defining governance and cost sharing arrangements for the ACCESS Pool. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by County Council on the 20th February 2017.

- c. The ACCESS Pool is governed by a Joint Committee made up of one elected councillor from each authority's Pensions Committee. Norfolk is represented by the Pension Committee Chair (Cllr Oliver). The Norfolk Pensions Committee receive quarterly progress reports on the work of ACCESS.
- d. The ACCESS Funds have appointed Link Fund Solutions Ltd (Link) to provide regulated financial services to the Pool. Link is responsible for establishing and operating a range of investment sub-funds into which the ACCESS Funds invest.
- e. Link Fund Solutions Ltd was given FCA Regulatory Approval for 'The LF ACCESS Pool Authorised Contractual Scheme (ACS)' and first sub-fund in August 2018.
- f. Essex County Council has been chosen to be the Host Authority for the ACCESS Support Unit (ASU). The ASU will consist of a small number of staff, led by a Programme Director.

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

France (Channel) England (FCE) update –

- 2.24 The 2018 Audit Strategy and Audit Plan have been agreed. Progress is satisfactory at this stage of the audit year. We have made good progress against the completion of systems audits included in the plan and are nearing completion of the audit of operations. This means that we are in a good place to prepare and carry out the audit of the accounts and be in a position to the report to the European Commission by the 15 February 2019 deadline.
- 2.25 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.

External Matters of Note

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

- 1. <https://www.nao.org.uk/report/transformation-guidance-for-audit-committees>
- 2. <https://www.nao.org.uk/report/ofsted-inspection-of-schools/>

- 2.27 There are no other external matters to note this period.

3. Financial Implications

- 3.1. The service expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. All audits are allocated a budget in days which determines the budgeted cost for the audit. A target for 2018-19 has been set to deliver 100% of audit work within budget. This is to allow the Team to adjust to the new ways of working which have been implemented for the 2018/19 audit year. Audit budgets are actively monitored by the Managers and the reasons for exceeding budgets, where this occurs, result in agreement as to how this will be avoided going forward, with improvements and suggestions made to help the Senior Auditors keep audits within budget.
- 3.3. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

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 must 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 2 ending 30 September 2018
and for the audits B/Fwd from 2017/18

In the 2nd Quarter for the 2018/19 Audit Plan five opinion final reports, two Traded School Audit final reports, one Pension final report and two management letters were issued and seven grant claims were certified.

For the audits brought forward from 2017/18 Audit Plan, four further final reports have now been issued.

NOTE: Any further audits completed by 1st September 2018 will be added to this report and any audits completed up to the September Audit Committee will be reported at the meeting verbally.

Final Reports: - B/Fwd from 2017/18

Opinion Work (Audit opinion provided is shown in brackets)

1. Role of Caldicott Guardians (Acceptable)
2. Acquisition and Disposal of Property (Key Issues to be addressed)
3. Probation HR (Acceptable)
4. Budget and Financial Control – Children's Services*

*Opinion deferred to Follow Up

Final Reports: - Quarter 2 2018/19

School Traded Audits

5. Nightingale Infant and Nursery Primary School
6. North Walsham High School

Opinion Work (Audit opinion provided is shown in brackets)

7. Performance Management of Commissioned Childrens Contracts (semi-independent accommodation (Key Issues to be addressed – red)
8. Norfolk Fire and Rescue Service – Fleet SLA (Key Issues to be addressed – amber)
9. Teachers' Pensions Agency Return (Acceptable)
10. Carbon Reduction Scheme (Acceptable)
11. Norwich Safety Community Interest Company (CIC) Subsidiary (Acceptable)

Management Letters

12. Schools Financial Value Standard Return – Thematic Audit (Management Letter) (No opinion given)
13. Norfolk Fire and Rescue Service – Preparation for the National Inspection Regime) (Management Letter) (No opinion given)

Pensions

14. National LGPS Procurement Framework Accounting Processes (Acceptable)

Certified Grants - Quarter 2

15. LGA – Fire and Rescue Authorities Capital Funding Grant (P/e March 2018)
16. LGA – Greater Norwich Area Surface Water Drainage (Highways Maintenance Challenge Fund) (P/e March 2018)
17. LGA – Disabled Facilities Capital Grant (P/e March 2018)
18. LGA – CES (Local Transport Capital Block Funding) (P/e March 2018)
19. LGA – LA Bus Subsidy Ring Fenced Revenue Grant (P/e March 2018)
20. EU – Green Pilgrimage (P/e June 2018)
21. EU – ENDURE (P/e June 2018)

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 67.5% for the 2018-19 year. This takes into account time required for general management, training, team development and induction of new or temporary staff and excludes team members who work on FCE audit work, risk management and investigative work.

2.2 Investigations Procedure

- 2.2.1 Norfolk Audit Services is notified of any allegations of a financial or control nature. 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.

Notes for Section 5

5.1 Audit Opinions

5.1.1 Audit reports usually 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'. Where controls are yet to be embedded an audit opinion may not be given. 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 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	7	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.

Audit Committee

Item No.

Report title:	Risk Management Report
Date of meeting:	27th September 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact One of the Audit Committee's roles 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 as it stands in September 2018, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during August 2018.

Risk management is reported separately but the reporting is aligned with, and complements, the performance and financial reporting to relevant Committees.

The corporate risk register was last reported to the Audit Committee (for risk management assurance) in July 2018, prior to being refreshed in late August and early September 2018 to show the latest developments. Officers have worked through the risk related questions and comments from that Committee and answers will be supplied separate to this report. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

Recommendations:

Committee Members are asked to consider:

- The changes to the corporate risk register (**Appendices A and B**), the progress with mitigating the risks; and
- The scrutiny options for managing corporate risks, (**Appendix C**);
- The heat map of corporate risks (**Appendix D**);
- The background information to the report (**Appendix E**);
- If any further action is required.

1. Proposal

- 1.1 The County Leadership Team has been consulted in the preparation of the corporate risk register, along with the risk reviewers who have reviewed and updated the risks where there have been changes since the last report. The recommendations of this report can be found above.

2. Evidence

2.1. Direction

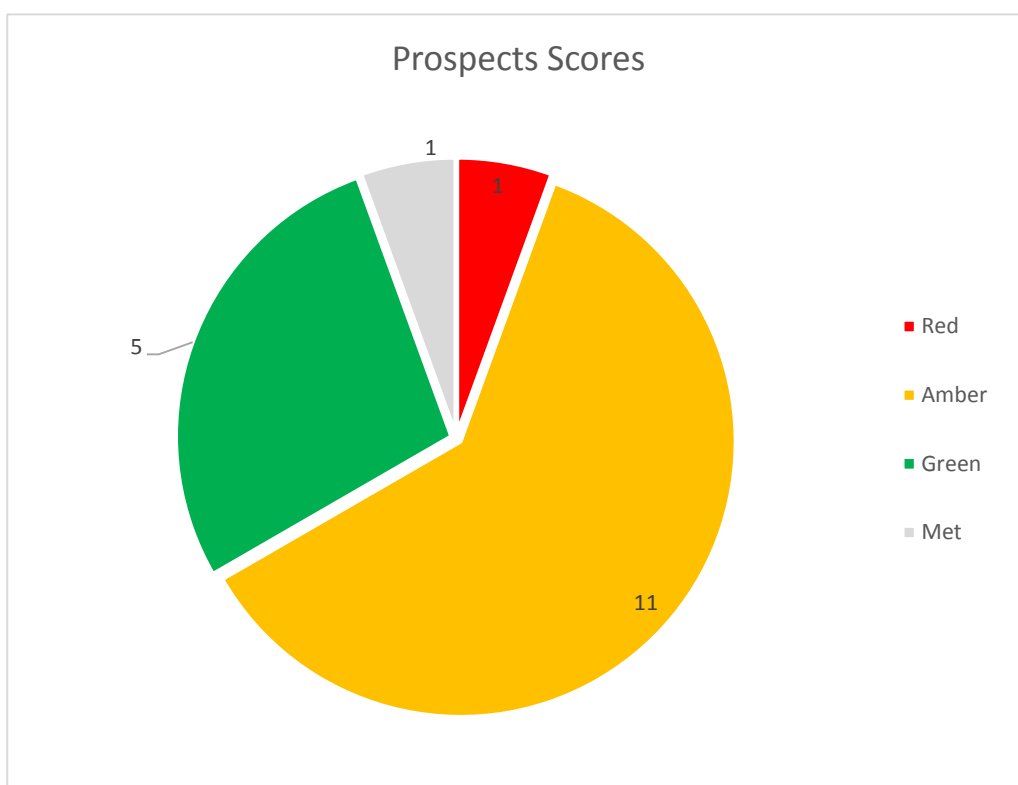
- 2.1.1. The Council's Medium-Term Strategy and Financial Plan, adopted in February 2018, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. With regards to the development of Norfolk Futures, framed by four key principles, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, 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.
- 2.1.2. A Medium-Term Risk Management Strategy has been initiated, and is currently being developed by the Risk Management Officer, whereby the current and future activities of the Risk Management Function, carried out to further embed the Risk Management Policy, will be formally documented.

2.2 Progress

- 2.2.1 Overall, corporate risk scores continue to be generally stable. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. The corporate risk register is joined up with the Council's 2018-19 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. 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 corporate risks to Norfolk County Council, and the actions required to mitigate them, overseen by the County Leadership Team, and owned by the Policy and Resources Committee.

- 2.2.2. Work continues to take place to further develop risk management, which continues to be reviewed and strengthened. The revised Risk Management Policy and accompanying procedures are in place and the Risk Management Officer is promoting these through training provided around the Council.
- 2.2.3. The latest corporate risk register details 18 open risks, presented at **Appendix B**. 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.
- 2.2.4. **Appendix B** 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.
- 2.2.5. There is one risk with a red rated current risk score:
- 1. RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**
- 2.2.6. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Eleven risks are assessed as “Amber—some concerns” that targets may not be met, and five are assessed as “Green - on schedule” to meet their target by the target date. One risk score has been assessed as meeting its target score by the target date, but is a continuous risk in its nature, and remains on the corporate risk register. There is currently one risk with a ‘prospects’ target red risk score (see Appendix E for the definition).
- 2.2.7. A reconciliation to the July 2018 Audit Committee report is presented at **Appendix A**, detailing the significant changes to corporate risks since the July 2018 report, including a new risk which has been recommended for management at corporate level from the recent August Communities Committee. This will be considered at the upcoming October Policy and Resources Committee, but is presented in this report at Appendices A and B to provide Members of this Committee with sight of this risk.
- 2.2.8. As part of the overall development of the performance and risk management framework for the Council, there is a continuation of the approach involving 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.
- 2.2.9. 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.

- 2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.
- 2.2.11. Explanations for the various scores and terminology can be found in the Risk Management Procedures, which are available to Members and officers.
- 2.2.12. 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 for their current risk score.
- 2.2.13. The criteria for Corporate risks and a description of target scores is shown at **Appendix E**.
- 2.2.14. Fig. 1. below reflects the percentages of risks in each prospects category.



2.3 Development

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;

2.4. 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

2.5. Commerciality – Business Like

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

2.6. Data Analytics – Evidence based

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

2.7. Influencing – Collaborative

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region and national ALARM group

3. Risk Management reporting to Committees

- 3.1. Risk management is reported separately to financial and performance management at Committees, although there continue to be close links between financial, performance, and risk reporting. The Audit Committee Chairman has proposed that departmental level risks are reported, in detail, to Committees at least once per year. The remaining departmental reporting throughout the year 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 Finance and Performance Reports. For future meetings of the Policy and Resources Committee, a full corporate risk management report will be delivered every alternate quarter, with a highlight report presented in the alternate quarters.

4. Financial Implications

- 4.1 Whilst the likelihood of not delivering the NDR to its revised budget has significantly reduced, there remain project risks of not delivering the NDR to budget. This risk will remain open until the final account for the construction works is closed, which project officers are focussing on.

5. Issues, risks and innovation

- 5.1 The Risk Management Function will be undertaking the Benchmarking Club exercise this year to assess our risk management maturity levels in comparison to other public sector organisation participants.
- 5.2 Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up, with the objective of generating income for the Risk Management Function of Norfolk County Council from other local councils and local public facing organisations. The Risk Management Officer is available to consult on risk management, helping such organisations to develop their risk management functions in exchange for a half/full day consultation rate charged for each session delivered, and thereby potentially generating revenue.
- 5.3 The Risk Management Strategy will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

6. Background

- 6.1 The review of existing risks has been completed with responsible officers.
- 6.2 An explanation of some of the terminology used within the report can be found at **Appendix E**.

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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Appendix A – Risk Reconciliation Report

Significant* changes to the corporate risk register since the last Audit Committee Risk Management report was presented in July 2018.

New risk

RM025 - Change of governance in the Fire and Rescue Service

A new risk has been identified regarding the potential change of governance in the Norfolk Fire and Rescue Service. This risk has been presented to the August 2018 Communities Committee, who agreed a recommendation to ask the Policy and Resources Committee to ratify management of this risk on the corporate risk register. The risk is presented in this report for information.

Change to risk title, mitigations, and scoring.

RM006 - The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 - 2021.

The risk title has been amended to reflect the progression from planning how the Council will deliver services to how the Council will deliver services over the next three financial years through to 2020-21.

The risk title has therefore been amended to the following;

RM006 - The potential risk of failure to deliver our services within the resources available over the next 3 years commencing 2018/19 to the end of 2020/21.

The risk mitigations and progress to date in managing these have also been amended to reflect the revised risk scope, along with the prospects score changing from Met to Green.

Closed risk

RM019 - Failure to deliver a new fit for purpose social care system on time and to budget.

The new social care system Liquid Logic has been delivered on time and to budget for Adults, Children's, and Finance Services.

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

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

Risk Number	RM001		Date of update		30 August 2018					
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	3	9	3	2	6	Mar-19	Amber
Tasks to mitigate the risk										
1.1) County and District Council staff to compile evidence for Local Growth Fund 3 (LGF3) schemes by LEP deadline (End of 2017) to maximise the chance of success.										
1.2) Engage with Highways England over recommendations for RIS2 programme over summer 2017.										
1.3) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers.										
1.4) Submit business cases for Pooled Business Rates (PBR) funding by end of July 2017 and end of October 2017.										
2.1) Manage and oversee development and delivery of individual Local Growth Fund allocation schemes. Undertake consultation and feasibility work to determine priorities.										
2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Periodic reviews up until the end of March 2018 for transport contributions and an annual review process from April to July 2017 for library and education contributions.										
Overall risk treatment: Treat										
Progress update										

Progress update

11.1) 27 LEP pro formas have been completed for the highest priority LGF schemes.

1.2) Acle Straight and East Winch to Tilney dualling identified as key priorities for RIS2 by NCC and the A47 Alliance and these have been recommended to Highways England. HE have acknowledged these priorities but their published Strategic Business Plan does not refer to any specific schemes.

1.3) Annual review of Planning Obligations Standards programmed.

1.4) Pooled Business Rates bid were successful for 24 projects including the following key transport projects

King's Lynn Transport

Norwich Western Link

Great Yarmouth Transportation Strategy

Dereham Market Town Study

Long Stratton Bypass

2.1) Scheme development work underway for 7 Attleborough transport schemes, 6 Great Yarmouth Sustainable Transport schemes and two Great Yarmouth congestion scheme. Fullers Hill Roundabout scheme is completed and the Railway Station/TheConge scheme is under construction.

2.2) Longwater S106 was reviewed and it was confirmed that these contributions are all still valid to contribute to the Dereham Road scheme.

Risk Number	RM002					Date of update		20 August 2018		
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 Strategy savings required for 2018/19- 2021/22 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	4	12	3	4	12	Mar-19	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:Treat										
Progress update										
Government's 2018-19 local government finance settlement reflected in the 2018/19 budget and Medium Term Financial Strategy.										
The Government announced the final 2018/19 Local Government Financial Settlement on 6 February 2018. County Council approved the 2018/19 budget and Medium Term Financial Strategy on 12 February 2018 which incorporated the final settlement.										
The council's external auditors gave an unqualified audit opinion on the 2017-18 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.										
The recent commitment to additional funding for the NHS (https://www.gov.uk/government/news/prime-minister-sets-out-5-year-nhs-funding-plan) inevitably means less funding will be										

Progress update

available for other government priorities. However, the plan sets out a commitment that the Government will ensure that adult social care doesn't impose additional pressure on the NHS. The Prime Minister has also signaled the intention to produce proposals to put social care on a more sustainable footing, and to set out budgets for social care and public health as part of the forthcoming spending review. As such the implications for the Council of the Government's various funding commitments across the public sector will not become fully clear until later in 2019.

Policy and Resources Committee on 16th July 2018 considered the latest budget position and agreed a timetable to consider the 2019/20 budget and future medium Term Financial Strategy.

Service Committees will be considering budget proposals at their October 2018 meetings.

Risk Number	RM003					Date of update		17 September 2018		
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.									
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. This risk is separate to RM007, which looks at the risk of not having the correct or accurate data to make key decisions.										
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-18	Green
Tasks to mitigate the risk										
<p>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.</p> <p>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.</p> <p>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.</p> <p>4) SIRO to receive assurance of compliance with statutory and/or national/local codes of practice in relation to information compliance from Information Asset Owners when reporting the Annual Governance Statement.</p> <p>5) NCC is NHS Information Governance Toolkit compliant to Level 2</p> <p>6) Embedding and enhacing Cyber Security techniques and Protocols through recommendations from the Cyber Security Audit - i.e data loss, ransomware and system outages etc.</p> <p>GDPR work plan has been to CLT and the ICG now owns the plan.</p> <p>GDPR work has been implement and business representative meting are still being delivered reporting back to the ICG.</p> <p>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.</p> <p>A GDPR paper and work plan agreed by the ICG will go to CLT for sign off, with further work progressing.</p> <p>The work plan will include a corporate plan that will add further mitigation in reducing this risk.</p> <p>The target date has been changed to take into account the remaining elements of the GDPR programme and the response from NHS Digital.</p> <p>Overall risk treatment: Treat</p>										
Progress update										

Progress update

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 receive quarterly exception reports from the IAO's and the IAO's will on a regular basis 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.

Six 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 communications strategy has been implemented along with a robust Training and Awareness strategy including action and implementation plans.

Cyber security action plan has been developed and is currently being actioned.

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.

The Annual Governance Statement is being produced with assurance of compliance to be incorporated.

GDPR programme of work is underway reporting to the ICG and escalation to IMT steering Group/CLT.

Norfolk County Council submitted the 2018/19 NHS IG Toolkit submission and is currently awaiting response from NHS Digital.

GDPR programme of work has been implemented with key risk areas prioritised for the delivery by the 25th May 2018. Programme of work is now continuing for the lower risk areas.

Audit successfully undertaken by Internal Audit in regards to the use and implementation of Caldicott Guardians across Childrens and Adults.

Risk Number		RM004		Date of update		18 September 2018				
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	Dec-18	Amber
Tasks to mitigate the risk										
<p>1) Ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively</p> <p>2) Pipeline of expiring contracts and procurement summary to go to Committees and departments.</p> <p>3) Appoint a Senior Commissioning Officer for Norse services and implement cross-department contract management structures</p> <p>4) Review contracts to ensure compliance with the GDPR from May 2018</p> <p>5) Rolling programme of internal audits of contract management of significant contracts</p> <p>Overall risk treatment: Treat</p>										
Progress update										
<p>1) Contractor management training being organised for Q2/3 of 2018/19; central system of checking credit alerts implemented; contract management skills matrix being developed</p> <p>2) The procurement pipeline goes to all Committees and is being tailored to each Committee to show their procurement. It is also being taken up by some departmental management teams.</p> <p>3) A Senior Commissioning Officer (Al Collier) has been appointed for Norse services and cross-department</p> <p>4) All major contracts have been reviewed, with ongoing review of all other contracts, to ensure continued compliance with the GDPR.</p> <p>5) Rolling audit programme has commenced.</p>										

Risk Number	RM006					Date of update		14 September 2018		
Risk Name	The potential risk of failure to deliver our services within the resources available over the next 3 years commencing 2018/19 to the end of 2020/21.									
Risk Owner	Wendy Thomson					Date entered on risk register		11 September 2018		
Risk Description										
The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users.										
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-19	Green
Tasks to mitigate the risk										
1) Clear robust framework in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand. 2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets. 3) A robust annual process to provide evidence for Members to make decisions about spending priorities. 4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures. 5) Sound engagement and consultation with stakeholders and the public around service delivery. 6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.										
Overall risk treatment: Treat										
Progress update										
Regular budget monitoring reports to service committees set out how the Council is delivering against the 2018/19 budgets set for each of our services. The Council has a robust and established process, including regular reporting to members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports.										

Risk Number	RM007					Date of update		18 September 2018		
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. This risk is separate to RM003, which looks at the risk of failure to adhere to national and/or local statute or codes of practice relating to information compliance or information security.										
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-18	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) The implementation of a corporate Records Management solution 6) The implementation of a corporate Identity and Access Management solution										
Overall risk treatment: Treat										
Progress update										

Progress update

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.

A pilot training programme has been completed concerning increasing data accuracy skills. The pilot was for 32 staff accross 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 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.

A data quality audit has been carried out, particularly focussing on information asset owners, with the final report published in January 2018.

A Data Quality Working Group has been established for the Liquid Logic project and has been meeting on a regular basis to ensure the quality of the information migrated to the new system is in a robust fit for purpose state as per the IM Strategy.

Risk Number	RM010					Date of update		04 September 2018		
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 loss of power, physical failure, fire or flood, supplier failure or cyber attack - 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	Oct-18	Amber
Tasks to mitigate the risk										
<p>'1) Full power down completed periodically.</p> <p>2) Voice and Data reprocurement.</p> <p>3) Commision Independant Data centre and power audit</p> <p>4) Reprocure storage with suitable resilience and Disaster Recovery (DR)</p> <p>5) Reprocure Microsoft Server Infrastructure with suitable resilience and DR</p> <p>6) Replace ageing Local Area Network (LAN) equipment</p> <p>7) Identify a suitable DR site to replace Carrow House</p> <p>8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory)</p> <p>9) Implement Cloud-based business systems with resilient links for key areas</p> <p>10) Replace voice services (contact center / desk phones) with resilient cloud based service including Relocate resilient Network Routing Server to allow call routing to continue for other sites if County Hall failed</p> <p>Reconfigure sites to point to an active Survivable Media Gateway (one of the 4 ISDN sites) so if Avaya fails a reduced fall back service is available</p> <p>11) Review and Implement suitable arrangments to protect against possible cyber / ransomware attacks including</p> <ul style="list-style-type: none">• Carry out recommendations from Cyber Security Audit• Carry out recommendations from Phishing Simulation exercise, and repeat• Retire Windows 2003• Implement new client service security for Windows 10 build• Independent IT Health Check for PSN accreditation <p>Overall risk treatment: Treat</p>										
Progress update										

Progress update

'Progress completed to date

- 1) Full power down completed and procedures updated from lessons learned.
 - 2) Voice and Data reprocurement complete and implemented significantly increasing resilience for the Wide Area Network and internet.
 - 3) Commissioned Independant Data centre and power audit, complete August 2017, recommended separate diverse power supply and new data centre's, costing additional power and plan (subject to approval) new data centre's as part of basement / lower ground refurbishment.
 - 4) New DR site implemented ready for testing
 - 5) New Microsoft Server Infrastructure procured implementation complete ready for migration when ready to test full DR capability.
 - 7) The server, network and storage DR equipment has been moved into the new DR site providing full failover facilities in the event of loss of County Hall.
 - 8) All core infrastructure services (DNS, AD, ADFS, NPS, AlwaysOn VPN) are now clustered across to the Secondary site ;
 - All production Wintel servers (380) are now replicated to the Secondary site;
 - Email system is now able to operate independent of County Hall campus. This includes user's access to mailbox as well as ability to send/receive internal and external emails.
 - 9) Cloud-based highways management system has been implemented; Liquid Logic replacement is remotely hosted and due live by April 2018 with resilient network connections ordered; review of Oracle hosting has commenced.
 - 11) To mitigate against a cyber attack Network segregation has been improved over the Wide Area Network (WAN), ensuring all partners that use the NCC network are fully segregated. Denial of Service (DDOS) and Intrusion Prevention system (IPS) implemented on our internet gateways and robust patching and host based protection implemented on all NCC devices that attach to the network (This is a pre-requisite of PSN accreditation, and is an on-going task).

Actions to be completed

 - 6) Procurement of a New Local Area Network (LAN) to reduce risk of network failure has started.
 - 8) Work started on the new Solaris EBS platform which by design is replicated to the Secondary site (go live Q4 2018);
 - Network layer resilience main concepts agreed, design work initiated. This will be enhanced by the LAN refresh (Q4 2018);
 - 10) Replacement of contact centre system to a cloud based service now due to be implemented by 22nd November 2018.
- Skype for business project pilot in IMT complete, wider pilots planned to improve resilience and reduce dependencies on onsite infrastructure.
- 11) Work to complete recommendations from Cyber Security Audit is ongoing with a target of completion of all actions by December 2018. For the work to retire Windows 2003 servers, 13 now remain which are all dependant on other projects. We are working through the recommendation/actions from the phishing exercise and we are aiming to complete all actions by October 2018.

Risk Number	RM011					Date of update	10 September 2018				
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 could 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-19	Amber	
Tasks to mitigate the risk											
<p>Reshaped and launched performance development framework</p> <p>Mandatory training for 950 existing managers</p> <p>Mandatory training for all new managers</p> <p>Survey feedback to test employee and manager engagement and competence with new framework</p> <p>Corporate vital signs for goals, and a target of at least 50% of staff having learning plans.</p> <p>Other corporate vital signs of staying with organisation more than 2 years, absence targets.</p> <p>Employee survey to test alignment with goals and performance improvement</p> <p>Regular monthly communication.</p> <p>Half year reviews will focus on launch of values and leadership attributes the “how”</p> <p>Embedded into our management development framework offer.</p> <p>Managing the following five corporate vital signs relating to performance;</p> <p>Sickness absence - percentage lost time.</p> <p>New employee retention rate</p> <p>Vacancy rates</p> <p>Agency and contract staffing spend as a percentage of pay bill</p> <p>Working to a target of 95% of employees having written goals to works towards.</p> <p>Overall risk treatment: Treat</p>											
Progress update											
<p>We have a plan in progress for the current year to deliver the HR based mitigations for this risk.</p> <p>We are developing the vital signs relating to performance.</p> <p>There is close working between the Head of HR and the Head of Intelligence and Analytics to capture how the organisation is performing.</p>											

Risk Number	RM013					Date of update		17 September 2018		
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 2017-18.										
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	Apr-19	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.</p> <p>The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Provide regular updates to the company Board and to the Business and Property Committee.</p> <p>Risk Treatment: Tolerate</p>										
Progress update										

Progress update

1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. For Norfolk Energy Futures, Policy and Resources Committee agreed to liquidate Norfolk Energy Futures on 3rd July 2017, with the outcomes of this process to be reported to Policy and Resources Committee through financial monitoring. Work to liquidate the company is currently progressing.

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 Teckal requirements in terms of governance and control, and a series of actions has been agreed by the Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.

All County Council subsidiary limited company Directors have been approved by full council. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC.

Updated report on Norse governance went to P&R in November 2016.

4) The Executive Director of Finance and Commercial Services directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution.

5) The Outline Business Case for Repton Property Developments Ltd has been approved.

6) Regular updates are being provided.

Risk Number	RM014a				Date of update			23 August 2018		
Risk Name	The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant variance to predicted best estimates									
Risk Owner	Chris Snudden				Date entered on risk register			04 November 2015		
Risk Description										
There is an increasing demand on services as our numbers of SEND are rising, this coupled with ensuring there is appropriate sufficient placement choice is having an impact on cost. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the home to school transport budgets and an inability to reduce costs.										
Original			Current			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	5	3	15	2	2	4	Mar-19	Amber
Tasks to mitigate the risk										
Continue to enforce education transport policy, and work with commissioners re school placements. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively. Look for further, more innovative, ways to plan, procure and integrate transport.										
Overall risk treatment: Treat										
Progress update										
The year-end figure for FY2017/18 confirmed ongoing underspends for mainstream and post 16 transport and ongoing overspend for SEN transport; we anticipate a similar pattern of spend against budget for the FY2018/19 with potential pressure of approx. £450k. Currently, the strategy to address this overspend pressure remains the same, i.e : Norfolk County Council and HCT independent travel training joint initiative is now being implemented with a payment by results model, based on 100 pupils per year over 5 years to deliver a proportion of savings required. Recently (summer term) P&R Committee & CS Committee have received the outputs of the consultants, Red Quadrant, review of SEN transport and both committees have asked for these to be considered within the context of a commitment in principle to build 4 new special schools and 170 more specialist resource base places to increase special school capacity, reduce travel time and associated travel costs. Most recently (August) Member/Officer deep dive within Children's Services has further explored this element of current strategic planning.										

Risk Number		RM014b		Date of update		03 September 2018				
Risk Name		The savings to be made on Adult Social Services transport are not achieved.								
Risk Owner		James Bullion		Date entered on risk register		04 November 2015				
Risk Description										
The risk that the budgeted savings of £1.7m to be delivered by 31 March 2020 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	2	2	4	2	2	4	Mar-20	Green
Tasks to mitigate the risk										
1) In 2017 the savings were reprofiled to future years (2018/19 and 2019/20). 2) A corporate review of transport has taken place. 3) Transport Guidance has been updated in line with the revised transport policy. 4) Under the Younger Adults of the Promoting Independence Workstream, we're developing a joint approach to disability and transition from Children's to Adults. 5) Exploring the use of an application to help with monitoring of the cost of transport. This application is currently being used by Children's Services for Children with Special Educational Needs.										
Progress update										
1)Adult Social Care Committee agreed on 4 September 2017 to amend the transport savings to £0.700m in 2018-19 (from £3m) and £1m in 2019-20 (from £0.800m) and that the difference of £2.1m in savings will be made through the purchase of care budget from changes to patterns of care. The department achieved an underspend on Transport for 2017-18 of £0.813m - in effect the early delivery of the 2018-19 savings and some of the 2019-20 savings. The forecast for Transport spend in 2018-19 is to be on budget. 2) Travel Independence Training Across the Nation (Titan) training is being rolled out. Have recruited to ASS specific posts to enable more people to use public transport. 3) The revised Transport Guidance and Policy was agreed by ASC Committee on 6 March 2017 and shared with staff. This is being implemented for new service users now and for existing people at the point of review. This now links with the work on assessments and reviews as part of the Promoting Independence Programme. It appears that this is being embedded in working practices, given the forecast underspend on transport. 5) This is currently being developed. We have carried out the fieldwork to understand the current transition process from Children's services to Adult services. We have taken a joint approach and carried out 50 interviews with senior stakeholders from children's services, adult services and health, as well as meeting with transition workers, team managers and other key staff from children with disability teams, looked after care teams, leaving Care teams, Adult LD, Adult mental health and adult Physical disability team. 5b) IMT have developed the first version of a Transport application for use by Adult Social Services and Travel and Transport where you can see for each day centre where people are travelling from, whether they are travelling alone/with others and which day services other people charged to that budget code are going to. It is based on an application IMT developed for Children with Special Education Needs. The application looks useful, and provides a clearer picture of transport provision than analysing pages of reports. The department is checking the viewer application and it will be trialled with Business Support initially										

Risk Number		RM016			Date of update		04 September 2018			
Risk Name		Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.								
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 either a Major or Moderate disruption 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	Oct-18	Green
Tasks to mitigate the risk					Progress update					
1) All corporately agreed critical activities must have comprehensive Business Continuity plans which are exercised. Plans to be agreed by Senior Managers.					1) 66% of critical services have plans which are up-to-date. Adult's are on 90% which is keeping the percentage higher, several plans have gone out of date in recent weeks. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The annual audit completed on 10% of plans has been completed and feedback given to relevant managers.					
2) To develop the Professional Development Centre (PDC) Norwich, which was agreed as a key corporate Work Area Recovery (WAR) site by CLT. First stage is a planned exercise to take place with the Customer Service Centre, second step is to complete an exercise with the Resilience representatives at the PDC. Also, an exercise with the Resilience Management Board and CLT.					2) Work Area Recovery test - stage 1 to test the CSC has been completed and was a success. This exercise tested "loss of access to County Hall" not "loss of infrastructure at County Hall". Exercise Sunny, the annual corporate BC exercise took place on 26th July and a large range of services were involved, this was a success. IMT have agreed that a full failover test should be completed at the Disaster Recovery site which would mean the PDC would be operational in the event of a failure of ICT at CH. This is currently planned to take place in November 2018.					

Tasks to mitigate the risk	Progress update
<p>3) Embedding Business Continuity - Ensure there is a programme of work to embed BC into the organisation. This includes awareness raising initiatives and training for support staff and resilience representatives. Training also includes the BC e-learning package which needs to be reviewed, relaunched, and the uptake monitored. Departments must ensure staff attend training and complete exercises/tests.</p>	<p>3) The Business Continuity for managers course is now over subscribed despite more dates being added to the training programme.</p> <p>There were more than 900 responses to the annual survey. Feedback is being given to each department, there was a big increase this year in the numbers of staff taking their laptop home.</p> <p>Training and exercising is being completed across the organisation but a full programme of training and exercising needs to be developed.</p> <p>All plans must be exercised once per year. The percentage is increasing gradually. Currently the percentage is 31%, the target by the end of September is 50%.A tactical / silver course is being developed for NCC staff.</p> <p>A Resilience debrief on the March 2018 severe weather took place on 10th April 2018. Key learnings from this from the gold and silver group feedback (representing the organisation across the board) was presented to the Resilience Board on 19th April 2018 by the Head of Resilience.</p>
<p>4) Implement the Business Continuity Framework</p>	<p>4) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, there are no red items. This has been developed further by communicating the position of the departments using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers. These reports are currently being completed. For example Adult Social Services have made significant progress and moved from 4 reds, 11 amber, 10 green to 1 red, 8 amber and 15 green. Each department will receive a report showing where the departmental strengths and weaknesses are in relation to Resilience.</p>

Tasks to mitigate the risk	Progress update
<p>5) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs.</p> <p>Overall Risk Treatment: Treat</p>	<p>5) Full ICT data from the Business Impact Analysis has been provided to IMT and we are awaiting their comments and feedback. The aspiration is that what the Business has documented within the BIAs should be used to help shape IMT infrastructure projects and the current DR project.</p> <p>There are several new technologies being introduced such as the new telephony system, whilst they offer numerous benefits, Resilience have requested a briefing on any additional risks the new technologies may bring. For example for outlying buildings without generators, a loss of power may cause a complete loss of communications. This briefing has not been completed yet, and has been raised.</p> <p>The target date for this risk has been amended to 31/10/18 to take into account resource requirements within ICT and the timescales for the infrastructure projects in IMT which will improve resilience of ICT and mean ICT continuity in the event of failure of ICT at CH.</p> <p>ICT have drafted a report showing levels of resilience and where there are gaps and the Resilience Team have reviewed this. IMT have now provided timescales for when ICT will be more resilient, and specifically a date for when additional exercises can take place at the PDC.</p>

Risk Number	RM017		Date of update		29 August 2018					
Risk Name	Failure to deliver the Broadland Northway within agreed budget (£205m)									
Risk Owner	Tom McCabe		Date entered on risk register		26 November 2015					
Risk Description										
There is a risk that the Broadland Northway will not be delivered within the revised budget. Cause: environmental and/or contractor factors affecting delivery within budget. Event: The Broadland Northway is completed at a cost greater than the agreed revised budget. Effect: Failure to deliver the Broadland Northway within the revised budget would result in the further shortfall having to be met from other budgets. This will impact on other NCC programmes.										
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	3	3	9	3	3	9	Oct-18	Amber
Tasks to mitigate the risk										
The total project budget agreed by Full Council (November 2015) was £179.5m. Since then, in November 2016, a risk of £6.8m increased budget was highlighted. In June 2017, the risk of an increased budget was highlighted. A further update to P&R Committee on 27 November 2017 received approval to revise the budget to £205m (this was also confirmed at Full Council on 11 December 2017). This new assessment reflects the corporate assessment criteria . Mitigation measures have been updated to reflect the revised position.										
1) Project Board and associated governance to continue to monitor cost and programme at monthly reporting meeting with a focus on delivery below revised budget.										
2) NCC project team maintain appropriate commercial resource to provide ongoing scrutiny throughout the remaining works by Balfour Beatty. This includes completing an independent audit of Balfour Beatty's project costs, taking account of the revised contract provisions.										
3) Programme has been developed that shows works to be completed in phases to specified dates with penalties applied for late delivery.										
4) Project controls and client team to ensure systems in place to deliver the remainder of the project. Client team to ensure any contractual issues are robustly handled as works are completed and final account process closed.										
5) All opportunities to be explored to reduce risk, costs and programme duration with appropriate management meetings (at appropriate levels) to be held on a weekly basis.										
6) Provide further assurance of budget management governance through appropriate audits and further specialist advice.										
7) Seek further contract/legal advice on key contract cost risks as necessary (linked to item 4 above).										
Overall risk treatment: Reduce, with a focus on reducing project costs										
Progress update										

Progress update

- 1) The project Board is in place and meets monthly, receiving reports on progress, cost and risk. Process includes updates and feedback from the NDR Member Group who are providing additional project scrutiny. Any budget issues will be reported to Committee as soon as possible.
- 2) The project commercial team has been reinforced and will continue to be maintained at appropriate levels to provide sufficient scrutiny throughout the remaining works and until closure of the final account. The team, supported by external specialists will continue to examine Balfour Beatty's project costs. Further resource or specialist advice to be discussed at Board meetings.
- 3) Contractor has agreed a programme to complete all the remaining works in three phased sections. Board and NDR Member Group to be provided with details and updates as works progress. The first phase (A1067 to A140) was completed and opened on agreed date of 11 November 2017. The second phase was completed and opened on 21 December 2017. The final phase is now completed, but was behind the target date of 23 March. The road was opened on 16 April, but there remain further works to complete (drainage; landscaping; planting; cycleways) - and this has been completed. Remaining minor works will be completed by NCC Works team and are allowed for within the overall budget.
- 4) Project administration controls and client commercial team are maintaining systems and staffing levels to monitor ongoing costs and contract information. The specialist review of allowable costs will provide input to this.
Contract administration will continue to be managed through CEMAR software package. Project cost forecasting also to be updated in line with programme (see 3 above). Compensation events from October onwards being assessed as actual cost + fee.
- 5) Regular weekly joint construction team meetings held to ensure delivery maintains momentum on site. Further meetings being held between respective commercial teams to deal with closing out necessary contract changes and programme management. Senior management meetings also continue to discuss the commercial position with a focus now on closing the final account for the construction works. Details to be reported to Board and Broadland Northway Member Group.
- 6) A governance (delegated purchasing of land) audit and a contract administration audit have been carried out. Both are completed and the reports have been presented to the Board and Member Group. The actions from the external contract administration audit have been formally closed by the NCC audit team. Further cost analysis by specialist consultants also commenced at the end of August 2017 and this is ongoing as part of the contract final account process (see 2 above). Findings from the final cost audits will be reported to the Board and Member Group.
- 7) Specialist contract advice has assisted the negotiations relating to contract changes. These changes have been checked with legal team and details were included in the 27 November 2017 P&R Committee report. Necessary approvals and signing of contract Deed of Variation completed. Any contract issues will be discussed at Board and Member Group meetings and any further updates taken to Committee.

Risk Number	RM021		Date of update		14 August 2018					
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	3	2	6	2	2	4	Oct-18	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) Reconstitute the County Farms Review Meeting. 4) Procure a new property data base for the management of the estate.										
Overall risk treatment: Treat										
Progress update										
1) There is a regular report to B&P committee.										
2) The major outstanding action is the replacement of the IT system, which is currently being procured.										

Risk Number	RM022					Date of update		31 August 2018		
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 ('Brexit').									
Risk Owner	Wendy Thomson					Date entered on risk register		26 July 2016		
Risk Description										
There are important implications to the Council in four main areas: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – there are many EU laws that affect the day job of local councils. 3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations 4) Place-based impact – there will be real and varied impacts and opportunities in our local economy. 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 as a whole voting to leave the EU.										
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	3	3	9	2	3	6	Oct-18	Amber
Tasks to mitigate the risk										
1) Norfolk County Council should continue to monitor Brexit developments and developing responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact). 2) We are members of the LGA Brexit Sounding Board and local authority officer network to keep abreast of local government thinking and influencing of post Brexit policy. We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area. 3) We have agreed the principals and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured. 4) Human Resources to support managers and staff who may be affected by this issue. 5) Regular meetings are taking place with the Ministry for Housing, Communities and Local Government and the Department for Business, Energy and Industrial Strategy (BEIS) regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met.										
Overall risk treatment: Tolerate										
Progress update										

Progress update

1) CLT agreed Vince Muspratt should continue to be the officer responsible and highlight any changes that would impact the council. CLT agreed 3 strands of work in line with the LGA approach: a. Future of EU Funding; b. Place-based impact; c. Laws affecting councils. We will be carrying out a full review of risks in Autumn 2018 and will take an update report to CLT.

We held a business-focused information event on 5 June and are developing our direct links to businesses to support them and enable them to support each other on Brexit issues. The NCC web pages will be updated to reflect this.

2) Government has now stated that most existing funding programmes will continue until their original end date of 31 December 2020 (rather than 19 March 2019 as had been anticipated). The Ministry for Housing, Communities and Local Government has confirmed this applies to their programmes but Defra continue to work to the March 2019 end date. Payment mechanisms to manage this remain to be explored.

3) The Green Paper regarding the Shared Prosperity Fund has not yet been published and in the light of the announcement above, is not now expected for some time:

We are working with New Anglia and other relevant partners on a joint response and will report the proposals and our response to P&R when it has been published. NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt, an interim meeting of the Sounding Board was held on 24 August where LA concerns were heard, rather than the LGA providing new information.

4) The Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from DCLG that they will meet our liabilities in order to close the Programme. The Ministry for Housing, Communities and Local Government have raised the issue with Ministers, as is our MA status after we leave the EU. This will now fall under the detailed work around payment mechanisms following the confirmation of extended programme completion. The renewed Treasury Guarantee supports this approach.

5) We have raised the issue of Trading Standards (their ability to act as a National Body certified by the EU, charging for highway services) with the LGA to play into their negotiations with DExEU.

Risk Number	RM023					Date of update		03 September 2018		
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.									
Risk Owner	James Bullion					Date entered on risk register		18 August 2017		
Risk Description										
Changes to demography, funding, and government policy can severley impact on the ability of Adult Social Services to support Norfolk residents. There is a risk the Adult Social Services fails to anticipate and act on changes to demography, funding, and government policy. Cause: . Event: The Council fails to plan and adapt to change effectively for the future. Effect: Outcomes for Norfolk citizens may worsen.										
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-20	Amber
Tasks to mitigate the risk										
1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future. 2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care. 3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system. 4) Close tracking of government policies, demography trends and forecasts. 5) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.										
Progress update										
1) Demand and demography modelling continues to be refined through the cost and demand model. Five main themes for transformation: Services for people with a learning disability; maximising digital technology; embedding strengths-based social work through Living Well; 3 conversations; health and social care integration and housing for vulnerable people. 2) Sector based plans for providers which model expected need and demand associated with demographic and social change 3a) Strengthened investment in prevention, through additional reablement, social prescribing, local initiatives for reducing social isolation and loneliness 3b) Workforce – continued recruitment campaign to sustain levels of front line social workers and occupational therapy staff. 3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care.										

Risk Number	RM024					Date of update		29 August 2018		
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)									
Risk Owner	Tom McCabe					Date entered on risk register		05 December 2017		
Risk Description										
There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes, or procurement put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes.										
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	Jan-23	Amber
Tasks to mitigate the risk										
The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are: 1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings. 2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes. This will include independent audits and contract/legal advice on key contract risks as necessary. 3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board. 4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored. 5) All opportunities to be explored through board meetings to reduce risk and programme duration.										
Overall risk treatment: Reduce, with a focus on maintaining or reducing project costs and timescales										
Progress update										

Progress update

The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. There is a risk that the scheme development could see changes to the scheme, and therefore to the agreed business case, and any changes will need to be addressed/agreed with DfT. Progress against actions are:

- 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. Progress update report provided to Audit Committee on 31 July 2018.
- 2) Specialist cost and commercial consultants have been appointed and will continue to review project costs. The first element of work for the cost consultant was to review current forecasts. They will continue to assess on a monthly basis, reporting to the board. No issues highlighted and budget is considered sufficient - this work has been used to update the business case submitted to DfT. DfT has confirmed acceptance of the updated business case.
- 3) An overall project programme has been developed and will be owned and managed by the dedicated project manager. Any issues will be highlighted to the board as the project is delivered. Programme updated to fully align procurement and DCO processes.
- 4) Learning from the NDR and experience of the commercial specialist support has been utilised to develop contract details ahead of the formal commencement of the procurement process, which was 27 February 2018. Further work has been ongoing and will feed into the engagement processes (competitive dialogue) with the bidders.
- 5) The project board will receive regular (monthly) updates on project risks, costs and timescales.

Risk Number	RM025					Date of update		29 August 2018		
Risk Name	Change of governance in the Fire and Rescue Service									
Risk Owner	Tom McCabe					Date entered on risk register		20 August 2018		
Risk Description										
A change in governance for the Fire and Rescue service is proposed by the Police and Crime Commissioner (PCC). If this proposal, as currently written, was to go ahead it would create a number of issues which would lead to a less resilient service which is less able to address community risk and will impact on public safety:- 1) the service will be fully exposed to budget pressures and reductions in a way that they are not currently, and may need to make service reductions to manage these. 2) proposed changes to operations are not clearly articulated and have not been risk assessed, and could lead to inappropriate and unsafe practices being put in place. 3) a change in governance, if agreed, would take 14 months to implement and would require significant resource, which would distract resource from service operations and improvements. It would also cost around £1m, which would create an additional budget pressure. 4) there may be an impact on the morale of staff impacted by the change, and it is possible that there could be strike action.										
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-18	Red
Tasks to mitigate the risk										
1) Participate in the public consultation being carried out by the PCC until 05/09/2018 to ensure that the County Council's views and concerns can be understood, and taken into account. 2) Keep affected staff updated on progress as and when there are further developments. 3) Encourage Norfolk communities and other stakeholders to participate in the PCC's public consultation by 05/09/2018.										
Progress update										
1) A special meeting of the Communities Committee has been arranged for 29 August to consider and agree the County Council's formal response to the consultation. 2) Regular messages sent to staff to keep them up to date on progress and how they can make their views known. Four staff sessions organised to enable the PCC to directly explain his business case and proposals. Staff sessions organised to allow the Chair of the Fire and Rescue Authority to explain the County Council's view on the business case. 3) Information on the County Council's views published on the Norfolk County Council website, along with information about how to respond to the PCC's public consultation.										

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.

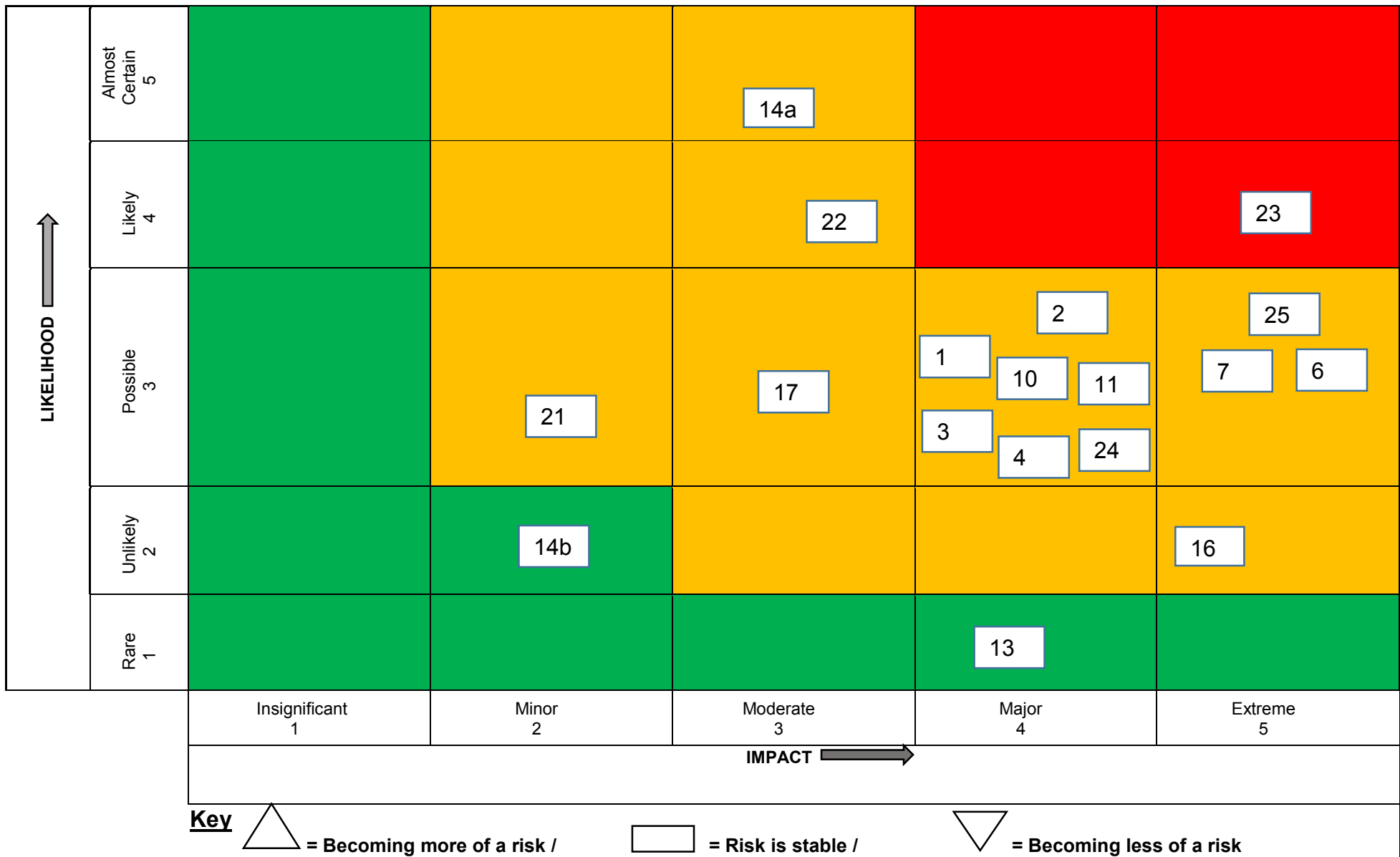
All actions, whether from this list or not, will be followed up and reported back to the committee.

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 relating to information compliance and information security.	14a	The increasing demand for SEND assessments coupled with 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 2018/19 – 2020/21.	16	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.
7	Potential risk of organisational failure due to data quality issues.	17	Failure to deliver the Broadland Northway within agreed budget (£205m)
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.	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 ('Brexit').
		23	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.
		24	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023).
		25	Change of governance in the Fire and Rescue Service.

Corporate Strategic Risks - Heat Map



Background Information

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- 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 prospects of meeting target tolerance 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 tolerance score by the target date. The position is visually displayed for ease in the “Prospects of meeting the target score by the target date” cell 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.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

Treat

The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

Tolerate

The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

Transfer

The risk should be transferred to a third party (usually via an insurance policy).

Terminate

The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Audit Committee

Item No.....

Report title:	External Auditor's Annual Audit Letter 2017-18
Date of meeting:	27 September 2018
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 2017-18, 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.

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 2017-18

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. This letter complements the External Auditor's Annual Results Report for 2017-18 reported to this Committee on 31 July 2018.

2. Evidence

The External Auditor's Annual Audit Letter for 2017-18 is attached as **Appendix A** to this report.

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>Great Yarmouth Development Co. Ltd</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

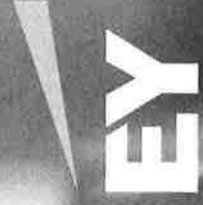


If you need this Agenda in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Norfolk County Council

**Annual Audit Letter for the year
ended 31 March 2018**

17 August 2018



**Building a better
working world**

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Audit Fees



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. 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 (updated 23 February 2017)' 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.



01 Executive Summary



Executive summary

We are required to issue an annual audit letter to **Norfolk County Council** following completion of our audit procedures for the year ended 31 March 2018. 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 2018 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.

Executive Summary (cont'd)

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 19 July 2018 for Norfolk County Council and on 20 June 2018 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 17 August 2018.

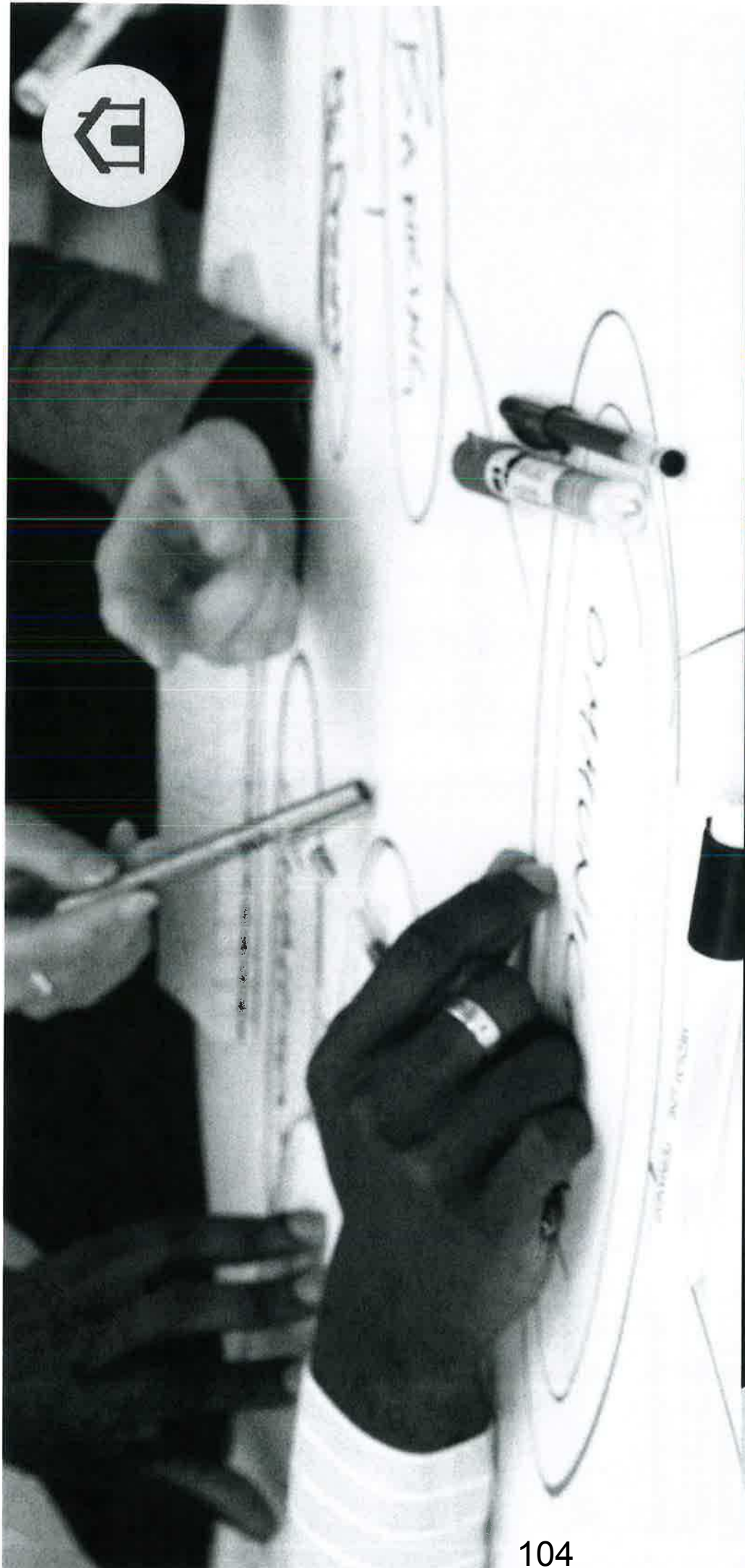
We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.

Mark Hodgson

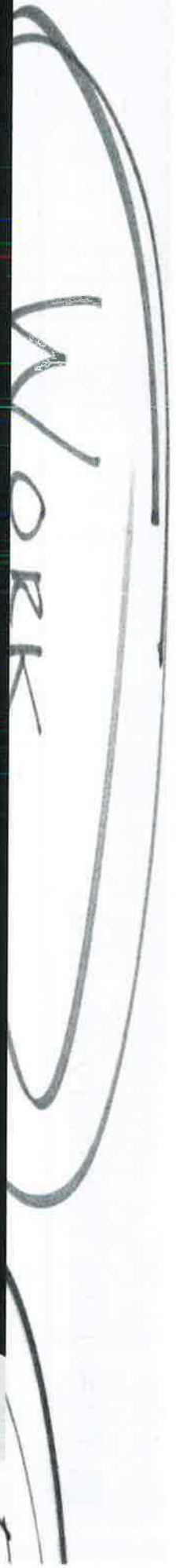
Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

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 our 2017/18 Audit Results Report to the 31 July 2018 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 23 February 2018 and is 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 2017/18 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 the 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.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). 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.



03 Financial Statement Audit



Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council and Pension Fund's Statement of Accounts in line 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 and issued an unqualified audit report on 31 July 2018. Our detailed findings were reported to the 31 July 2018 Audit Committee.

The key issues identified as part of our audit were as follows:

Norfolk County Council and Group Accounts

Significant Risk

Risk of fraud in expenditure recognition through inappropriate capitalisation of expenditure

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Authority has a net underspend against its budget of £0.235 million in 2017/18 (£0.048 million in 2016/17) and has ambitious savings targets to achieve financial balance over the next 3-5 years. As the Authority is more focussed on its financial position over the medium term we have considered the Authority's revenue and expenditure streams and consider the risk to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme. We have also considered the completeness of liabilities for any management bias in achieving financial balance in the current financial year.

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure. This judgement impacts the valuation/measurement of the expenditure and also the existence of the asset on the balance sheet and completeness of expenditure included within the Comprehensive Income and Expenditure Statement (CIES).

We have also considered the completeness of liabilities at the year end with a focus on any judgements management have made in relation to the expenditure which spans the financial year end.

Conclusion

Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure and completeness of liabilities.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



Financial Statement Audit(Cont'd)

The key issues identified as part of our audit were as follows (cont'd)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The risk is the financial statements as a whole are not free of material misstatements whether caused by fraud or error.</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. We identify and respond to this fraud risk on every audit engagement.</p> <p>We have assessed journal amendments, accounting estimates, adjustments between accounting basis and funding basis under regulations and unusual transactions as the area's most open to manipulation. Linking to the presumed risk of fraud in revenue and expenditure recognition we have identified the inappropriate capitalisation of expenditure on Property, Plant and Equipment as a risk. This has been identified as a specific risk as set out on the previous page, and therefore we have not repeated that information here.</p> <p>In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key areas are considered to be:</p> <ul style="list-style-type: none">• The valuation of Property, Plant and Equipment (including the correct completion status and accrual of expenditure on the Northern Distributor Road);• Valuation of pension liabilities; and• Adjustments between accounting basis and funding basis under regulations. <p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;</p> <p>We reviewed accounting estimates for evidence of management bias; and</p> <p>We tested the adjustments between accounting basis and funding basis under regulations.</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.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p> <p>As set out in our other area of audit focus for pension liabilities we identified a misstatement in the calculation of the net liability. This was not indicative of management bias.</p>



Financial Statement Audit (cont'd)

Other issues	Conclusion
<p>Accounting for Property, Plant & Equipment</p> <p>Property, Plant and Equipment represent a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.</p> <p>The Authority engages an external expert valuer who applies a number of complex assumptions and therefore we are concerned with the reasonableness of the underlying assumptions used. Annually, assets are also assessed to identify whether there is any indication of impairment.</p> <p>As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Surplus assets'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any significant issues in the assumptions used by the Authority in estimating the value of property, plant and equipment.</p>
<p>Pension Valuations and Disclosures</p> <p>The Local Council Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) which is also administered by the Authority. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £833.446 million (£861.326 million at 31 March 2017).</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In calculating the scheme assets as at 31 March 2018 the actuary performs a roll forward technique based on asset data submitted to them by the Pension Fund at 31 December 2017.</p> <p>The reporting from the Pension Fund auditors highlighted that the market value of the pension fund assets at 31 March 2018 was £3,579.9 million. When compared to the actuaries estimate of the fund assets at 31 March 2018 of £3,529.2 million this creates a difference of £50.7 million.</p> <p>The Authority's share of the assets equates to approximately 50% of the fund. The Authority's share of the difference was therefore approximately £25.35 million.</p> <p>Management has obtained a revised IAS19 report from the actuary and has amended the accounts for the updated asset figures, reducing the net liability by £16.546 million. This is detailed in Section 4.</p> <p>No other significant matters were reported by the Pension Fund auditors.</p> <p>No other issues have been identified in completing our work.</p> <p>Assumptions used by the actuary and adopted by the Authority are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.</p>	



Financial Statement Audit (cont'd)

Other issues identified as part of our audit were as follows: (cont'd)

Other issues	Conclusion
<p>Conversion of schools to Academies</p> <p>As set out in our audit plan, a number of schools have continued to convert to academy status during 2017/18. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.</p> <p>There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.</p> <p>Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Authority's accounts are considered to be lower risk due to their size and nature.</p>	<p>In completing our audit procedures we have reviewed the arrangements for agreeing Schools assets, liabilities and balances for transfer and reviewed how they have been accounted for. This has also included reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.</p> <p>We identified one school that had been maintained on the Authority's balance sheet as the lease agreement had not been signed due to ongoing building works. As the majority of the school was operational and managed by the Academy we agreed with management that this element should be included in the Authority's disposals. The value of the amendment was £11.815 million. We have not identified any other exceptions in the completion of our audit work.</p>
<p>Minimum Revenue Provision (MRP)</p> <p>The Authority are required to charge the minimum revenue provision (MRP) to the Authority's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Authority makes a satisfactory annual provision for loan repayments. The Authority reviewed their MRP policy in 2016/17 and identified that MRP of £66m had been over-provided, based on a retrospective application of the Authority's new MRP policy. The Authority plan to release this amount over the period of the Medium Term Financial Plan. This provided a finance general saving of £10 million in 2016/17 and planned release of £12 million in 2017/18.</p>	<p>We have assessed the conclusions drawn on the work and assumptions used by Capita (the Authority's treasury management advisor); and tested the accounting entries and disclosures made within the Authority's financial statements in relation to MRP.</p> <p>We have raised a number of questions concerning the calculation, but have obtained sufficient assurance for the release of the over provision used in 2017/18. We will conclude this work with officers in 2018/19.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows:

Norfolk Pension Fund

Significant Risk

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

Conclusion

Our testing has not identified any material misstatements from investment income or year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

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 Fund's normal course of business.

Other issue

Valuation of complex investments (Unquoted investments)

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments. Judgements 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 judgement could result in a material valuation error.

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.

The total fund investment assets at 31 March 2018 are £3.58 billion, of which Private Equity Investments (Unquoted) is £195 million (5.4% of total investments).

Although the proportion of the fund comprising these investment types is relatively low, these investments are more complex to value. We have identified the Fund's investments in private equity and pooled property investments as a higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

Conclusion

As the Custodian provides the estimated value of the unquoted investments based on information at December 2017 for pooled investment vehicles there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2018.

We identified these investment assets were understated by £5.808 million. The valuation of private equity held by HarbourVest Partners being estimated at £145.880 million, the actual year end valuation (received in July 2018) being £151.687 million. The financial statements were not adjusted as it was not deemed to have material overall impact.

We have not identified any other issues in the completion of our work.



Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality:	
Norfolk County Council	We determined planning materiality to be £27.8 million (for the group this was £32.2million), which is 2% of gross expenditure on net cost of services plus financing and investment expenditure as reported in the accounts.
Norfolk Pension Fund	We determined planning materiality to be £54.1 million which is 2% of Net Assets.
Reporting threshold:	
Norfolk County Council	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.4 million.
Norfolk Pension Fund	The threshold for reporting audit differences is £3.6 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.
- Fire Pension Scheme - We have adopted a smaller materiality of 2% of benefits payable to reflect the differing nature of the Pension Scheme.
- Members' allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



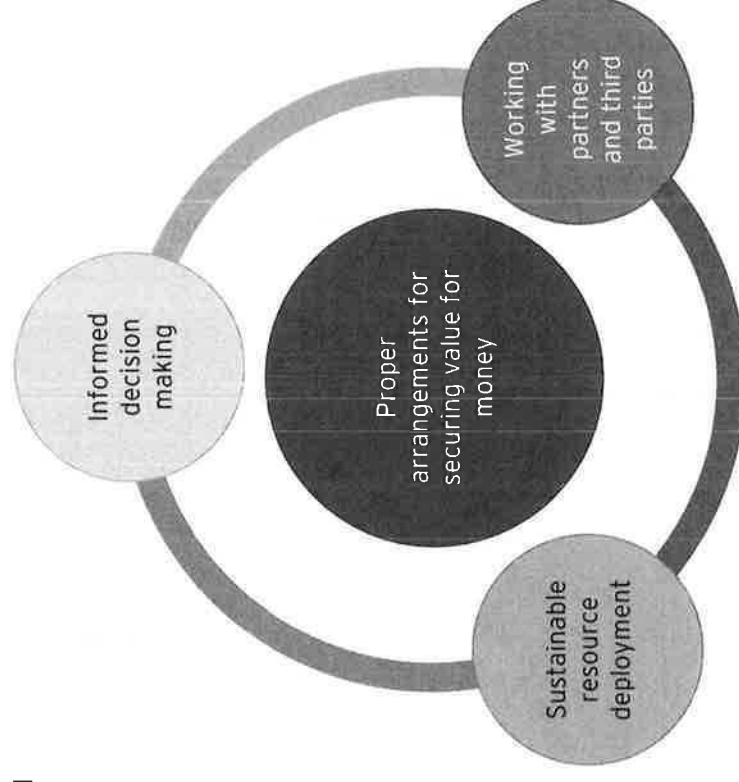
04 Value for Money

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 identified one significant risk around these arrangements. This risk is set out on the next page along with our findings. The procedures we have performed were outlined in our audit plan.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money (cont'd)

Significant Risk	Conclusion
<p>Substantial savings are required over the period 2017 to 2020 to balance the budget:</p> <ul style="list-style-type: none"> • 2017/18 = £47.8 million (identified savings) • 2018/19 = £29.8 million (identified savings + budget gap) • 2019/20 = £30.2 million (identified savings + budget gap) <p>(Source: Norfolk County Council Budget Book 2017-20)</p> <p>The Authority approved a 2017/18 net revenue budget of £358.812 million. The Authority reported a net underspend of £0.235 million for the year ended 31 March 2018.</p> <p>However it is clear that the Authority is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years.</p> <p>Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls.</p>	<p>The Authority is maintaining its current level of un-earmarked general fund reserves above the prudential minimum of £19.536 million set and approved by Council. These provide the Authority 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, has a detrimental impact on the Authority's financial standing. The Authority plans to increase the level of General Fund reserves to £23.6 million by 31 March 2021.</p> <p>The Authority also has in place substantial levels of earmarked reserves (£70.282 million at 31 March 2018, excluding LMS reserves). These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Authority's prudent approach to financial management.</p> <p>The Authority achieved c89% of required savings in 2017/18 and to date the Authority has identified the savings required for 2018/19 of £29.9 million. However, the Authority faces significant pressure and uncertainty concerning legislative and policy changes, and the increasing demand for services. Business Rates Localisation, and implementing the Fair Funding Review adds further uncertainty to the Authority's future funding levels. The Authority's Section 151 officer has reported the importance of delivering planned savings and the identification of further savings to close the remaining budget gaps.</p> <p>Whilst the Authority has continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Authority's history of delivering savings plans has not identified any significant matters that we wish to report.</p> <p>We therefore have no matters to report about the Council's arrangements to secure economy, efficiency and effectiveness in their use of resources.</p>



05 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 have 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 must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

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.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 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 Audit Results Report to the Audit Committee on 19 July 2018. 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

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

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.

06 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Trust's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

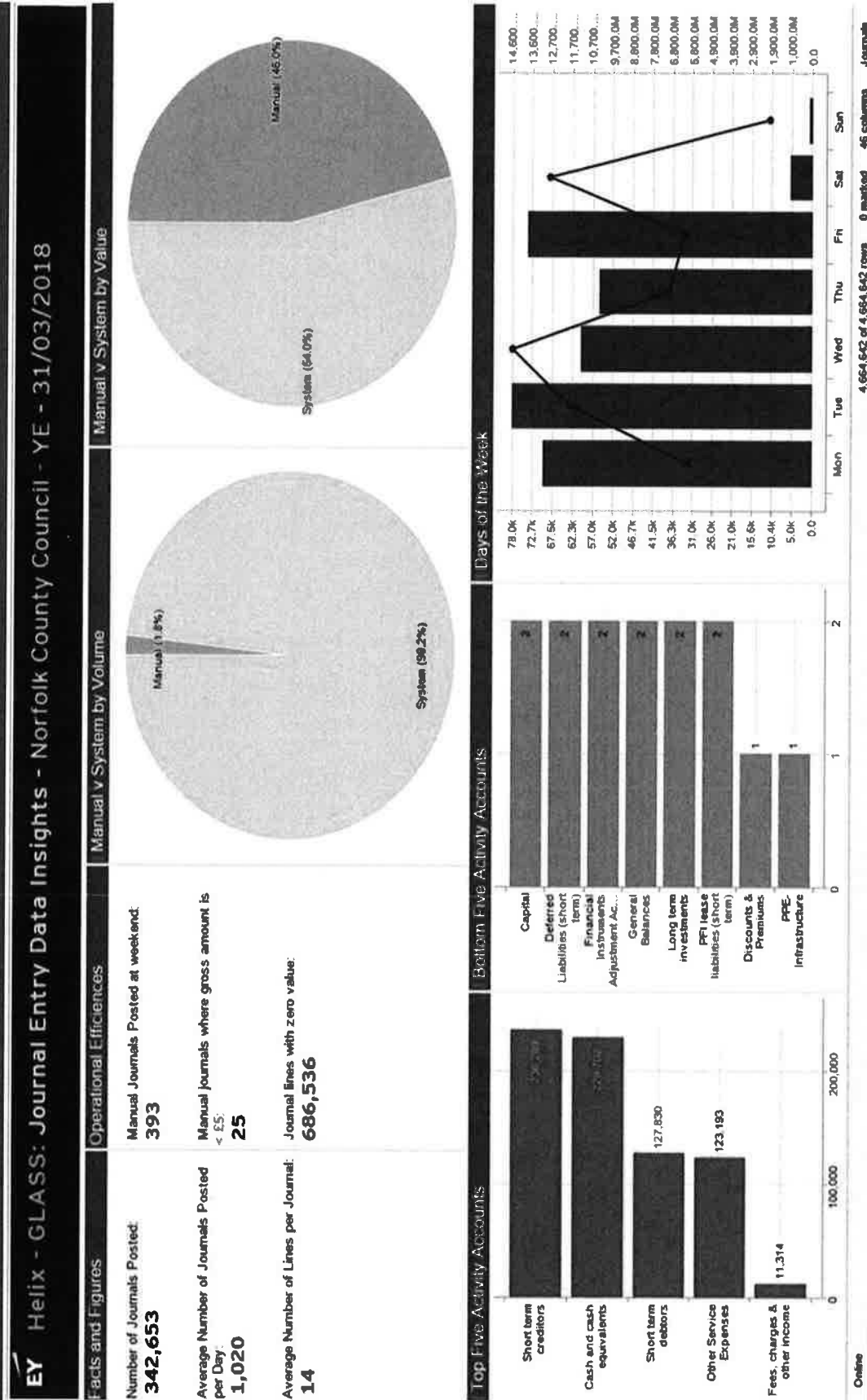
Journal Entry Analysis

We obtain downloads of all of the Trust's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Journal Entry Data Insights

The graphic outlined summarises the Council's journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





07 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the 2018/19 Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets; ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items. <p>Based on the information available the authority have assessed the likely impact of IFRS 9 and reported the position in the financial statements.</p>
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>The 2018/19 Code confirms that IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations, with implementation from 1 April 2018. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. The Code adopts IFRS15 without adaptation. The scope includes:</p> <ul style="list-style-type: none"> ▶ all contracts with customers except leases, financial instruments and insurance contracts; and ▶ excludes Council Tax and NDR income <p>Given the nature of the Authority's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements of the Authority. However, the Authority is yet to carry out a review of contract income from service recipients to assess the potential impact.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



08 Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

Our fee for 2017/18 is in line with the scale fee set by the PSAA.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements in relation to Teachers' Pension Return and Local Transport Plan Major Project return for 2016/17. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in Month Year.

Description	Final Fee 2017/18 £'s	Planned Fee 2017/18 £'s	Scale Fee 2017/18 £'s	Final Fee 2016/17 £'s
Norfolk County Council Total Audit Fee - Code work	134,347 (Note1)	131,742	127,742	131,084
Norfolk County Council Total Audit Fee - Certification of claims and returns (Teachers Pensions and Local Transport Plan Major Project return)				16,100
Norfolk Pension Fund Total Audit Fee - Code work	29,399 (Note 2)	29,399	27,099	29,399

Note 1 - As reported in our Audit Plan we will also need to levy an additional fee in respect of:

£1,428 for audit procedures required on the re-statement of the 2016/17 Comprehensive Income and Expenditure Account and Expenditure Funding Analysis as a result of the Directorate structure change.

£1,268 for audit work on the change to the Social Services financial system.

£3,909 for additional work to review the Authority's revised Minimum Revenue Provision policy.

Note 2 - As reported in our Audit Plan dated 2 March 2018, we will charge an additional fee of £2,300 in 2017/18 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies.

All scale fee variations will be subject to agreement with the PSAA. We will write to confirm the final audit fee once it is agreed by the PSAA.

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Audit Committee

Item No ...

Report title:	Revised Internal Audit Plan 2018-19
Date of meeting:	27 September 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact	
<p>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 (4.3) page 12, which is part of the Council's Constitution Article 6, at page 5.</p> <p>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'.</p>	

Executive summary

The Audit Committee agreed the [Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19](#) (item 8, page 113) in January 2018. The proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2015). It is good practice to refresh the plan at the half year stage, to ensure it is current.

The key messages from the refresh are:

- The strategy supports the delivery of the Council's Priorities set out in 'Norfolk Futures', presented to the Policy and Resources Committee.
- The target for year-end delivery is for 35 final audit reports to support the annual opinion, nine draft reports and seven audits in progress. That is 51 audit topics. This is considered sufficient to support the audit opinion and recognises the resources available.
- The Internal Audit Plan -work to support the opinion is oversubscribed by an average of eight topics (to allow flexibility) and contains 59 topics (originally 57). The net increase of two topics is from ten topics cancelled on a risk assessed basis and twelve new topics added to the plan.
- The Internal Audit Strategy (Appendix A) to deliver budgeted days to the Council has been revised up 16 days to 1,232 days (from 1,216 days). Of that 765 days are budgeted for work to directly support the Council's audit opinion, up from the original 743 days.
- The revised Internal Audit Plan for 2018-19 (**Appendix Bi**) has an oversubscription of 122 days (approximately eight topics).

- The Internal Audit work is integrated with the Council's Risk Management function and grant funded projects. The plan also allows for traded services. The strategy, at Appendix A, allows for delivering 76 days for traded school audits, 173 days for grant certifications, 100 days for investigative work and 458 days for the FCE Audit Authority work
- An estimate of 50 days to finalise audits from the first half of the audit plan for 2018-19 has been included in the days for the second half of the year
- As a result of efficiencies, fifteen days (out of fifty) have been reduced from the reporting to the Audit Committee and fifteen (out of sixty) from advice and assistance sections of the strategy and added to the work to support the opinion section.

Recommendation:

The Committee is asked to consider:

- That Internal Audit's Strategy and Plan contribute to meeting the Council's priorities of 'Norfolk Futures', an effective system of internal audit 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
- That the 2018-19 Internal Audit Strategy has been revised for the second half of the year (**Appendix A**). The actual days available to deliver the audit opinion work within the Strategy by NAS and external contractors has increased from 743 to 765 and this is sufficient to support the opinion.
- The revised Internal Audit Plan to support the opinion for the whole year (**Appendix Bi**) is 765 days which includes 100 days of external contractor time as part of our planned mixed economy delivery model. The opinion work plan will be managed flexibly to support the traded schools approach. Some audits which commenced in quarters 1 and 2 will continue into the second half of the year as work in progress.
- The three year [Internal Audit Strategy, Approach, Strategic Plan 2018-21](#) (item 8, page 113, Appendix A) agreed in January 2018, remains largely unchanged and will be refreshed in January 2019

The Committee is asked to approve:

- The overall target for 2018-19 final reports and draft reports for audits is for 35 final audit reports to support the annual opinion, nine draft reports and seven audits in progress (51 topics), to be reported on in the Annual Internal Audit Report.

1. Proposal (or options)

- 1.1 The recommendation is set out in the Executive Summary above.
- 1.2 The County Leadership Team have been consulted in the preparation of this report.

2. Evidence

2.1 The approach to refreshing the Internal Audit Plan has been to:

- Consider the overall assurance objectives in 2018-19 (para 2.2)
- Consider the available resources to support:
 - the Audit Strategy for 2018-19 (para 2.6)
 - the Audit Opinion work for 2018-19 (para 2.7)
- Consolidate and reconcile the required audit opinion work (para 2.10 to 2.14)
- Consult with County Leadership Team and Service Heads

2.2 The overall assurance objectives remain the same. The planned internal audit work will make a significant contribution to the Council's priorities and be reported in our annual internal audit report in July 2019. The plan makes adequate provision for the risks arising from organisational change, the continued economic downturn (with references to relevant risk registers in Appendix B(i)) and that internal audit resources are sufficient. Eleven risks are referenced specifically.

2.3 The opinions we provide through our audit work and strategy will demonstrate the following topics all being 'better off':

- Corporate Priorities
- Annual Governance Statement
- Sound Operations
- Risk Management for Reputational Damage
- Risk Management for Financial Loss (Financial Resilience)
- Risk Management for Financial Loss (Financial Management)

2.4 The revised internal audit plan supports the Council's Plan as referenced in Appendix B(i). Relevant internal audit work relating to 'Promoting Independence for vulnerable adults' and 'Towards a Norfolk Housing Strategy' are under consideration.

- 2.5 The top six risk priorities of Norfolk Audit Services activity remain as presented in the Internal Audit Strategy for 2018-2021 agreed by Committee in January 2018 (see 5.3).
- 2.6 The revised delivery of the Internal Audit Strategy remains largely the same as that proposed for the first half of the year and is set out in **Appendix A**. There is increased resource of 100 days across Anti-Fraud (+16), Risk (+8), Grants (+3) and France Channel England work (+73). As a result of efficiencies, fifteen days (out of fifty) have been reduced from the reporting to the Audit Committee and fifteen (out of sixty) from advice and assistance sections of the strategy and added to the work to support the opinion section. Services to schools is slightly lower (-4).
- 2.7 The resourcing of the Council's Internal Audit opinion days has been reviewed:
- The overall physical capacity of the Internal Audit team (including contractors) has increased from 743 to 765 audit opinion days.
 - The Work in Progress from Quarter 1 and Quarter 2 of 2018-19 50 days will be deployed to complete that work as a priority.

2.8 The share of topics between departments is as follows, in **Table 1**:

Table 1 – Share of topics by Department

Department	Original Plan Topics	Revised Plan Topics	% Share (Revised)
CES	10	13	22
Adult Social Services	5	6	10
Children's Services	5	6	10
Managing Directors	3	5	8
Finance and Commercial Services	34	29	50
Total	57	59	100

- 2.8.1 The Internal Audit Plan -work to support the opinion is oversubscribed by an average of eight topics (to allow flexibility) and contains 59 topics (originally 57). The net increase of two topics is from ten topics cancelled on a risk assessed basis and twelve new topics added to the plan. The target for year end delivery is for 35 final audit reports to support the annual opinion, nine draft reports and seven audits in progress. That is 51 audit topics. This is considered sufficient to support the audit opinion and recognises the resources available.

- 2.9 **New work** (12 topics - 119 days), are included in the revised plan and highlighted in **Appendix Bi** and **Table 2** below. In establishing the audit topics for inclusion in this revised 2017-18 plan, our audit planning followed the approach that was advised to, and considered by this Committee in January 2018.
- 2.9.1 Work no longer required or deferred (127 days) is listed at **Appendix Bii** and the total days calculation, shown in **Table 2** below. The changes have been made on a risk assessed basis and with the agreement of the Executive Director of Finance and Commercial Services.

Table 2 - Reconciliation of total planned 'audit opinion days' 2018-19

Changes to opinion days	Days
Original agreed audit plan days from January 2018 (presented as a half year plan with first call on second half of year)	797
Plus additional new audit opinion topic days onto the original plan (2.13)	119
Less deferred and cancelled audit opinion days taken from the original plan, in Appendix Bii (2.12)	-127
Plus additional days added for audits with increasing audit days minus reduction in days to other audits	48
Plus additional days in Q3/4 to complete Q1/2	50
Revised total audit opinion planned days	887
New audit plan days total 2018-19 (from the strategy – Appendix A)	765
Oversubscribed days (approx. 8 topics)	122

- 2.10 We continue to develop our traded services to schools and reported the positive outcomes of these in our annual report. 76 days has been allowed within the strategy to deliver traded school audits, and as at 31 July 2018, 6 schools have either received or booked a traded audit during 2018-19.
- 2.11 Technical details appear in **Appendix C** for information.

3. Financial Implications

- 3.1. The revised audit plan will be met from our existing agreed budget for 2018-19. Norfolk Audit Services have not been required to contribute to further cash savings in year so there has been no impact in respect of the agreed budget or in terms of the revised internal audit plan for 2018-19.
- 3.2. The internal audit plan covers the risks arising from the Council's budgeted Gross Revenue Expenditure £1.383bn as well as the Councils' Assets of £977m and matching Liabilities. (NCC Budget Book 2017 - 20)
- 3.3. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.4. Norfolk Audit Services plan to deliver the 2018-19 revised audit plan within budget by adhering to the planned budget and continuing to seek efficiencies in our working. We will actively maintain existing trading and pursue opportunities for new traded income.
- 3.5. All standard audits are allocated a cash budget (£) which is formally monitored at draft and final report stages. A target for 2018-19 has been set to deliver 100% of audits within +/-5% of the agreed cash budget.
- 3.6. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

4. Issues, risks and innovation

- 4.1. In order to facilitate traded schools audits, as part of the agreed Medium Term Internal Audit Strategy, the Internal Audit Plan needs to be sufficiently flexible to allow the traded service to be developed and sustained with appropriate resourcing. Once firm bookings are achieved then additional resources can be appointed to meet the ongoing demands. Until that time up to 76 days of the general plan will require the timing of those audits to be flexed as bookings for Traded Audits are secured. The arrangements will be closely managed to ensure the optimum service is achieved and delays are minimised.
- 4.2. There are no implications with respect to:
 - Legal
 - Risks

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

5. Background

5.1. This report explains the changes made to the Annual Internal Audit Plan for 2018-19 and provides more detail for the Committee. Audit topics have been drawn from our Audit Needs Assessment process and consultation with departmental managers.

5.2. The top six risk priorities remain:

- That key NCC management systems are fit for purpose - 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.

5.3. The resourcing review covered:

- The overall target budget for the team was reviewed and remains largely the same, translating that to an appropriate staffing model which provides the number of audit days available from the team and adding up to 100 days of contractor time
- Those available days are then matched to the overall audit strategy thus identifying the available days to support the audit opinion for the Council in the period.
- We continue to use an Audit contractor as part of our mixed economy resourcing arrangement to provide up to 100 days of audit resource. This gives us greater flexibility and resilience.

- 5.4. The Chairman of the Audit Committee and County Leadership Team and the External Auditors have been consulted in the preparation of 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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Appendix A

Proposed Revised Delivery of Internal Audit Strategy for Q3 and Q4 of 2017-18

Appendix B (i)

Proposed Revised Internal Audit Plan 2017-18 (Detailed)

Appendix B (ii)

Proposed Revised Internal Audit Plan 2017-18 (Cancelled and Deferred Work)

Appendix C

Technical Details

Additional background

- 2.1 The three year Internal Audit Strategy agreed in January 2018 remains largely unchanged in terms of our objectives, the nature of our work, delivery of our work and managing our resources. We continually seek efficiencies in delivering the strategy. There has been reprioritisation of some audits and new audits being identified and included within year **Appendix Bi**.

Delivering the Audit Strategy (Appendix A):

- The reporting to the Audit Committee remains the same. This reporting is detailed and welcomed by the Committees.
- The facilitation of the Annual Governance Statement (AGS) for 2017-18 preparations has remained the same at 8 days, although this was supplemented by additional days from the days allowed for the provision of assurance to the Executive Director of Finance days. This was to further support the self-certification process for the 2017-18 Annual Governance Statement. This further strengthens Chief Officer and member involvement using the CIPFA Solace guidance.
- The number of days to support the grant certification work has increased by 73 days, there are more grants to certify and more grants required a 100% certification check. Many grant audits are chargeable.
- The resources needed for the France Channel England project remain estimated at 458 days for 2018-19. With the Brexit outcome we continue to assess and understand any likely impact on our role as Audit Authority and will take responsive action as and when necessary.

The Audit Opinion Work (Appendix Bi):

- 2.2 Appendix B (i) sets out the resources to deliver one key element of the Strategy, the audit opinion. The revised proposed audit opinion work for 2018-19 is currently oversubscribed by 138 days. This

oversubscription will be managed through the six months of the audit plan remaining by natural and expected movement of planned audits. Any remaining audits not delivered due to oversubscription will be carried forward, on a risk assessed basis to quarter 1 of 2019-20.

- 2.2.1 Appendix B (ii) sets out the work that was identified in the original plan and the revised plan through our audit needs assessment, but that has been deferred due to the number of audit days available within the team.
- Of the 315 audit opinion days total for Quarter 1 (Actual) and Quarter 2 (estimated):
 - 100 days were spent on delivering the completion of audit opinion work that related to the 2017-18 audit plan. That is because there were 13 audits from the 2017-18 audit plan where work did not commence until late in the year due to a combination of client request and availability of NAS resource and these subsequently needed completion during 2018-19
 - Original planned work for the remainder of the year is detailed in **Appendix Bi**, with revisions to the plan (new audits) highlighted as new. The revisions made to the detailed plan at **Appendix Bi** are as follows: -
 - 10 audits have been cancelled (127 days)
 - 2 audits have decreased in days
 - 12 audits have increased in days
 - 12 new audits have been added to the Plan
 - An allocation of 50 days has been included in the second half of the year for completion of the first half of 2018-19 year audits. This is standard practice for the completion of audits within different reporting periods.

Section 4 Issues, Risks and Innovation details

- 4.1. 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
 - not meeting statutory requirements to provide adequate and effective systems of internal audit.
- 4.2. 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 Norfolk Audit Services which helps to lower their fees to the Council.

- 4.3. 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.
- 4.4. 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.
- 4.5. The Council has in place an Anti Fraud and Corruption Strategy which is actively promoted. 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.

Section 5 Background details

- 5.1. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2015). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Norfolk Audit Services must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Norfolk Audit Services identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.

End.

Revised Delivery of Internal Audit Strategy for 2018-19

Element of Strategy	Original Total Days proposed 2018-19	% of NCC plan (excludes external clients)	Estimated Actual Days Q1 & Q2	Proposed Days Q3/Q4	Revised Total Days 2018/19
Reporting to the Audit Committee quarterly and annually	50	4%	17	18	35
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	8	1%	8	0	8
Provision of assurance to the Executive Director of Finance and Commercial Services (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority.	20	2%	10	10	20
Undertaking audit work to support the internal audit opinion (Appendix Bi)	743	63%	315	450	765
Provision of advice and assistance with respect to Internal Control to Executive Directors and other Senior Officers	60	5%	23	22	45
Delivery of the Anti Fraud and Corruption strategy , including preliminary assessments and investigations	176	14%	96	96	192
Delivery of the Risk Management Strategy including servicing of Committees in respect of risk management	159	13%	83.5	83.5	167
*Provision of chargeable Internal Audit Service to Schools	80		16	60	76
*Provision of an Internal Audit Service to Norfolk Pension Fund	80		41	39	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	6		6	0	6
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	170		86	87	173
*Delivering the Audit Authority Function to the FCE programme	385		229	229	458
Gross Total	1,937	100%	931	1,095	2,025
*Less Delivered to external Clients	721		378	415	793
Total to be Delivered to NCC (para 2.4)	1,216	100%	553	680	1,232

Available productive days as per resource model

2025

Proposed Internal Audit Plan for the Second Half of the Year, 2018-19**Detailed work to support the audit opinion****Appendix B (i)**

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 Q3 & 4
Community and Environmental Services						
Environment, Development and Transport Committee						
Highways Infrastructure	15	Assurance that the agreed actions from the 2017 review of compliance with the Code of Practice for a well managed highways infrastructure are either fully implemented or robustly planned for	RM001			15
DIY Waste - charging at recycling centres Moved to Q3/4	15	Assurance over the adequacy and effectiveness of key internal controls in respect of NCC receiving all monies due from DIY waste (proposed introduction April 2018)	RM002 Commercialisation			15
Norwich City Highways Agency Agreement	15	Assurance that governance, contract monitoring and financial controls are operating efficiently and effectively	RM004 Commercialisation		15	
External Funding - Museums, Environment and Arts - days included in Communities below		Assurance that funding conditions are being met	RM002			

Third River Crossing	15	Assurance that project controls are adequate and effective	RM024			15
Communities Committee						
Active Norfolk	15	Assurance that governance and financial controls are operating efficiently and effectively	RM002	15		
Libraries open access	15	Assurance on stock controls and processes	Commercialisation			15
External Funding - Museums, Environment and Arts	15	Assurance that funding conditions are being met	RM002			15
Fire and Rescue -Preparation for the National Inspection regime	15	Assurance over NF&R preparation of the HMIC visit - National Inspection regime			15	
NFRS Fleet SLA	12	Assurance over the arrangements in place to manage and monitor delivery of the NFRS fleet SLA			12	
NFRS Fleet SLA - Follow up	5	Follow Up of Action Plan				5
Public Health - Road Safety Team	15	Assurance over governance and funding arrangements				15

Norfolk Community Learning Services	15	Assurance over governance, income generation and budget management	Commercialisation			15
Customer Services CRM system	5	Follow up of action plan from independent review on the architecture of the system	Smarter Information and Advice			5
Total Community & Environmen	172			15	42	115
Adult Social Services						
Business Support & Development						
No audits planned						
Integrated Commissioning						
No audits planned						
Early Help & Prevention						
Preparing for Adulthood (formerly called Transition of Children at age 18)	15	Assurance that the transition process is efficient and effective	RM003 Promoting Independence for Vulnerable Adults			15
Adult Social Work and OT						
No audits planned						
Strategy and Transformation						

Delayed transfer of Care Part 1	15	Assurance that the transfer process of patients is effective and efficient covering accute and mental health transfer, accuracy of data submitted to NHSE and the follow up process to confirm outcomes are appropriate	RM003, RM023 Promoting Independence for Vulnerable Adults	15		
Delayed transfer of Care Part 2 Follow Up of Part 1 Moved to Q3/4	15	Assurance that the transfer process of patients is effective and efficient covering accute and mental health transfer, accuracy of data submitted to NHSE and the follow up process to confirm outcomes are appropriate	RM003, RM023 Promoting Independence for Vulnerable Adults		0	15
Transforming Care Programme	15	Assurance on the discharge process and compliance with agreed protocols	RM003, RM023 Promoting Independence for Vulnerable Adults			15
Compliance with Data Workflow Processes (formerly called Data Quality in LAS)	15	Assurance that the new LAS system provides accurate data for forecasting financial commitments to enable accurate accounting for commitments	RM007, RM019 Promoting Independence for Vulnerable Adults			15
Adult Operations and Integration						
Client Financial Affairs Team (Appointeeship / Deputyship) Moved to Q3	15	Assurance on key controls and processes supporting correct income and payments being made in line with standards and internal procedures. Includes best interest of the client	RM003 Promoting indepedence for Vulnerable Adults		0	15
Total Adult Services	90			15	0	75

Children's Services						
Early Help and Prevention						
No audits planned						
Performance and Challenge						
Performance Management of Commissioned Childrens Contracts Part 1	20	Assurance that the performance management system for commissioned childrens contracts is adequate and effective for performance monitoring	RM004 Safer Children and resilient families	20		
Performance Management of Commissioned Childrens Contracts Part 2	20	Assurance that the performance management system for commissioned childrens contracts is adequate and effective for performance monitoring	RM004 Safer Children and resilient families			20
Education						
Education Capital Programme	20	Review of special school building project - what can we learn from this project to improve the management of other building projects			20	
Maintained Schools Thematic audit 1 - SFVS Return	20	Assurance over the adequacy and effectiveness of key internal controls	Safer Children and resilient families		20	
Maintained Schools Thematic audit 2 - H&S Asbestos	20	Assurance over the adequacy and effectiveness of key internal controls	Safer Children and resilient families			20

Social Work						
Demand Led Budgets Follow Up	5					5
Safeguarding and Looked After Children						
No audits planned						
Total Children's Services	105			20	40	45
Managing Director's						
Intelligence and Analytics						
Liquid logic Interface	5					5
Communications						
No audits planned						
Human Resources						
Appraisal process	15	Assurance that the new appraisal process is complied with and that key controls and processes are in place and working effectively				15
Use of Volunteers	20	Assurance that the Volunteer policy (P329) is being implemented as expected and key controls and processes are in place and working effectively.			20	
HR Audit (Contingency)	10					10

Strategy and Delivery Unit						
No audits planned						
Democratic Services						
Coroners Service	10					10
AGS Self Certification Process	Days in strategy	Co-ordination of control self assessments by each service directorate.	RM013 All NCC objectives			
Health & Safety						
No audits planned						
Total Managing Director's	60			0	20	40
Finance						
Norfolk Safety CIC subsidiary	6	AGS assurance work on subsidiary	RM013 Supporting the AGS work	6		
Pre-payment cards (Cards & Managed A/cs)	25	Assurance that key controls and processes are working effectively and efficiently in issuing of and monitoring of prepayment cards	Promoting Independence for Vulnerable adults	15	10	
Payroll – Cyclical payment, deductions and variations	15	Cyclical audit - assurance on key controls being in place for payroll payments, deductions and variances to pay				15

Accounts Payable	15	Assurance that key controls and processes in place within adult social care system (ContrOCC, Liquid Logic) are working effectively and efficiently to ensure correct payments are being calculated and made	RM019		15	
Teachers Pension Return	13	Required annually by external auditor		13		
Commercialisation Traded Services (Educator Solutions)	15	Assurance that key controls and processes in place are working effectively and efficiently to ensure services ordered are delivered, invoiced and income collected	RM002 Commercialisation			15
Accounting for VAT (NCC and Partnerships)	10	Assurance that key controls and processes are working effectively and efficiently (to include charging for VAT)				10
Apprenticeship Levy Moved to Q3	15	Assurance that key controls and processes are in place to meet the requirements and maximise utilisation of the apprenticeships levy				15
Management of agency staff and compliance with policy and procedure	15	Assurance that key controls and processes are in place and are working effectively				15
Developer Contributions (Section 106 and CIL payments)	15	Assurance that key controls and processes are in place and working working effectively	RM002			15

Anti-Fraud Audit - topic 1 - pre contract procurement arrangements Moved to Q3/4	15	Supports the anti-fraud and corruption strategy				15
Anti-Fraud Audit - topic 2	15	Supports the anti-fraud and corruption strategy				15
Corporate Property Team						
Energy Management Strategy Moved to Q3/4	15	Assurance that Premises Managers are aware of the Strategy and understand what they need to maintain in order to have clear accountability on how buildings use energy	RM021			15
Carbon Reduction Commitment	7	Ensure compliance with The Gov.uk Environmental Management Guidance - annual certification of compliance	RM003, RM021	7		
County Farms - Lettings process and follow up of agreed actions from previous audit	15	Assurance that key controls within the new agreed lettings process are working adequately and effectively and that agreed actions from the previous audit have been fully implemented or adequately planned for	RM002, RM021			15
Income collection for use of buildings and premises	15	Assurance that key processes and controls supporting income generation and maximisation are working adequately and effectively	RM002, RM021 Commercialisation			15
Procurement						

Replacement Iproc (source to payment)	15	Watching brief and guidance on project implementation. Potentail audit in Q3/Q4	Digital Norfolk	5	5	5
Procurement Cards	15	Assurance that key controls and processes are working adequately and effectively	Digital Norfolk		15	
Contract Management and Monitoring (Cyclical audits of top 20 contracts) Contract 1 - to be determined	20	Assurance that key controls and processes are working adequately and effectively	RM004		20	
Contract Management and Monitoring (Cyclical audits of top 20 contracts) Contract 2 - to be determined	20	Assurance that key controls and processes are working effectively and efficiently	RM004			20
Information Management Technology						
Data Quality - cyclical audits of data quality of key systems and spreadsheets on information asset registers (2 to 3 each year one to be CRM)	30	Assurance that key controls and processes are working efficiently and effectively in respect of data quality	RM003, RM007			30
ICT Business Continuity	15	Assurance over the adequacy and effectiveness of key controls (includes a follow up of the 2015-16 audit)	RM010, RM016 Digital Norfolk			15
Software Asset Management Cancelled, watching Brief 1 day in Q3/4	1	Assurance over the adequacy and effectiveness of key controls (includes a follow up of the 2015-16 management letter / agreed actions)	Digital Norfolk Smarter information and Advice			1

ICT Asset Disposals Cancelled, Watching Brief 1 day in Q3/4	1	Assurance over the adequacy and effectiveness of key controls and processes (part of the technology and improvement programme)	Digital Norfolk Commercialisation			1
ICT Access rights (including Sailpoint)	15	Assurance over the adequacy and effectiveness of key controls for joiners, movers and leavers	Digital Norfolk			15
Local Full Fibre Network Programme (new monies bid for, will need to be internally audited against grant determination) All moved to Q3/4	15	Assurance against the funding requirements	RM003 Digital Norfolk			15
Privacy Impact Assessments (formerly Post GDPR compliance) All moved to Q3/4	15	Assurance that new GDPR requirements are being met	RM003 Digital Norfolk Smarter Information and Advice			15
Information Security - Follow Up. Moved to Q3/4	20	Assurance that the agreed actions from the 2017-18 audits have been fully implemented	RM003			20
IMT Contingency (BOX-IT) Watching Brief	2	Assurance that systems and controls are operating effectively	RM007 Digital Norfolk	2		
Total Finance	410			48	65	297
Total Number of Opinion Days to be delivered to NCC	837			98	167	572

Proposed Internal Audit Plan for the Second Half of the Year, 2018-19**Details of Deferred / Cancelled audits****Appendix B (ii)**

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Why cancelled
Children's Services			
Early Help and Prevention			
New Directions Cancelled	15	Assurance over the governance arrangements for this service and that the service is delivering outcomes for its purpose	The risks are no longer present.
Education			
Commissioning of education placements for Children with High Needs Cancelled	20	Assurance that the systems and processes for commissioning education placements for children with high needs is efficient and effective	Priority has been given to the Joint Area SEND Inspection
Total Children's Services	35		
Strategy			
Health & Safety			

Asbestos audit being carried out as a thematic School's audit	10	Assurance over the adequacy and effectiveness of key controls	Other work will fulfil the objective.
Total Strategy	10		
Finance			
Audit of material systems Cancelled	3	Assurance that appropriate authorised staff are signing travel and overtime claims and that budget holders are aware of the expenditure against their cost centre	External Auditors do not require us to do this work now
Payroll - Authorisation of travel/overtime claims Cancelled - days transferred to Pre-Payment Cards to do Managed A/cs	10		A new system is being implemented.
Corporate Property Team			
Data Quality within C2 and Piranha systems Cancelled	15	Assurance that processes and controls are adequate and effective in supporting good data quality (Property - duty of care)	Other work will fulfil the objective.
Information Management Technology			
Software Asset Management Cancelled, watching Brief 1 day in Q3/4	12	Assurance over the adequacy and effectiveness of key controls (includes a follow up of the 2015-16 management letter / agreed actions)	Priority has been given to project work in the service.

ICT Asset Disposals Cancelled, Watching Brief 1 day in Q3/4	12	Assurance over the adequacy and effectiveness of key controls and processes (part of the technology and improvement programme)	Priority has been given to project work in the service.
Liquid Logic Removed as duplicate with Data Quality LAS in Adults	20	Assurance on processes and embedding of system controls around data quality to include retention, disposal, archiving and monitoring of data quality	Other work will fulfil the objective.
Awareness of Information Management policies, procedures , roles and responsibilities - follow up audit Cancelled	10	Assurance that the agreed actions from the 2017-18 audits have been fully implemented	Other work will fulfil the objective.
Total Finance	82		
Total Number of Opinion Days to be delivered to NCC	127		

Audit Committee

Item No.....

Report title:	Work Programme
Date of meeting:	27th September 2018
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>	

31 January 2019	
NAS Quarterly Report Quarter ended 31 December 2018 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance and Commercial Services
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance and Commercial Services
A Half yearly update of the Audit Committee	Executive Director of Finance and Commercial Services
Internal Audit Strategy, Approach, Strategic Plan 2018-2021 and Internal Audit Plan for 2019-20	Executive Director of Finance and Commercial Services
Audit Committee Terms of Reference	Executive Director of Finance and Commercial Services
Whistleblowing Policy Update	Chief Legal Officer
Risk Management Report	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer

April 2019	
NAS Annual Report for the year ended 31 March 2019	Executive Director of Finance and Commercial Services
External Auditor's Audit Plan 2019-20	Executive Director of Finance and Commercial Services
Monitoring Officer Annual Report 2018-19	Chief Legal Officer
Risk Management Report	Executive Director of Finance and Commercial Services
Audit Committee Work Programme	Executive Director of Finance and Commercial Services
Internal Audit Terms of Reference and Code of Ethics	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer

July 2019	
Annual Update of the Audit Committee	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Governance Statement 2018-19 for Approval	Executive Director, Finance and Commercial Services
Statement of Accounts 2018-19 for Approval	Executive Director, Finance and Commercial Services
Letter of Representation for Statement of Accounts 2018-19, Audit Results Report 2018-19	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director of Finance and Commercial Services

Officer Contact

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

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