Norfolk County Council

Audit Committee

Date: **Thursday, 31 January 2019**

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

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A g e n d a

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

2. To confirm the minutes from the Audit Committee meeting held on 27 September 2018. **Page 4**

3. Declarations of Interest

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
    - Exercising functions of a public nature.
    - Directed to charitable purposes; or
    - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management. 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 31 December 2018. **Page 9**

Report by the Executive Director of Finance & Commercial Services.

6. External Auditors Plan of Work **Page 24**

Report by the Executive Director of Finance & Commercial Services.

7. Counter Fraud, Bribery & Corruption (and Whistleblowing) Audit Committee Progress Report. **Page 72**

Report by the Chief Legal Officer.

8. Audit Committee Terms of Reference **Page 108**
Report by the Executive Director of Finance & Commercial Services.

9. Internal Audit Strategy, Our Approach and the Audit Plan 2019-20. **Page 114**
Report by the Executive Director of Finance & Commercial Services.

10. Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority). **Page 138**
Report by the Executive Director of Finance & Commercial Services.

11. Risk Management **Page 162**
Report by the Executive Director of Finance & Commercial Services.

12. Norfolk County Council's Insurance Cover **Page 204**
Report by the Executive Director of Finance & Commercial Services.

13. Audit Committee Work Programme **Page 213**
Report by the Executive Director of Finance & Commercial Services.

Audit Committee 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: 23 January 2019

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Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 27 September 2018 at 2pm in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman

Mr P Duigan
Mr C Foulger
Mr K Kiddie
Mr A Jamieson
Mr S Morphew

1 Apologies for Absence

1.1 Apologies for absence were received from Mr S Aquarone; Mr H Thirtle (Mr P Duigan substituted); Mrs K Vincent (Mr K Kiddie substituted) and Mr S George, Executive Director of Finance & Commercial Services.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 31 July 2018 were agreed as an accurate record by the Committee and signed by the Chairman.

3 Declaration of Interests

There were no declarations of interest.

4 Items of Urgent Business

4.1 The Committee congratulated Thomas Osborne, Risk Management Officer, on achieving the International Certificate in Enterprise Risk Management and the Chairman presented him with his certificate.

5 Norfolk Audit Services Report for the Quarter ended 30 September 2018.

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work would contribute to the Norfolk County Council priorities through the activity set out in the Policy & Resources Committee Service Plan.

5.2 In presenting the report the Principal Client Manager advised that 10 audits were completed (target of 6) in the first half of the year. Overall 24 audits had been progressed (target of 18).

5.3 In response to a query about the number of school audits carried out, the Principal Client Manager confirmed these were at local authority maintained schools only. A letter had been sent to approximately 40 schools and academies that had not participated in a recent audit and opportunities were being explored to encourage academies to take advantage of the audit offer.

5.4 The Committee considered the report and **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 school's audits and the operation of the Audit Authority for the France Channel England Interreg Programme.
- The Plans to strengthen corporate development themes.

6 Risk Management Report

6.1 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 September 2018, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during August 2018.

6.2 The Risk Management Officer highlighted the main changes to the Risk Register since the last meeting during which the Committee noted the following:

6.2.1 One new risk (RM025 – Change of governance in the Fire & Rescue Service) had been added to the corporate risk register. The Communities Committee had agreed a recommendation at its last meeting to ask the Policy & Resources Committee to consider and agree to management of the risk on the corporate risk register.

6.2.2 One risk title had been amended (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 title had been amended to reflect the progression from planning how the Council would deliver services to how the Council would deliver services over the next three financial years.

6.2.3 One risk (RM019 – Failure to deliver a new fit for purpose social care system on time and to budget) had been closed as the new social care system LiquidLogic had been delivered on time and to budget for Adults, Children's and Finance & Commercial Services.

6.3 The Risk Management Officer updated the Committee on the actions from the last Audit Committee meeting in July 2018, during which the following points were noted:

6.3.1 The Committee's suggestion of having a risk register in place for all possible risks arising from the Brexit negotiations had been considered and preparations and implications to the County Council of the UK leaving the European Union will continue to be monitored by the County Leadership Team. The Chairman reminded everyone that there were a number of risks to be taken into account and reassurance was needed that work was being undertaken to mitigate potential risks. The Risk Management Officer agreed to meet with the Head of Procurement to consider the implications around procurement of goods and services.

The Chairman advised that the Government had prepared a range of policy notes and suggested Officers may wish to view and consider these documents. https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal

6.3.2 Regarding the action to ascertain the details of the sector based plans for providers which modelled expected needs and demand associated with demographic and social change, the Risk Management Officer had contacted the Executive Director of Adult Social Care and was awaiting an update. Once the update had been received it would be circulated to the Committee.

6.3.3 The Risk Management Officer advised that Policy & Resources Committee should receive details from the Head of Human Resources of agency and contract staff spending at its meeting in October 2018.

6.4 The Committee noted that the final costings were not yet available for the Broadland Northway project. (RM017 – Failure to deliver the Broadland Northway within agreed budget £205m).

6.5 It was queried why 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) was shown as green. In reply, the Risk Management Officer clarified that the risk had been broken down into a 3 year period and was considered annually so the prospects of meeting target risk score by the target date did not necessarily reflect the end of the period (2020/21).

6.6 The Risk Management Officer agreed to contact the Strategy Director to discuss the risk implications and impact on the Council regarding returning to a Cabinet System of Governance.

6.7 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 heat map of corporate risks.
d) The background information to the report.

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

7.1 The Committee received the report by the Executive Director Finance & Commercial Services introducing the External Auditor's Annual Audit Letter 2017-18.

7.2 The Committee welcomed Mr M Hodgson and Mr D Riglar from External Auditors Ernst & Young, who attended the meeting to present the report and answer questions from the Committee.

7.3 In presenting the report, Mr D Riglar from EY confirmed that the Audit Results Report had been issued on 19 July 2018 for Norfolk County Council and 20 June 2018 for Norfolk Pension Fund and that the Governance Statement was consistent with EY's understanding of the Council. Mr Riglar also advised that the Certificate confirming that the audit had been completed in accordance with

the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice had been issued on 17 August 2018.

7.4 The Committee thanked the Executive Director of Finance & Commercial Services, the Finance Team and Ernst & Young for their work in achieving the unqualified audit opinion.

7.5 The Committee considered the report and **RESOLVED** to **note**:

- The External Auditor's Audit Letter 2017-18.

8 Revised Internal Audit Plan 2018-19

8.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the revised Internal Audit Plan for 2018-19.

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

8.2.1 The 15 days allocated for each audit included planning the work, field work and reporting times. The Committee was reassured that each audit was monitored to ensure the number of audit days remained appropriate, some audits took more time and some less which balanced out the number of days per audit.

8.2.2 Although no audits were specifically planned for Integrated Commissioning within Adult Social Services, the Principal Client Manager reassured the Committee that 2 audits were planned for Adult Social Care and Children's Services in terms of Carefirst Liquid Logic audits. The Committee was also reassured that contract management and monitoring audits linked in with both Adult Social Services and Children's Services departments, although they appeared under Finance & Commercial Services.

8.2.3 The Chief Internal Auditor advised that Grant Thornton had been commissioned to audit demand-led care budgets. The report issued to the Executive Director of Adult Social Care and had included some recommendations about how LiquidLogic had been applied. Grant Thornton had also carried out a demand-led care budget audit for Children's Services. The Chief Internal Auditor confirmed he was satisfied that commissioning had been fully covered and the recommendations had been reported back to the relevant Executive Director. The Audit Committee would receive an update at its January 2019 meeting.

8.2.4 The Committee was reassured that the Commissioning of education placements for Children with High Needs audit would be rescheduled in 2019/20. The audit had been deferred because the Joint SEND Inspection had taken place around the same time as the scheduled audit.

8.3 The Committee considered the report and **RESOLVED** to **agree**:

- That Internal Audit's Strategy and Plan contributes 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. The actual days available to deliver the audit opinion work within the Strategy by Norfolk Audit Services (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 is 765 days which includes 100 days of external contractor time as part of our planned mixed economy delivery model. This 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 agreed in January 2018, remains largely unchanged and will be refreshed in January 2019.

- 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.

9 Work Programme

9.1 The Committee received and **noted** the report by the Executive Director of Finance and Commercial Services setting out the Committee's work programme.

The meeting ended at 2.35p.m.

Chairman

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Audit Committee

Item No……

Report title:	**Norfolk Audit Services Report for the Quarter ending 31st December 2018**
Date of meeting:	**31st January 2019**
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 Vision and Strategy setting out a clear set of 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 agree:

- 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 support 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 An audit of note during the quarter was the Delayed Transfer of Care (DTOC) – Part 1 audit. An action plan has been prepared to strengthen controls as a priority and will be agreed by Adults Senior Management Team in January 2019. Many of the issues have been addressed already to ensure that a robust verification process is in place, that figures on the monthly returns are correct, can be verified to adequate supporting evidence and are able to be agreed by the Director of Adult Social Services and submitted when due. The actions will also ensure that processes are in place to identify any exceptions and data error or manipulation. The audit opinion was that there were key issues to be addressed – Red rated

2.5 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: T**he completed thirteen 2017-18 Audits Brought Forward**

Report Type	2017/18 B/fwd
Final Reports Issued (non-schools)	10
Management Letters Issued	2
Total Audits for Opinion Work	**12**
Final Traded Schools (including traded audits and health checks)	1
Total	**13**

Table 2: **The 2018-19 (Q1 – Q3) Audit Plan: at end of Quarter 3**

Work Type	Audits Not Started	Work in Progress	Draft Reports Issued	Final Reports Issued	Total
Opinion Work	12	30	2	12	56
Traded Schools (including traded audits and health checks)	8	6	0	6	20
Schools – Compliance / themed Audits)	0	1	0	1	2
Pensions	1	2	0	3	6
Totals (Target*)	21(0)	39 (7)	2 (9)	21 (35)	84(51)

*The target values were reported to the Audit Committee in the September Committee and total 51 audits as the Audit Plan is over scribed by eight audits.

Table 3: **Certified Grant Claims (Q1 – Q3): at end of Quarter 3**

Grant Type	Number of Grant Certifications	Number of Grant Claims Certified at end	Number of Grant Claims	Number of Grant Claims

	Required in 2018/19	of Q1	Certified at end of Q2	Certified at end of Q3
LGA (Local Government Association)	7	2	5	2
EU	9	2	2	2
External Clients	2	0	0	1
Internal Clients	3	2	0	3
Total	**21**	**6**	**7**	**8**

2.6 Corporate High Priority Audit Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. 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	Blue	Amber	**Total**
Adult Care	0	0	0	0
Children's Services	0	0	0	0
Finance and Commercial Services Appendix B(ii) Finance and (ii) ICT	3	4	0	7
Communities and Environment	1	0	0	1
Total NCC	**4**	**4**	**0**	**8**
Schools	0	0	0	0
Total Corporate High Priority Findings	**4**	**4**	**0**	**8**

2.7 There was a slow take up of Traded Schools audits in the first half of the year. Table 2, above, details 2018-19 activity to date. In early September, we sent letters/reminders to those schools who were overdue for an audit. This resulted in several schools booking a health check or full audit and the total number planned for the year is now 20, which is five short of our target.

2.8 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

2.9 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.

2.10 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 eternal clients for audit work in 2018/19 as well.

2.11 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 we will be 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.

2.12 Collaborative/Influencing: - We participate in points of practice requests from our peers. We coordinate responses and share best practice.

Whistleblowing

2.13 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 thirteen disclosures received in 2018-19. Further details are set out in our Anti-Fraud and Corruption Update elsewhere on this agenda.

Anti-Fraud and Corruption

2.14 An Anti-fraud action plan has been approved by this Committee. Further details are set out in our Anti-Fraud and Corruption Update elsewhere on this agenda.

Other

2.15 The implications of organisational change for Annual Governance reporting, Risk Management and internal controls are being monitored.

2.16 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.

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

2.18 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.

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

Other relevant information

2.20 External Review of compliance with the Public Sector Internal Auditing Standards (PSIAS) – Status is Current

2.21 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.

2.22 A self-review of the quality of audit files completed in quarters 1 and 2 is due to take place in quarter 4 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.

2.23 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.

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

France (Channel) England (FCE) update –

2.25 The FCE audit team has been busy delivering the audit plan, as established in the 2018 Audit Strategy. Most of the summer has been spent on undertaking the audit of expenditure (as claimed to the EC by the beneficiaries) in readiness for the annual opinion on the annual accounts. Overall, the annual accounts for the FCE programme will show expenditure of c.2.5 Million €, half of which relate to expenditure incurred by the NCC based teams (Managing Authority and Audit Authority – the Certifying Authority has not yet, to date, requested reimbursement from the EC).

2.26 The audit work is progressing well to fully deliver the audit plan and report to the EC by the statutory deadline of 15 February 2019.

2.27 During the annual meeting with the European Commission, the audit team received praise for the robustness of its strategy, the diligence of its work and the constructive approach it has showed in solving queries from the EC auditors.

2.28 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

2.29 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/ofsteds-inspection-of-schools/

2.30 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 Senor 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:

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter 3 ending 30 December 2018 and for the audits B/Fwd from 2017/18

In the 3rd quarter for the 2018/19 Audit Plan five opinion final reports, four Traded School Audit final reports, two Pension final reports and one management letter were issued, and eight grant claims were certified.

For the audits brought forward from 2017/18 Audit Plan, the last final report was issued.

NOTE: Any further audits completed by 1st January 2019 will be added to this report and any audits completed up to the January Audit Committee will reported at the meeting verbally.

Final Reports: - B/Fwd from 2017/18

Opinion Work (Audit opinion provided is shown in brackets)

1. Budget and Financial Control – Adults*

*Opinion deferred to Follow Up

Final Reports: - Quarter 3 2018/19

School Traded Audits

2. Watlington Community School (Acceptable)
3. Queen's Hill Primary and Nursery School (Key Issues to be addressed – Amber)
4. The Clare School (Key Issues to be addressed – Amber)
5. St George's Primary and Nursery School GY (Key Issues to be addressed – Amber)

Opinion Work (Audit opinion provided is shown in brackets)

6. Active Norfolk (Key Issues to be addressed – Amber)
7. Accounts Payable (Acceptable)
8. Prepayment Cards and Managed Accounts (No opinion provided)
9. Norwich City Highways Agency Agreement (No opinion provided)
10. Delayed Transfer of Care – Part 1 (Key Issues to be addressed – Red) (see paragraph 2.4)

Management Letters

11. Routine Maintenance Follow Up (Key Issues to be addressed – Amber)

Pensions

12. ACCESS pooled arrangements - Governance (Acceptable)
13. Receivables - Employee and employer contributions, AVC's AVP's transfer values (Acceptable)

Certified Grants - Quarter 3

14. EU – BIDREX (P/e October 2018)
15. EU – SAIL (P/e September 2018)
16. Norse (P/e September 2018)
17. Police and Crime Panel (PCP) (P/e September 2018)
18. Family Focus (P/e September 2018)
19. Family Focus (P/e December 2018)
20. Major Scheme DoT Certification
21. Teacher's Pension Scheme Certification

Appendix B

Technical Details

Notes for section 2

2.1 Productive Time

2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 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 because 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:	**External Auditor's Audit Plans 2018-19**
Date of meeting:	**31 January 2019**
Responsible Chief Officer:	**Executive Director of 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 13) being:

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

Executive summary

The purpose of this report is to introduce the External Auditor's Audit Plans for the year ending 31 March 2019, which are attached as **Appendix A -** Norfolk CC Audit Planning Report and **Appendix B -** Norfolk Pension Fund Audit Plan**.**

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

Members are recommended to consider and agree:

- **the External Auditor's Audit Plan for the Council for 2018-19 at Appendix A and the Norfolk Pension Fund Audit Plan at Appendix B, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable**
- **that the scale fee for the Council has reduced to £98,361 (from £127,742 for 2017-18)**
- **whether there are other matters which you consider may influence their work.**

1. Introduction

These Annual Audit Plans set out how EY intend to carry out their responsibilities as auditor.

2. Evidence

The External Auditor's Audit Plan for the Council for 2018-19 is attached as **Appendix A** to this report. There are no specific matters which are considered to influence their work. Audit Risks and Value for Money risks are set out in the plan.

Points of interest in the plan are:

- The reporting timeline, to meet the regulatory requirements, set out in part 7 of the plan
- Appendix A (Page 35) - mentions the fees for the audit, which are as expected

The External Auditor's Audit Plan for the Norfolk Pension Fund for 2018-19 is attached as Appendix B to this report. There are no specific matters which are considered to influence their work. Audit Risks and Value for Money risks are set out in in the plan.

3. Financial Implications

There are no specific financial implications other than, there is a £29,381 saving for the Council for the 2018-19 accounts audits. The 2018-19 Scale of Fees for Opted in Bodies is presented at **Appendix C** for information.

4. Issues, risks and innovation

Risk implications

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

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

5. Background

5.1 The Council's Financial Statements cover several reporting entities making up the Council's group accounts. Each entity has an audit plan for the financial year and these are provided by different auditors. Hethel Innovation Limited, Great Yarmouth Development Co. Ltd and Norfolk Energy Futures Ltd are not incorporated in the group accounts based on immateriality.

Entity	Auditor
Norfolk County Council	**EY**
Norfolk Pension Fund	EY
Norse Group	PwC
Independence Matters	EY

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.

Appendix A

External Auditor's Audit Planning Report for Norfolk CC 2018-19

Appendix B

External Auditor's Audit Plan for Norfolk Pension Fund 2018-19

Appendix C

2018-19 Scale of Fees for Opted in Bodies

Norfolk County Council

Audit planning report

Year ended 31 March 2019

4 January 2018

EY
Building a better working world

Contents

01 Overview of our 2018/19 audit strategy

02 Audit risks

03 Value for Money Risks

04 Audit materiality

05 Scope of our audit

06 Audit team

07 Audit timeline

08 Independence

09 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Norfolk County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Norfolk County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Norfolk County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively. As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified capitalisation of revenue and accounting adjustments made in the movement in reserves statement as the key areas at risk of manipulation.
Accounting for schools that convert to 'Academy' status	Inherent risk	No change in risk or focus	Schools have continued to convert to academy status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	Due to the complexity in accounting for land and buildings and the material values involved, there is a higher risk that asset valuations contain material misstatements.
Pensions valuations and disclosures	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.
Implementation of new accounting standards	Inherent risk	New area of focus	The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Overview of our 2018/19 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Norfolk County Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

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

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
Misstatements due to fraud or error	The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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. As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. These are set out on pages 10 and 11.	▸ Identifying fraud risks during the planning stages. ▸ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▸ Understanding the oversight given by those charged with governance of management's processes over fraud. ▸ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▸ Determining an appropriate strategy to address those identified risks of fraud. ▸ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Our response to significant risks (continued)

Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement'.

Financial statement impact

We have identified a risk of misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to accounting adjustments made in the movement in reserves statement and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:
- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Capital Grants
- Depreciation, impairments and revaluation losses
- Minimum revenue provision

What will we do?

Our approach will focus on:

- Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the secretary of state;
- Reconciling entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants; and
- Reviewing the Council's policy and application of the 'Minimum Revenue Provision'.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Pensions valuations and disclosures The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund. Accounting for this scheme involves significant estimation and judgement. 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.	We will: ▸ Liaise with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council; ▸ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

03 Value for Money Risks

Value for Money Risks

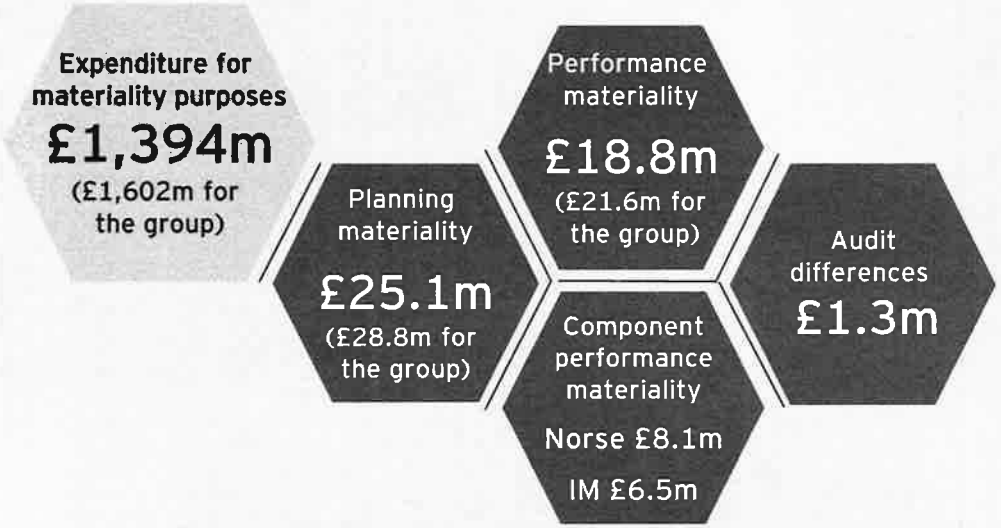
What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Sustainable resource deployment: Achievement of savings needed over the medium term	To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, substantial savings are required over the period 2018 to 2022 to balance the budget: • 2018/19 = £29.999 million (identified savings) • 2019/20 = £50.322 million (identified savings + budget gap) • 2020/21 = £82.503 million (identified savings + budget gap) • 2021/22 = £10.400 million (identified savings + budget gap) (Source: Norfolk County Council Budget Book 2018-22) The most recent financial forecast (Period 6 figures) for the year ended 31 March 2019 projects an overspend of £4.496 million. (Source: Norfolk County Council P&R agenda and reports 28th November 2018) It is clear that the Council 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. Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls.	We will: ▸ Assess the adequacy of the Council's budget monitoring process, comparing budget to outturn; ▸ Consider the robustness of any key assumptions used in medium term planning; ▸ Consider the Council's approach to prioritising resources whilst maintaining services; and ▸ Consider the adequacy of savings plans in place and the historic achievement of these.

Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £25.1 million (£28.8 million for the group). This represents 1.8% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure. In the prior year we applied a threshold of 2%, meaning that materiality was set as £28.2 million. Although the Council is a major local audit based on its size, we have considered its overall risk profile and public interest in comparison to other Council's, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. We also consider 1.8% is appropriate on the grounds that the Council has significant reserves and our prior year work had not identified any significant matters in relation to the budget setting, including the assumptions used in the financial planning. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £18.8 million (£21.6 million for the group) which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes in 2018/19 when determining the percentage of planning materiality.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. Assigned performance materiality is £8.1 million for Norse and £6.5 million for Independence Matters (IM).

Audit difference threshold – we propose that misstatements identified below £1.3 million for the Council and group are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality – We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

- Fire Pension Scheme – We have adopted a smaller materiality of 1.8% of benefits payable to reflect the differing nature of the pension fund. We have applied a materiality of £160,848 with a reporting threshold for audit differences of £8,936.
- Remuneration disclosures, related party transactions and councillor 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.

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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

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

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts was brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include changes to the finance team, co-ordination of closedown arrangements across Council departments and preparing Group financial accounts.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period;
- timely and complete provision of assurances from the component auditor (PwC for Norse); and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate;
- Provide an early review on any streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2018/19 financial year;
- Work with the Council to further embed the use of EY Client Portal to securely manage audit requests;
- Agree the team and timing of each element of our work with you; and
- Agree the supporting working papers that we require to complete our audit.

Scoping the group audit (continued)

Coverage of Revenue/Profit before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's expenditure and group's revenue.

Expenditure 19% of the group's expenditure will be covered by full scope and review scope audits, with the remainder covered by the single entity's audit.

Revenue 13% of the group's revenue will be covered by full scope and review scope audits, with the remainder covered by the single entity's audit.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

The NORSE Group will be audited by PwC, a non-EY member firm, who will confirm their independence via our group instructions.

Independence Matters is audited by EY.

Key changes in scope from last year

There have been no changes in scope from last year. Norse remains a significant component, categorised as full scope, and Independence Matters a non-significant component, categorised as review scope.

Group audit team involvement in Norse component audit

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

Details of review scope procedures for Independence Matters (IM)

In order to provide us a reasonable assurance over IM, we will carry out analytical review procedures and seek management representation.

Audit team

The engagement team is led by Mark Hodgson, who has significant experience of the Norfolk County Council audit and leads our Government & Public Sector team across East Anglia. Mark is supported by David Riglar, Senior Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant. The day to day audit team will be led by Gavin Savage, Senior. This team remains consistent from the prior years audit.

Specialists

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

Area	Specialists
Valuation of Land and Buildings	Norfolk Property Services (Council's property valuer). We will also consider any valuation aspects that require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to the NAO) and Hymans Robertson (Council's Actuary).
Financial instrument fair value disclosures	Capita (Council's treasury management adviser)

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

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

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

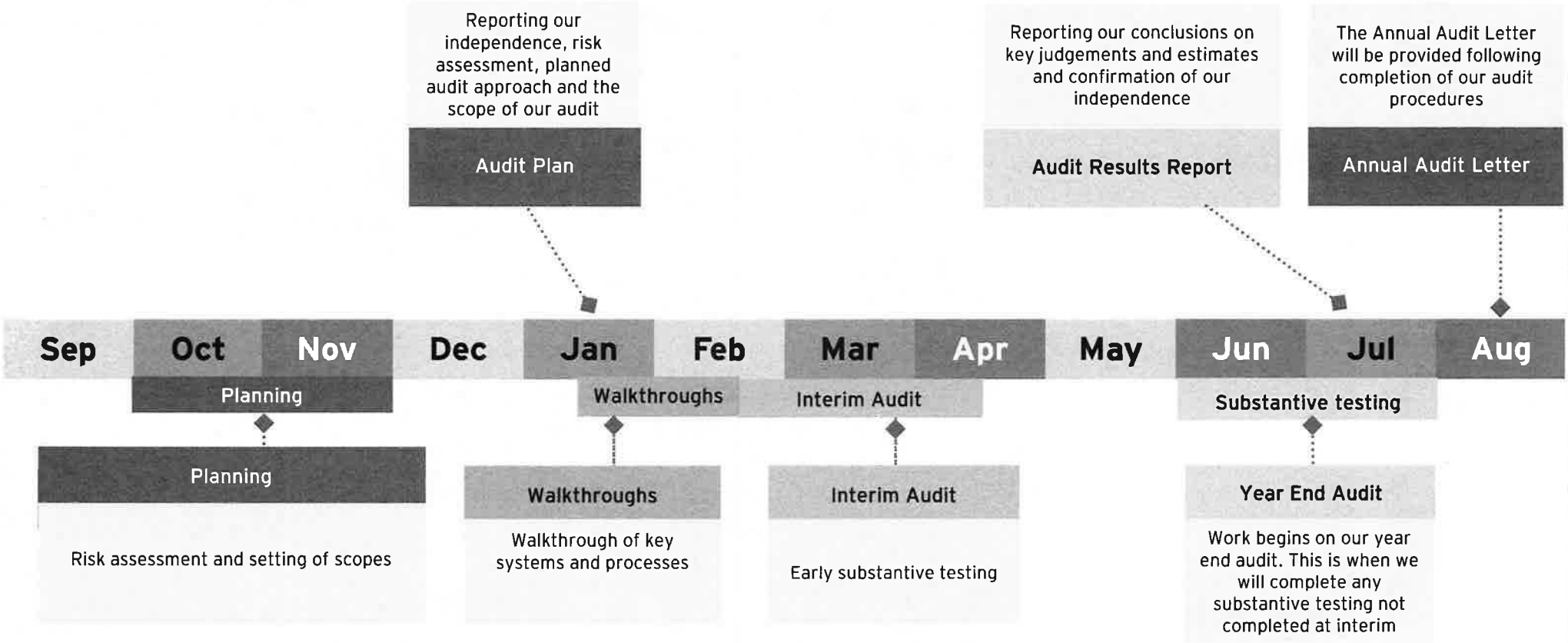
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence. ▸ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Written confirmation that all covered persons are independent; ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Description of service	Related independence threat	Period provided	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the: • Teacher's Pension return for 2017/18 at the request of the Council. The agreed upon procedures on the certification arrangements are not yet complete. Our fee range for this work is £7,500 - £8,500.	Self review threat - figures included in the return are also included in the 2017/18 financial statements.	Relates to 2017/18 return for the period to 31 March 2018.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the procedures are being performed after the signing of the financial statements for 2017/18 The procedures focus on the specific requirements of the certification arrangements and no reliance is placed on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

43

Other communications

EY Transparency Report 2018

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

http://https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018

Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee – Code work	**98,361*** **	**98,361**	127,742
Total audit	**98,361**	**98,361**	127,742
Other services not covered above (Teachers Pensions etc., see below.)	**	-	8,500**
Total other non-audit services	**	-	8,500
Total fees	**98,361**	**98,361**	136,242

All fees exclude VAT

* Our 2017/18 final fee included additional sums of:

- £3,909 for additional work to review the Council's revised Minimum Revenue Provision policy. As reported in the *Audit Risks* section, additional work will also be performed in 2018/19;
- £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; and
- £1,268 for audit work on the change to the Social Services financial system.

** As set out in the *Independence* section above, we are completing procedures for the Teachers' Pension return for 2017/18. We have not yet been engaged to undertake this work for 2018/19 but will provide an update on this as required.

*** Our planning work has identified that additional work will be required on the Minimum Revenue Provision and implementation of new financial standards. The extent of this work will be agreed with officers.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

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

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

Appendix B

Required communications with the Audit Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report - July 2019
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report - July 2019
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report - July 2019
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - July 2019

Appendix B

Required communications with the Audit Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - July 2019
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit Results Report - July 2019
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - July 2019
Group audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Plan - January 2019 Audit Results Report - July 2019

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, that Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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

Norfolk Pension Fund
Audit Plan

Year ended 31 March 2019

21 January 2018

EY
Building a better working world

Contents

01 Overview of our 2017/18 audit strategy

02 Audit risks

03 Audit materiality

04 Scope of our audit

05 Audit team

06 Audit timeline

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of the Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	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.
Investment income and assets - Investment Journals	Fraud risk	No change in risk or focus, but shown separately	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely are is to affect investment income and assets in the year, specifically through journal postings.
Valuation of complex investments (Unquoted investments)	Other financial statement risk	No change in risk or focus	The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments. Key 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. 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 proportion of the fund comprising of these investment types is around 17% in 2017/18, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.

02 Audit risks

Our response to significant risks (continued)

	What is the risk?	What will we do?
Investment income and asset valuations - Investment Journals*	We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement. We have identified the main area being; ➢ Investment income and asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.	Our approach will focus on: ➢ Test journals at year-end to ensure there are no unexpected or unusual postings; ➢ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences; ➢ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers; ➢ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; ➢ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

03 Audit materiality

04 Scope of our audit

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls;
- Substantive tests of detail of transactions and amounts; and
- Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

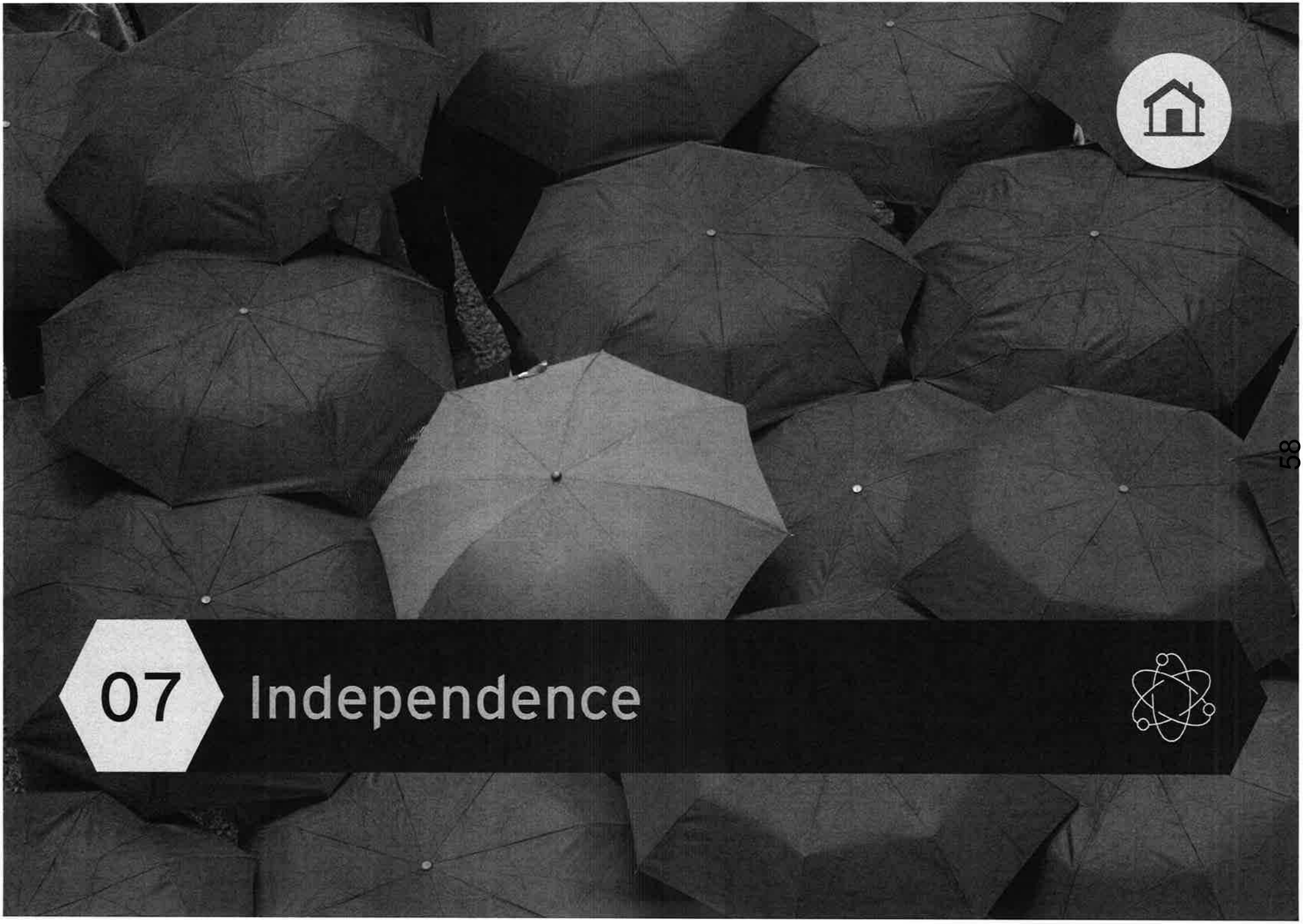
As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

Audit team

Audit team structure:

The Engagement Team remains the same from the previous years audit. The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their Pension Fund audits. Mark Hodgson is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

06 Audit timeline



07 Independence

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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

09 Appendices

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - January 2019
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - July 2019

Appendix B

Required communications with the Audit, Governance and Standards Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence	Audit Plan - January 2019
	Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Results Report - July 2019
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - July 2019
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit, Governance and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Governance and Standards Committee may be aware of	Audit Results Report - July 2019
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - July 2019

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Public Sector Audit Appointments

2018/19 audit fee scale

Opted-in local government and police bodies

March 2018

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In 2015 the Secretary of State for Communities and Local Government delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company is responsible under transitional arrangements for appointing auditors to local government and police bodies and for setting audit fees.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

From 2018/19, PSAA is responsible for appointing an auditor and setting scale fees for relevant principal authorities that have chosen to opt into its national scheme.

Contents

Introduction 2

Background 2

2018/19 scale fees 2

Scale fees beyond 2018/19 3

Distribution of surplus 3

Enquiries 3

2018/19 work programme 4

Scope of audit 4

Other auditor responsibilities 4

Audit quality 5

National report 5

2018/19 fee scale 6

Fee variations 6

Value added tax 6

Introduction

1 This document sets out the scale of fees for the audit work to be undertaken by appointed auditors in respect of the 2018/19 financial statements at relevant principal authorities that have opted into Public Sector Audit Appointments' (PSAA) national auditor appointment arrangements.

2 The Local Audit (Appointing Person) Regulations 2015 (the Regulations) require PSAA to consult on and specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.

3 Audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

4 The statement of responsibilities of auditors and audited bodies applies to the work covered by the fee scale set out in this document. The statement effectively represents the terms of engagement between appointed auditors and audited bodies, and summarises their respective responsibilities.

Background

5 PSAA is specified under the Local Audit and Accountability Act 2014 (the 2014 Act) and the Regulations as the appointing person for principal local government bodies in England, including local police bodies.

6 PSAA's responsibilities as an appointing person include appointing auditors to opted-in bodies, setting fees, and monitoring the quality of auditors' work provided under our contracts with audit firms. More information about PSAA is available on our website.

7 During 2017, PSAA made auditor appointments for the five years of the current appointing period, covering the audits of the financial statements of opted-in bodies for 2018/19 to 2022/23. A list of opted-in bodies and the audit firm PSAA has appointed as the auditor is available on the auditor appointments page of our website.

2018/19 scale fees

8 PSAA has set the fee scale for 2018/19 on the basis that individual scale fees for all opted-in bodies are the fees applicable for 2017/18 with a reduction of 23 per cent. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular opted-in body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

9 The fee reduction for 2018/19 follows the significant reductions in scale fees made by the Audit Commission between 2012/13 and 2015/16. In part those reductions were possible as a result of a significant reduction in the staffing and activities of the Audit Commission as it prepared for closure.

10 We received 32 responses to our consultation on the 2018/19 fee scale, with opted-in bodies in particular expressing support for our proposals. We have published a summary of the consultation on our website.

11 Individual 2018/19 scale fees for opted-in bodies and further information on fees is available on the 2018/19 scale of fees page of our website.

Scale fees beyond 2018/19

12 PSAA hopes to be able to maintain the 2018/19 reduction of 23 per cent in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work auditors are required to undertake. However, the uncertainties are such that we cannot guarantee this at this stage.

13 We will review the position each year when we update our assumptions and estimates. The most significant variables which are likely to influence our decision-making are:

- **Inflation**: there is uncertainty about the expected level of inflation but a generally rising trend. Our contracts with audit firms include provision for inflation adjustments in the later years of the appointing period.
- **Code of Audit Practice**: the NAO is required to publish a new Code every five years. The next Code will be applicable from 2020/21, the third year of the appointing period. Any changes to the scope of auditors' work, whether this increases or decreases the work required, must be reflected in scale fees.
- **Changes in financial reporting requirements**: current scale fees reflect the audit work needed based on current financial reporting requirements. Changes to those requirements may have an impact on scale fees.

14 During the appointing period we will consult on scale fees each year, before publishing the fee scale for the following year.

15 Scale fees must cover both the cost of auditors' work at individual opted-in bodies and PSAA's own costs. PSAA is undertaking a review of its own costs and staffing structure and implementing changes that will reduce significantly the company's cost base for the appointing period.

Distribution of surplus

16 PSAA operates on a not-for-profit basis. Any surplus arising from the scale fees set following consultation will be distributed to opted-in bodies during the appointing period.

17 By March 2019, we expect all audits undertaken under the transitional arrangements (the arrangements made by the Secretary of State on the closure of the Audit Commission for audits of financial periods up to and including 2017/18) to be completed. The PSAA Board therefore anticipates making a final distribution of surplus in relation to the transitional period during the financial year 2019/20.

Enquiries

18 If you have questions about this fee scale document, please send them to us by email to: workandfeesconsultation@psaa.co.uk.

2018/19 work programme

19 Under the provisions of the 2014 Act, the NAO is responsible for publishing the statutory Code of Audit Practice (the Code) for auditors of local public bodies. Further information on the Code and supporting guidance is available on the NAO website.

20 Audits of the accounts for 2018/19 will be undertaken under the Code published in April 2015, on the basis of the fee scale fee set out in this document.

21 PSAA has set the 2018/19 fee scale with the expectation that there will be no significant changes in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for 2018/19 audits.

Scope of audit

22 The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

23 Auditors are required to use judgement to design an audit approach that meets their statutory responsibilities under the Code and the 2014 Act. The Code requires auditors to carry out their work in compliance with the requirements of the relevant professional standards issued by the Financial Reporting Council and relevant quality control standards.

24 The Code requires that the auditor's work should be risk-based and proportionate. Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

25 The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

Other auditor responsibilities

26 Under the 2014 Act the auditor has powers in addition to the responsibilities in relation to an authority's financial statements and arrangements to secure value for money. These additional responsibilities and duties broadly relate to giving electors the opportunity to raise questions about the accounts, and considering and deciding on objections received in relation to the accounts. The fee scale set out in this document does not cover work on objections, for which additional fees are chargeable.

27 Auditors have no responsibility under the 2014 Act for certifying claims or returns for grant paying government departments. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed. PSAA has no powers to make certification arrangements from 2018/19, and its audit contracts do not cover certification work.

Audit quality

28 PSAA is very aware of the need to maintain and, where possible, strive for improvements in audit quality. Our responsibilities in this area are emphasised in the contracts we have entered into with audit firms.

29 We are developing new arrangements for monitoring and reporting on audit quality, based on the International Auditing and Assurance Standards Board Framework for Audit Quality. We will publish regular reports on the managing audit contracts page of our website. The company is also establishing the Local Audit Quality Forum, which will place particular emphasis on supporting the effectiveness of local audit committees.

30 Under the provisions of the 2014 Act, the Financial Reporting Council and the recognised supervisory bodies have regulatory responsibility for the quality of audit work produced by audit firms.

National report

31 PSAA will publish a report in 2019 summarising the results of auditors' 2018/19 work on the financial statements and arrangements to secure value for money.

2018/19 fee scale

32 The Regulations require PSAA to specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.

33 The scale of fees for 2018/19 reflects the cost of the expected work programme based on the requirements of the Code of Audit Practice, and is based on the scale fees applicable for 2017/18 with a reduction of 23 per cent. The 2017/18 scale fees represent the most accurate reflection available of the auditor's assessment of audit risk and complexity to complete an audit compliant with the Code of Audit Practice for each opted-in audited body.

34 The scale fee for each opted-in local government and police audited body is available on our website. Paragraphs 35 to 39 below explain the arrangements that apply to the variation of fees in certain circumstances.

Fee variations

35 PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee. Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

36 Where it becomes clear that audit risk or complexity are significantly different from the level identified and reflected in the 2017/18 scale fee, the auditor may request a variation to the scale fee for 2018/19. We would expect such requests to arise only where risk and/or complexity are significantly different from assumptions reflected in the 2017/18 scale fee.

37 Variation requests must be made to PSAA by the auditor using a standard process and cannot be invoiced to an audited body by the auditor until they have been approved by PSAA.

38 PSAA obtains updated fee information, and explanations for any proposed variations from the scale fee, from appointed auditors on a regular basis. We consider the reasonableness of the explanations provided by auditors, and require the auditor to confirm that they have had an appropriate discussion about the reasons for the additional fee with the audited body before we finalise our decision on any variation to the scale fee.

39 PSAA will charge fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Value added tax

40 All the 2018/19 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Audit Committee

Item No.

Report title:	**Counter Fraud, Bribery and Corruption (and Whistleblowing) Audit Committee Progress Report**
Date of meeting:	**31st January 2019**
Responsible Chief Officer:	**Chief Legal Officer**

Strategic impact

It is the role of the Audit Committee to have oversight of the effectiveness of the anti-fraud and corruption and whistleblowing arrangements of the Council including the strategy, policies and any associated guidance.

Executive summary

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy and Activity Plan 2017-2018 was approved by the Audit Committee on 21 September 2017.

Appendix A of this report provides and update in respect of the counter fraud activity undertaken by NAS during the current financial year.

Key messages are that:

- A new Counter Fraud Hub has been agreed between the Norfolk Local Authorities that will assist with the detection of fraud and error in areas such as Council Tax Reduction Schemes, Business Rates, Adult Social Care and Mortality Fraud

- A new whistleblowing policy has been developed and agreed to meet national standards and best practice

- A working group has been established with the aim of ensuring that conflicts of interest and gifts and hospitality are robustly managed throughout the Council

- A survey has been developed and promoted to test staff awareness on fraud related matters within the Council and further promote the Council's Fraud, Bribery and Corruption e-learning

Recommendations:

Committee Members are asked to consider and agree the Anti-Fraud, Bribery and Corruption and Whistleblowing Audit Committee Progress Report (**Appendix A**), the key messages, that the progress is satisfactory, and arrangements are effective.

1. Introduction

Anti-Fraud, Bribery and Corruption and Whistleblowing Progress Report

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy and Activity Plan continues to direct the proactive anti-fraud work undertaken by NAS.

Following production of the anti-fraud annual report (2017-2018) in July 2018; the report at **Appendix A** provides and update in respect of the significant pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the current financial year.

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section 4 of the report. A Whistleblowing Activity Plan is being prepared and will be reported to a future committee.

The CIPFA Fraud and Corruption tracker summary report 2018 is attached at **Appendix B** for reference.

2. Financial Implications

There are no additional financial implications.

3. Issues, Risks and Innovation

Financial Risks – The risk of loss to public funds because of fraudulent activity occurring within, or external to the Council.

Reputational Risks – The risk of reputational damage because of fraudulent activity occurring within, or external to the Council.

4. Background information

Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all NCC's services. The aim is to protect the public purse, NCC, its staff and its service users from corrupt activities that would undermine NCC's aims and objectives of meeting public service requirements.

The NAS Anti-Fraud, Bribery and Corruption Strategy and activity plan sets out and provides information on NCC's response to the document **'Fighting Fraud and Corruption Locally (FFCL)**, The local government counter fraud and corruption strategy 2016 – 2019'.

To support NAS in implementing appropriate measures, a suite of anti-crime goals has been developed (that encompass the FFCL strategy) in the following areas:

Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.

Prevent: preventing and detecting more fraud by making better use of information

and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue: punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

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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communication for all

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Norfolk County Council

APPENDIX A

NAS Anti-Fraud, Bribery and Corruption Audit Committee Progress Report (Including Whistleblowing)

Date	31 December 2018

1. Introduction

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy and Activity Plan continues to direct the proactive anti-fraud work undertaken by NAS.

Following production of the anti-fraud annual report (2017-2018) in July 2018; this report provides and update in respect of the significant pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the current year.

Furthermore, an update in respect of the Councils Whistleblowing provision can be found in section 4 of this report.

1. Headline Information

- **A new Counter Fraud Hub has been agreed between the Norfolk Local Authorities that will assist with the detection of fraud and error in areas such as Council Tax Reduction Schemes, Business Rates, Adult Social Care and Mortality Fraud**

- **A new whistleblowing policy has been developed and agreed to meet national standards and best practice**

- **A working group has been established with the aim of ensuring that conflicts of interest and gifts and hospitality are robustly managed throughout the Council**

- **A survey has been developed and is being promoted to test staff awareness on fraud related matters within the Council and further promote the Council's Fraud, Bribery and Corruption e-learning**

Further details of all the activity undertaken during the period can be found in section 2 below.

2. Proactive Work Summary

The table below provides a summary of activities that have been completed during the reporting period. These follow the agreed plan of activity.

	Activity
1.	The Councils whistleblowing policy has been updated and was approved by the Policy and Resources Committee on 26 November 2018. A link to the committee report can be found here. (see page 194) Updates to the policy included: • A single combined policy and procedure for all those associated with the council to be aware of • Clear definitions relating to the legal protection available for whistle-blowers and the council's stance • Clear reporting lines to ensure that concerns can be reported freely and without fear of repercussion • Defined roles and responsibilities • Recognition of national organisations such as protect (formally public concern at work) and alignment with their recommendations • A new email address and updated whistleblowing hotline created for reporting concerns. Work is currently ongoing to promote the new policy including an awareness campaign which has been developed with the assistance of Human Resources. Further details of whistleblowing disclosures and activity can be found in section 4. of this report.
2.	In October 2017 CIPFA made a presentation to the Council's Digital Innovation and Efficiency Committee relating to the potential for a Norfolk Counter Fraud Hub. It was proposed that the county and district councils form a group and share data to identify potential financial crime using technology provided by BAE Systems. Although expensive the benefits of such a system were understood. The potential frauds that the technology was able to identify was: • Council Tax Reduction Scheme (CTRS) Fraud • Housing Tenancy Fraud • Business Rates Fraud Significant progress has now been made in this area and a cost-effective solution has been identified via the Fraud Hub provided the Cabinet Offices National Initiative Fraud Hub. More details about NFI applications can be

	Activity
	found at NFI at this link and **NFIMatters** Negotiations are currently taking place in respect of initiating the hub and further details will be provided to the Audit Committee once the Hub is active.
3.	During the financial year an increasing number of incidents have been identified whereby fraudsters have attempted to use NCC bank account details for direct debit instruction. The fraud involves using the account details to set up DD's for items such a vehicle licenses through the DVLA and then claiming a refund by cheque, thus inflicting a financial loss on NCC. the fraud is possible due to account details being published so that service users can make payments to the Council. Due to banking procedures (such as refunds) it is not possible to prevent DD's altogether. To mitigate this risk, we have been working with the Banking and Treasury Officer and the following procedures have been implemented: • No direct debit requests will be automatically agreed • The bank will report all requests to the Council who will review the request and take the appropriate action • Any fraudulent request will be recorded and where necessary reported to the correct organisation. We will continue the monitor the volume of requests which is expected to decline with the new procedures in place.
4.	Following a recent audit, a working group has been established with the aim of ensuring that conflicts of interest and gifts and hospitality are robustly managed throughout the Council. The group has identified new ways of working to mitigate and monitor this area of risk including: • Proactively seeking declarations using a risk-based methodology. • Requiring staff groups to acknowledge awareness of related policies and procedures • Completing eLearning • Raising awareness through NCC media outputs The group work is ongoing, and it is intended the new initiatives will be implemented by the next financial year.
5.	The IA has met/liaised with the following departments/personnel throughout NCC to discuss fraud, bribery and corruption issues during the period: • Educator Solutions (ES) HR Business Partners. • Lead HR Business Partners.

	Activity
	• NP Law Solicitors. • Head of Operations, Integrated Care (West Locality). • Head of Procurement. • Client Services Exchequer Manager. • Director for Public Health • Banking and Treasury department • Adult Social Care leads The purpose of these meetings was to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.
6.	A new fraud and bribery eLearning course was launched in March 2018. The course was designed to provide basic fraud and bribery awareness and promote the reporting lines for concerns to be raised in accordance with the councils Anti-Fraud, Bribery and Corruption policy. To date 447 staff have completed the course and we continue to promote the course through surveys, discussions with departments and publications such as Norfolk Manager. The eLearning has also been agreed to be rolled out as part of the work being completed under conflicts of interest (see section 4 above).
7.	We have joined the Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards. NASP is a partnership of organisations committed to taking a stand against scams and aims to make Norfolk a scam free county. Being scammed or targeted by fraud can have a devastating impact on some of the most vulnerable people in Norfolk and we will be raising scam awareness in Norfolk schools as part of this collaboration. Work is currently ongoing to agree a charter and once complete awareness materials will be circulated to Schools via Schools Finance on a regular basis as part of our commitment to the partnership. Further information about NASP can be found on their website: https://www.norfolk.gov.uk/business/trading-standards/scams/norfolk-against-scams-partnership
8.	Proactive liaison has been completed with the Client Services Exchequer Manager to discuss internal fraud risks relating to Direct Payments made by the Council for Adult Social Care.

	Activity
	Several new processes and initiatives have been agreed including enhanced pre-employment screening and the potential for data analytics to enhance internal controls and identify outliers. The IA will continue to monitor this risk, assist with evaluating new systems along with NAS Auditors and report any significant findings to the Audit Committee.
9.	The IA continues to liaise with the fraud teams at Broadland District, South Norfolk Council and Kings Lynn & West Norfolk Council. The purpose of the liaison is to promote joint working and identify areas of local and national risk that have impact across the county. Some of the themes discussed include: • Provision of a county wide fraud hub • National initiatives • Mitigation of fraud risks
10.	We have provided articles for the inclusion in the Councils internal communication; Norfolk Manager. The articles covered the following topics: • The national picture relating to fraud risk. • Prosecutions at other Councils. • Training videos on fraud prevention techniques • Management responsibility for tackling fraud and bribery concerns. • The national fraud initiative. By providing articles of this nature it is intended that managers have a better understanding of the risks that are associated within the topic areas so appropriate measures can be applied to mitigate the risk of fraud and bribery from occurring.
11.	We have work with departments to complete and submit the required data submission for the National Fraud Initiative 2018/2019. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The data provided by NCC includes areas such as payroll records, creditors records, pension records, direct payment records and other data. The NFI will match the data provided against data from other organisation and release the results of this to NCC in January/February 2019.

	Activity
	Any significant findings will be reported to the Audit Committee and/or considered for further investigation.
12.	We were requested to assist an external organisation who provide children's services with assistance and an investigatory review of systems and functions during April and May 2018. As a result of our work, the organisation was able to take specific action in relation to our findings. We will continue to work with external organisation when required to assist with matters of expertise.
13.	In May 2018 the Chartered Institute of Public Finance and Accountancy (CIPFA) launched the fourth Counter Fraud and Corruption tracker (CFaCT). The results of the national survey were released by CIPFA in October 2018 and revealed the following: • The total estimated value of fraud detected or prevented by local authorities in 2017/18 is £302m, £34m less than last year's total. • The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18. • The number of frauds detected or prevented has risen to 80,000 from the 75,000 cases found in 2016/17. • The number of serious or organised crime cases doubled to 56 in 2017/18. • The amount lost to business rates fraud increased significantly to £10.4m in 2017/18 from £4.3m in 2016/17. • Blue Badge fraud also increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18. • For 2017/18, the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care. • For 2017/18, the four main types of fraud (by volume) that affect local authorities are council tax, housing, Blue Badge fraud and business rates. The outcomes of the survey will inform future counter fraud activity and an antifraud audit topic is currently in progress around pre-contract procurement. CIPFA Recommends that: • Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Their survey showed this to be one of the prime risk areas and

	Activity
	practitioners believe this fraud to be widely underreported • Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results • All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams and practitioners should be supported in presenting business cases to resource their work effectively • Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement • The importance of the work of the fraud team should be built into both internal and external communications plans. Councils can improve their budget position and reputations by having a zero tolerance approach. A full copy of the report has been provided at **Appendix B** for the information of the Audit Committee.
14.	The following policies are currently under review to assess their provisions for fraud resilience: • Code of Conduct and Behaviour Policy Comparative work against other local government organisations is being completed to identify areas for improvement and best practice. It is intended that this work will inform a wider review intended to strengthen the Councils position for the investigation financial anomalies.
15.	The Investigative Auditor (IA) has attended the following training events: IIA: Internal Audit Course ACAS: Conducting Investigations Course. The purpose of this training was to gain awareness of internal audit and internal disciplinary processes to and encourage ways of working together.

3. Looking Ahead

The table below provides the Audit committee with the proactive Counter Fraud work scheduled to occur for the remainder of the financial year.

Due to reactive investigation priorities and available resource it may not be possible to complete all the stated tasks during the period.

Activity	Quarter 4 2018/19
Reviews and investigation of matches following the release of NFI data.	•
Roll out of the upcoming whistleblowing campaign	•
A review of the 2018 Fraud Survey results including planning for any proactive activity to raise awareness required as a result	•
Furtherance of the NFI fraud hub and associated needs such as investigation provision.	•
Completion of actions as part of ongoing conflict of interest review including eLearning.	•
Attendance at the Local Government Anti-Fraud Conference 2019	•
Production of the Anti-Fraud, Bribery and Corruption Annual Report 2018-19	•

4. The Effectiveness of the Whistleblowing Policy - Update

The Chief Legal Officer and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blowers from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

Norfolk Audit Service is responsible for receiving and progressing all disclosures made to the Council under the NCC Whistleblowing Policy.

Over the course of the financial year we have been active in raising awareness for the whistleblowing processes and procedures in place at the Council. This has included an article in Norfolk manager in November and December 2018. Because of this activity, a marked increase in the number of referrals made to NAS can be seen (from 5 in 2017/18 to 13 during the current year). The reason for this increase is understood to be the enhanced understanding for reporting matters so that they are recorded effectively. This is seen as a positive step in understanding matters that affect workers and service users alike.

A summary of the Whistleblowing cases received can be found below:

WB Cases received 2018 to date	Cases closed	Total cases on-going
13	5	8

The types of referrals received vary greatly however, the top recurring themes are as follows;

(a) Care Providers and duty of care
(b) Bullying and Harassment
(c) Fraud & Corruption and use of public funds

The role of Norfolk Audit Service in dealing with Whistleblowing complaints is to assess to the disclosures and ensure these matters are addressed by either investigating the matter where it relates to fraud and corruption or; forwarding to the correct department for review and investigation by that department if appropriate.

We also liaise with Whistleblowers as an independent point of contact to ensure segregation of duties and that matters have been resolved to their satisfaction.

Where a whistleblowing referral is received we will inform the appropriate Executive Director of the referral to ensure the matters are addressed effectively.

Lessons learned from whistleblowing cases are reported. Periodic and an annual report on Whistleblowing will be reported to the Policy and Resources Committee.

During the next quarter the risk assessment of an employee suffering a detriment will be considered so that appropriate mitigations can be put in place and monitored. Research has identified there can be a number of contributing factors that can be considered.
Additional resources have been identified for January 2019 to assist with progressing cases and the development of the function.

5. Reactive Investigation Update

The below tables provide a summary of the fraud cases investigated during the current financial year.

The "**Fraud Detected**" column represents cases that resulted in either a sanction or other corrective action to mitigate the risk of reoccurrence:

Cases brought from 2017/2018	Total referrals received 2018/2019 to date	Cases closed - Fraud Detected	Cases closed – No Further action	Total cases on-going

2	6 (instances of referrals for bank direct debit fraud have been recorded as 1, see section 2 (item 3) for further details)	3	3	2

From the referrals received:

- 1 case related to Norfolk Schools
- 2 cases related to adult social care
- 1 case related to a private company within the supply chain.
- 4 cases related to internal matters

A summary of any financial loss and/or any recovery action will be provided in the 2018-2019 Anti-Fraud, Bribery and Corruption annual report at the end of the financial year.

Contact

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

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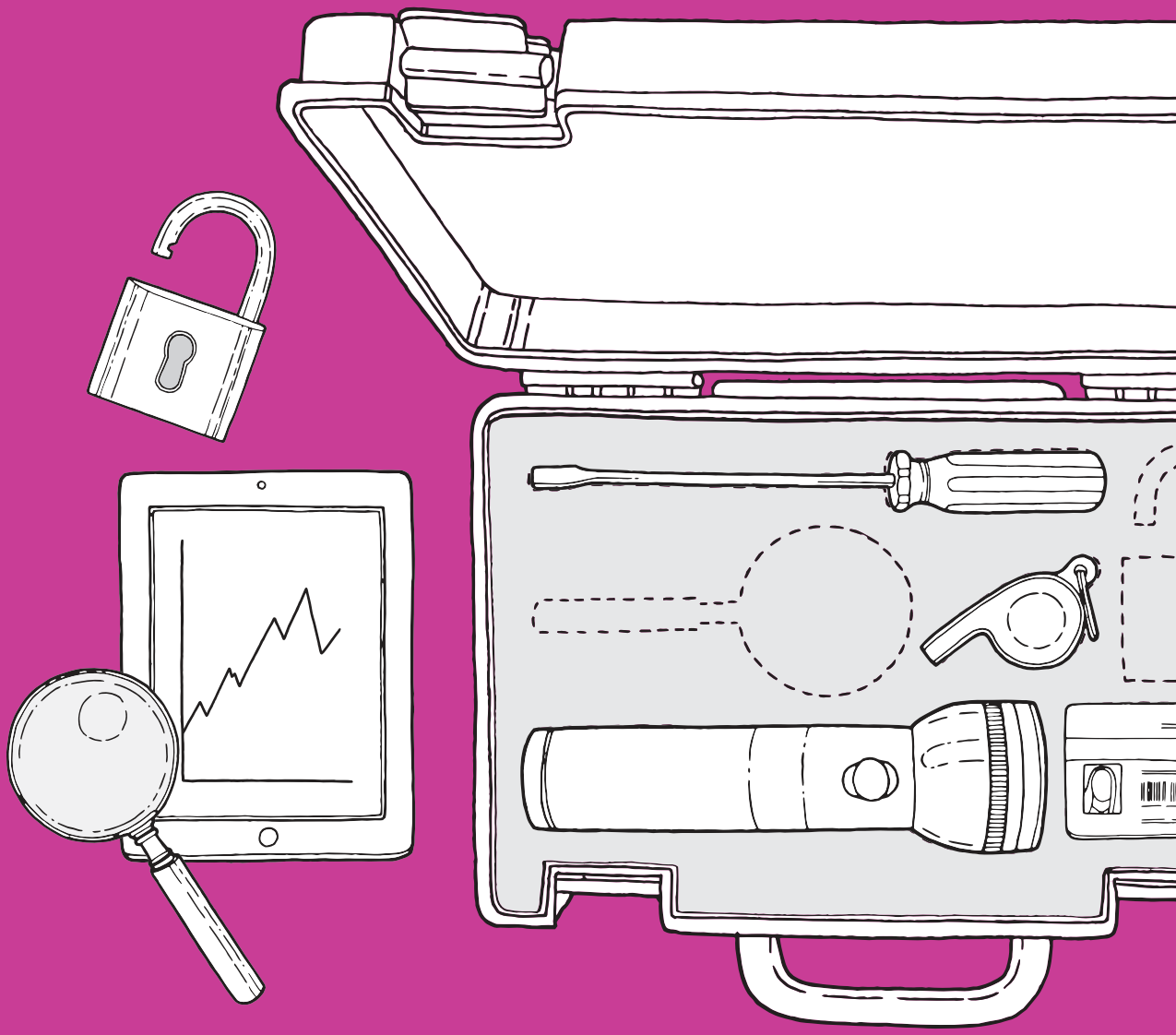
CIPFA The Chartered Institute of Public Finance & Accountancy

fraud and corruption tracker

Summary Report 2018



CIPFA COUNTER FRAUD CENTRE

Contents

3 Foreword

5 Introduction

6 Executive summary

8 Main types of fraud
- Council tax
- Housing and tenancy
- Disabled parking (Blue Badge)
- Business rates

11 Other types of fraud
- Adult social care
- Insurance
- Procurement
- Welfare assistance and no recourse to public funds
- Economic and voluntary sector support (grant fraud) and debt
- Payroll, expenses, recruitment and pension
- Manipulation of data (financial or non-financial) and mandate fraud

14 Serious and organised crime

14 Whistleblowing

15 Resources and structure

15 Sanctions

16 Fighting Fraud and Corruption Locally

17 CIPFA recommends

18 Appendix 1: Fraud types and estimated value/volume

19 Appendix 2: Methodology

20 Appendix 3: Glossary

Foreword

As guardians of public resources, it is the obligation of every public sector organisation in the UK to fight fraud and corruption. Taking effective measures in counter fraud amounts to much more than simply saving money, as illegitimate activities can undermine the public trust, the very social licence, which is essential to the ability of organisations to operate effectively.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey aims to help organisations, and the public at large, better understand the volume and type of fraudulent activity in the UK and the actions which are being taken to combat it.

With support from the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), these insights reflect the current concerns of fraud practitioners from local authorities in a bid to create a focus on trends and emerging risks.

Key findings this year, such as the continued perception of procurement as the area at most susceptible to fraud, and the growing cost of business rates fraud, should help councils allocate resources appropriately to counter such activity.

For this reason, the 2018 CFaCT survey should be essential reading for all local authorities as part of their ongoing risk management activity. It provides a clear picture of the fraud landscape today for elected members, the executive and the professionals responsible for countering fraud, helping their organisations benchmark their activities against counterparts in the wider public sector.

When councils take effective counter fraud measures they are rebuilding public trust, and ensuring our increasingly scarce funds are being used effectively to deliver services.

Rob Whiteman
Chief Executive, CIPFA

The survey was supported by:

The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer training and a range of products and services to help organisations detect, prevent and recover fraud losses.

We lead on the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally, and were named in the government's Anti-Corruption Plan (2014) as having a key role to play in combatting corruption, both within the UK and abroad.

Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies/best practices, including:

- Local Government Association
- Solace
- Home Office
- The Fighting Fraud and Corruption Locally board
- Salford City Council
- Sandwell Council

Introduction

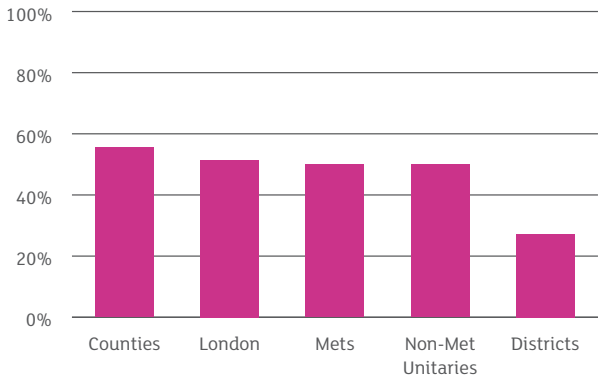
CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

In May 2018, CIPFA conducted its fourth annual CFaCT survey, drawing on the experiences of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. This survey aims to create a national picture of the amount, and types of fraud carried out against local authorities.

The results were received from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

Response rate



This report highlights the following:

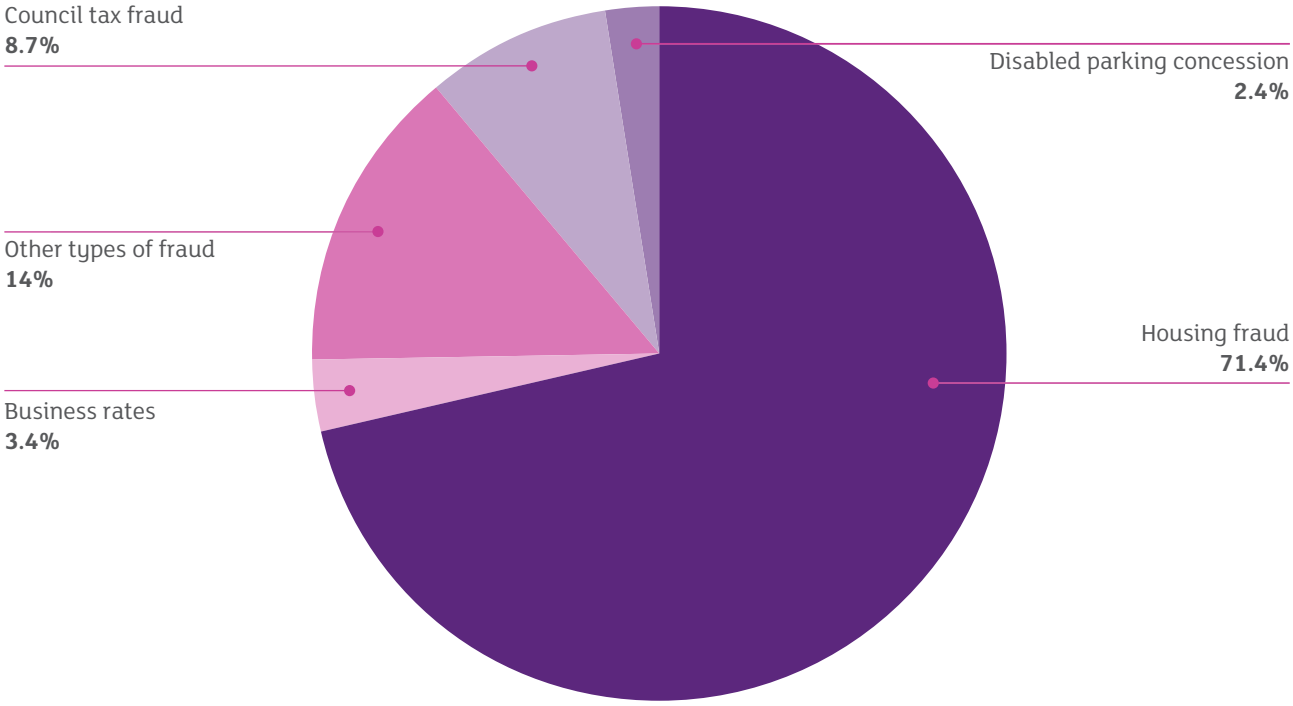
- the types of fraud identified in the 2017/18 CFaCT survey
- the value of fraud prevented and detected in 2017/18
- how to improve the public sector budget through counter fraud and prevention activities
- how the fraud and corruption landscape is changing including emerging risks and threats.

Executive summary

CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

Respondents report that approximately 80,000 frauds had been detected or prevented in 2017/18, which is a slight increase from just over 75,000 frauds in 2016/17. The number of serious and organised crime cases, however, has doubled since 2016/17. This increase may suggest that fraud attacks are becoming more complex and sophisticated due to fraud teams becoming more effective at prevention. Alternatively, fraud teams may have developed a more effective approach for detecting or preventing such frauds.

Estimated value of fraud detected/prevented

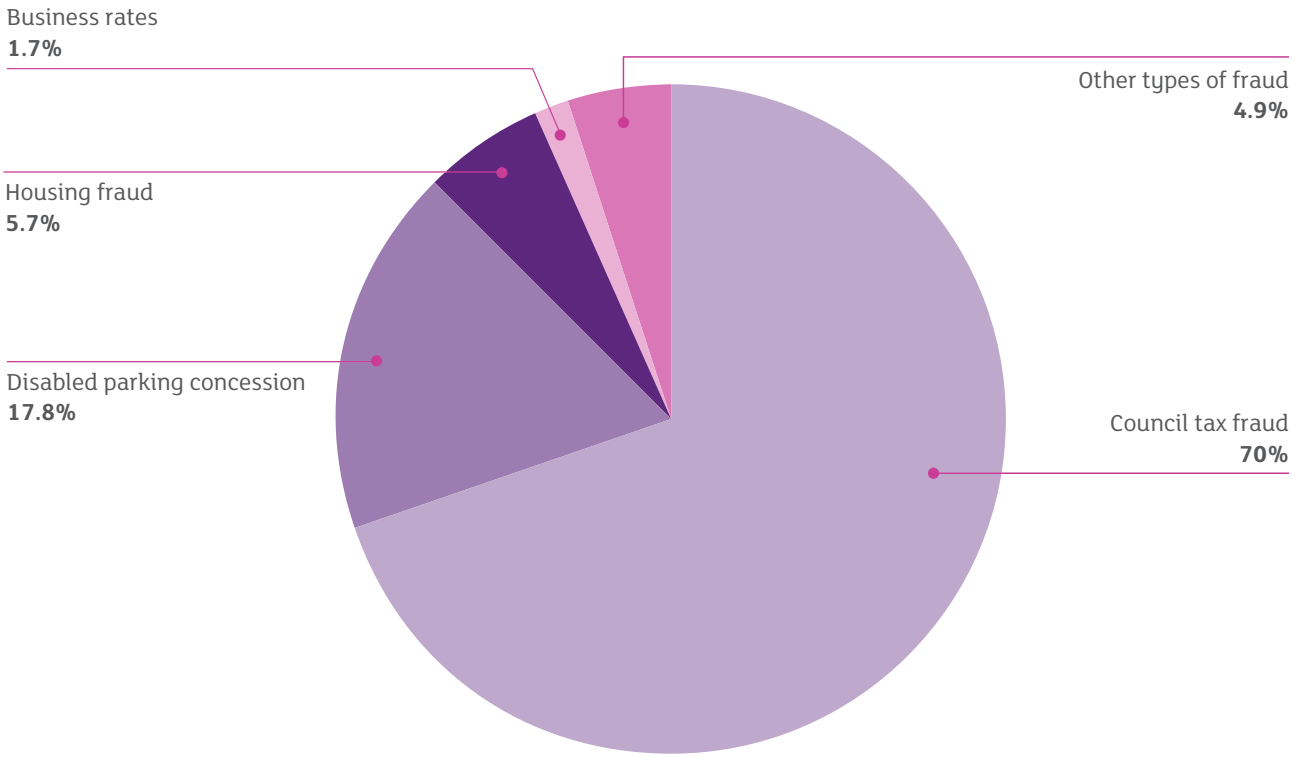


The largest growing area is business rate fraud

£4.3m
2016/17

£10.4m
2017/18

Detected fraud by estimated volume



For 2017/18, it has been highlighted that the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care.

The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

Two thirds of identified frauds related to council tax fraud (66%), with a value of £9.8m, while the highest value detected/prevented from investigations was housing fraud, totalling £97.4m.

None of the respondents reported any issues with needing greater public support for tackling fraud, but some agreed that there needs to be an increased priority given within councils to tackling fraud.

Historically, it is shown that the more effective and efficient authorities are at detecting and preventing fraud, the more they will discover. This means that even if the levels of detection and prevention have increased, this is more likely due to a greater emphasis towards battling fraud rather than weak controls.

Main types of fraud

The 2017/18 CFaCT survey indicates that there are four main types of fraud (by volume) that affect local authorities:

1. council tax
2. housing
3 disabled parking (Blue Badge)
4. business rates.

Council tax

Council tax fraud has consistently been the largest reported issue over the last four years. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

It has traditionally been an area of high volume/low unit value, and this year's results reflect that trend. Council tax fraud represents the highest number of fraud cases reported by local authorities (66%), however, the total value of the fraud, estimated at £26.3m in 2017/18, accounts for only 8.7% of the value of all detected fraud.

The number of detected/prevented cases in the area of council tax SPD has reduced from 2016/17 levels, but we see a rise in the number of incidents and value in council tax reduction (CTR) and other forms of council tax fraud.

Estimated council tax fraud

	2016/17		2017/18	
	Volume	Value	Volume	Value
SPD	50,136	£19.5m	46,278	£15.8m
CTR	6,326	£4.8m	8,759	£6.1m
Other	674	£1.1m	2,857	£4.5m
Total	**57,136**	**£25.5m**	**57,894**	**£26.3m**

> Council tax fraud represents the highest number of fraud cases reported, but only 8.7% of the detected value.

Housing and tenancy fraud

Housing is expensive in many parts of the country, particularly in the South East of England, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud using different valuations, ranging from a notional cost of replacing a property set by the National Fraud Initiative (NFI) to the average cost for keeping a family in bed and breakfast accommodation for a year.

The difference in approach can lead to substantial differences. For example, two years ago, the NFI increased its standard notional figure to include other elements, and this increased the figure to £93,000, which is substantially larger than the previous figure of £18,000. This means that authorities may be using differing notional figures to calculate their average valuation of loss, which in turn leads to variations.

As housing has become increasingly expensive, the value of right to buy fraud is evidently higher than the other types of housing fraud. The value of this type of fraud is higher in London than in other parts of the country, with an estimated average of £72,000 per case compared to the rest of the UK combined, which has an estimated total of £50,000 per case.

However, the overall value and value of right to buy fraud has continued to decline – see table below.

Estimated housing fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Right to buy	1,284	£111.6m	1,518	£92.0m
Illegal sublet	1,829	£78.5m	1,051	£55.8m
Other*	2,825	£73.3m	2,164	£68.3m
Total	**5,938**	**£263.4m**	**4,733**	**£216.1m**

*Other includes tenancy fraud that are neither right to buy nor illegal sublet, and may include succession and false applications.

Disability Faculty Grant and housing fraud

Ms C used her disabled child as a means of requesting money from the local authority to fit a downstairs bathroom in their home. This request was rejected but Ms C appealed and the matter was taken to court where it was revealed that she owned multiple properties and was actually living in a different county, where she was also claiming disability benefits. The appeal was denied and Ms C was instructed to pay over £16,000 in court costs within half a year.

Since 2016/2017, right to buy value has decreased by

18%

£216m

the estimated total value loss from housing fraud investigated during 2017/18

Disabled parking (Blue Badge)

Fraud from the misuse of the Blue Badge scheme has increased for the first time since CIPFA began running the survey, with the number of cases rising by over 1,000 between 2016/17 and 2017/18. The survey also indicates that 49% of Blue Badge fraud cases in 2017/18 were reported by counties.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest more in counter fraud resource.

The cost of parking in London results in a higher value to case ratio, which is shown in the average value per case reported – £2,150 in comparison to counties who had an average of £449 per case.

In the event that a Blue Badge misuse is identified, the offender is often prosecuted and fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution, resulting in a loss of funds. This potential loss could explain why authorities do not focus as much attention on this type of fraud.

Blue Badge fraud is often an indicator of other benefit-related frauds, such as concessionary travel or claims against deceased individuals by care homes for adult social care.

49%

of Blue Badge fraud cases in 2017/18 were reported by counties

The average value per case reported is:

£2,150

in London

£449

in counties

Business rates

Business rates are a key cost for those who have to pay the tax and is the largest growing risk area in 2017/18; district councils have identified this as their fourth biggest fraud risk area for 2017/18 after housing fraud, council tax and procurement.

Business rates fraud represented 0.9% of the total number of frauds reported in 2016/17, with an estimated value of £7m. In 2017/18, this increased to 1.7%, with an estimated value of £10.4m.

The rise in the number and value of fraud detected/prevented since 2016/17 could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.

Data matching uncovers business rates fraud

The fraud team at Salford City Council undertook a business rates data matching exercise with GeoPlace. They used geographical mapping and other datasets to identify businesses that were not on the ratings list and were hard to find. The results identified seven potential business and the cases were sent to the Valuation Office Agency. Of the three returned to date, one attracted small business rate relief and rates on the other two were backdated to 2015, generating a bill of £90,000.

Other types of fraud

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

Adult social care

The estimated value of adult social care fraud cases has increased by 21%, despite a fall in the average value per case – £9,000 in 2017/18 compared to £12,500 in 2016/17. This is a product of the significant rise in the number of frauds within adult social care which are not related to personal budgets. In recent years, many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets, which has resulted in a reduction of the estimated value per case to under £9,800 in 2017/18 compared to over £10,000 in 2016/17.

This year's survey also highlights a decline in the number of adult social care insider fraud cases, with 2% of cases involving an authority employee, compared to 5% last year.

Estimated adult social care fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Personal budget	264	£2.7m	334	£3.2m
Other	182	£2.8m	403	£3.5m
Total	**446**	**£5.5m**	**737**	**£6.7m**
Average value per fraud		**£12,462**		**£9,123**

Insurance fraud

The number of insurance frauds investigated has decreased to 117 with an average value of over £12,000, which explains the significant decline also in the total value of fraud detected/prevented. The total estimated value of loss in 2017/18 is £3.5m compared to £5.1m in 2016/17.

Respondents who identified insurance fraud also reported two confirmed serious and organised crime cases and two insider fraud cases.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.

The Insurance Fraud Bureau was one of the first to use a data analytical tool to identify fraud loss through multiple data sources in the insurance sector. This best practice is now being applied to local government, for example by the London Counter Fraud Hub, which is being delivered by CIPFA.

Procurement fraud

In last year's survey procurement was seen as one of the greatest areas of fraud risk and this remains the same for 2017/18.

Procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be significant difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

In 2016/17, there was an estimated 197 prevented or detected procurement frauds with an estimated value of £6.2m, which has now decreased to 142 estimated fraudulent cases with an estimated value of £5.2m. Twenty-five percent of reported cases were insider fraud and a further 20% were serious and organised crime.

Estimated procurement fraud

2016/17		2017/18	
Volume	Value	Volume	Value
197	£6.2m	142	£5.2m

CIPFA is working with the Ministry of Housing, Communities and Local Government (MHCLG) in an effort to understand more about procurement fraud and how we can develop more solutions in this area.

The Fighting Fraud and Corruption Locally Strategy 2016 to 2019 (FFCL) recommends that local authorities have a procurement fraud map and use it to define the stages at which procurement fraud can happen. This enables authorities to highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority has produced a free online tool that studies the data fed in against bidder behaviour and price patterns, allowing the public sector to identify areas of higher risk within procurement. It then flags areas where there could be potential fraud and which should be investigated.

Welfare assistance and no recourse to public funds

In 2016/17 the estimated number of fraud cases related to welfare assistance was 74, increasing to an estimated 109 in 2017/18.

The number of cases in no recourse to public funding cases has reduced to an estimated 334 in 2017/18. The value of the average fraud has more than halved, falling to an estimated £11,500 in 2017/18 from £28,100 in 2016/17. This is reflected by the overall decrease in total value of the fraud to an estimated £4.3m.

Economic and voluntary sector (grant fraud) and debt

As funds become more limited for this type of support, it is even more important for fraud teams to be aware of the risks within this area.

In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased to 24 cases with an average estimated loss of £14,000 per case for 2017/18.

Debt had 38 reported cases in 2017/18 valued at over £150,000, with one case of insider fraud.

Payroll, expenses, recruitment and pension

If we combine all the estimated results for these four areas, the total value of the fraud loss is an estimated £2.1m.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll has the highest volume and value of fraud out of these four areas for 2017/18, and 51% of the cases investigated or prevented were reported as insider fraud.

Recruitment fraud has the second highest estimated average per case of £9,400. This is quite an interesting area for fraud practitioners given their work is often not recorded as a monetary value as the application is refused or withdrawn. So, it is more likely the figure represents the estimated cases of fraud that were prevented in 2017/18.

Estimated fraud

	2016/17		2017/18	
Type	**Volume**	**Value**	**Volume**	**Value**
Payroll	248	£1.0m	167	£1.01m
Expenses	75	£0.1m	34	£0.03m
Recruitment	46	£0.2m	52	£0.49m
Pension	228	£0.8m	164	£0.57m
Total	**597**	**£2.1m**	**417**	**£2.10m**

Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK there have been 23 cases of manipulation of data fraud, which is less than half of the estimated cases in 2016/17.

There were 257 estimated cases of mandate fraud in 2017/18 compared to 325 estimated cases detected or prevented in 2016/17.

These areas of fraudulent activity are on the decline and advice from organisations such as Action Fraud is useful.

Serious and organised crime

The survey question on serious and organised crime was requested by the Home Office and was included in the 2017/18 survey in order to help establish how it is being tackled by local authorities.

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The 2017/18 survey identified 56 cases of serious and organised crime which was over double the figures reported in 2016/17 – 93% of these cases were reported by respondents from metropolitan unitaries. This shows that in the bigger conurbations, there is higher serious and organised crime activity (as one would expect) which is why some of the emerging counter fraud hubs are using predictive analytics to detect organised crime.

The responses indicate that organisations share a great deal of data both internally and externally – 34% share with the police and 16% share with similar organisations (peers). In addition, of the organisations that responded, 47% identified serious and organised crime risks within their organisation's risk register.

93%

the percentage of respondents who share data externally

> "Key data sharing partners are the police and other similar organisations."

Whistleblowing

This year, 74% of respondents said that they annually reviewed their whistleblowing arrangements in line with PAS 1998:2008 Whistleblowing Arrangements Code of Practice.

Of those questioned, 87% confirmed that staff and the public had access to a helpdesk and 71% said that the helpline conformed to the BS PAS 1998:2008. Respondents reported a total of 560 whistleblowing cases, made in line with BS PAS 1998:2008; representing disclosures in all areas, not just with regard to suspected fraudulent behaviour.

Resources and structure

Fraud teams are detecting and preventing more frauds despite reductions in their resources. It is therefore unsurprising to see 14% of respondents have a shared services structure; this approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

We have also seen a rise in authorities who have a dedicated counter fraud team – from 35% in 2016/17 to 51% in 2017/18. It is worth noting that there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

For organisations that do not go down the shared service route, the 2017/18 survey showed no growth in staff resources until 2020. This position would appear to be a change from 2016 when some respondents had hoped to increase their staff numbers.

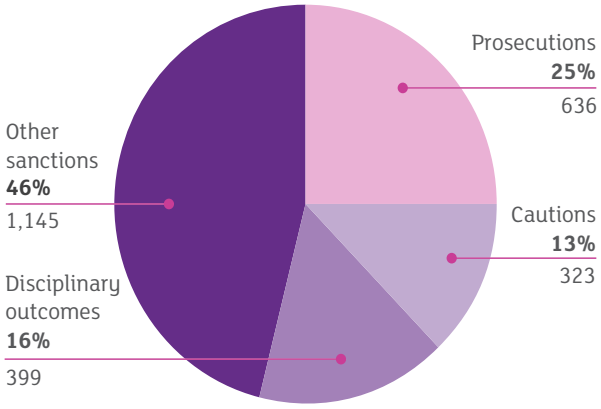
The number of available in-house qualified financial investigators has dipped slightly from 34% in 2016/17 to 31% in 2017/18. In addition, the percentage of authorities that do not have a qualified financial investigator increased from 35% in 2016/17 to 41% in 2017/18, which continues to show that resources for fraud are stretched.

Sanctions

Below are some of the key findings regarding sanctions:

- 636 prosecutions were completed in 2017/18 and of these, 15 were involved in insider fraud and 14 of those were found guilty
- the number of cautions increased from 9% in 2016/17 to 13% in 2017/18
- the percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18.

Outcome of sanctions



Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally Strategy 2016–2019 (FFCL Strategy) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The FFCL Strategy is available for councils to use freely so that everyone can benefit from shared good practice and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

The FFCL Board put forward specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the FFCL Strategy and the responses are reflected in the diagrams below. The more confident respondents are about how fraud is dealt with in their organisation, the higher they marked the statement; the lower scores are towards the centre of the diagram.

Counter fraud controls by country

Over the past four years the same three issues have arisen when we have asked the question: *what are the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption at your organisation?* These are:

- capacity
- effective fraud risk management
- better data sharing.

The FFCL's 34 point checklist covers each one of these areas and provides a comprehensive framework that can be used to address them. It can be downloaded from the CIPFA website.

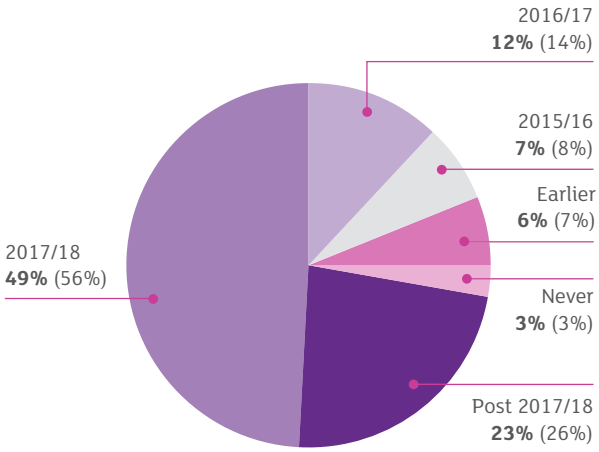
The FFCL Strategy recommends that:

There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.

By producing a plan and resources that is agreed by the leadership team, management are able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

Last year, 10% of respondents did not know when their counter fraud and corruption plan was last approved, and this year this has dropped slightly to 9%. Of those who responded to the survey, 56% agreed their counter fraud and corruption plan was approved within the last 12 months, and 21% stated that their plan would be approved post 2017/18.

When did you last have your counter fraud and corruption plan approved?



CIPFA Recommends

- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported.
- Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results.
- All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement.
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero-tolerance approach.

Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2017/18.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	57,894	70.0%	£26.3m	8.72%	£455
Disabled parking concession	14,714	17.8%	£7.3m	2.43%	£499
Housing	4,722	5.7%	£215.7m	71.43%	£45,677
Business rates	1,373	1.7%	£10.4m	3.45%	£7,580
Other fraud	1,165	1.4%	£10.9m	3.61%	£9,355
Adult social care	737	0.9%	£6.7m	2.23%	£9,124
No recourse to public funds	378	0.5%	£4.3m	1.43%	£11,445
Schools frauds (excl. transport)	285	0.3%	£0.7m	0.24%	£2,537
Insurance claims	281	0.3%	£3.5m	1.15%	£12,317
Mandate fraud	257	0.3%	£6.6m	2.18%	£25,618
Payroll	167	0.2%	£1.0m	0.33%	£6,030
Pensions	164	0.2%	£0.6m	0.19%	£3,492
Procurement	142	0.2%	£5.2m	1.71%	£36,422
Welfare assistance	109	0.1%	£0.0m	0.01%	£337
Debt	91	0.1%	£0.4m	0.12%	£3,948
Children social care	59	0.1%	£0.9m	0.31%	£15,800
Economic and voluntary sector support	57	0.1%	£0.8m	0.26%	£13,467
Recruitment	52	0.1%	£0.5m	0.16%	£9,510
Expenses	34	0.0%	£0.2m	0.01%	£867
School transport	30	0.0%	£0.1m	0.04%	£3,857
Manipulation of data	23	0.0%	N/A	N/A	N/A
Investments	2	0.0%	£0.0m	–	–

Appendix 2: Methodology

This year's results are based on responses from 144 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority. For each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

Appendix 3: Glossary

Adult social care fraud

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Blue Badge fraud

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination.

Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.

Business rates fraud

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.

Cautions

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

Council tax fraud

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections.

- **council tax single person discount (SPD)** – where a person claims to live in a single-person household when more than one person lives there
- **council tax reduction (CTR) support** – where the council tax payer claims incorrectly against household income
- **other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Debt fraud

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

Disciplinary outcomes

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

Housing fraud

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy.

Insurance fraud

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

Mandate fraud

Action Fraud states that: "mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

Manipulation of data fraud

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

No recourse to public funds fraud

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

Organised crime

The Home Office defines organised crime as "including drug trafficking, human trafficking and organised illegal immigration, high value fraud and other financial crimes, counterfeiting, organised acquisitive crime and cyber crime".

Procurement fraud

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

Right to buy

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.

Welfare assistance

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

Whistleblowing

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

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INVESTORS IN PEOPLE

2018/09

Audit Committee

Item No……

Report title:	**Audit Committee Terms of Reference**
Date of meeting:	**31 January 2019**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Audit Committee's Terms of Reference are set out in the Council's Constitution at (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12.

The Audit Committee are deemed 'Those charged with Governance', on behalf of the Council. The Committee forms part of the Council's System of Internal Control and Risk Management and performs specific functions required by statutory regulations.

Key objectives of this Committee are to provide proactive leadership and direction on audit governance issues and champion sound proportionate audit, internal control and risk management throughout the Council.

Executive summary

This report introduces the Committee's Terms of Reference. The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference. The last review was at the 21st September 2017 meeting of this committee.

No changes are proposed, other than the inclusion of the Committee's responsibility for receiving assurance that the Council's Whistleblowing Policy is effective, as recommended at the Policy and Resources Committee on 26 November 2018. Pursuant to paragraph 2.1 of Article 13 of the Constitution the Chief Legal Officer has delegated authority to make the necessary consequential changes to the Constitution.

Recommendation:

The Audit Committee is requested to consider and agree the proposed Terms of Reference and note that the Chief Legal Officer will make the necessary consequential changes, as outlined in (**Appendix A**).

1. Proposal (or options)

1.1 The Audit Committee is requested to consider the proposed Terms of Reference (Appendix A).

2. Evidence

2.1 The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference.

2.2 The last review was undertaken in September 2017. No changes are proposed other than the inclusion of the Committee's responsibility for receiving assurance that the Council's Whistleblowing Policy is effective as recommended at the Policy and Resources Committee on 26 November 2018 and that the Chairman can request a sample of audit reports to review periodically. The Chief Legal Officer has the necessary delegated authority to make the necessary changes to the Committee's Terms of Reference.

2.3 The proposed Terms of Reference for the Committee are presented at **Appendix A**.

3. Financial Implications

3.1. The Audit Committee's scope includes the Revenue and Capital expenditure and income for the Council and the Norfolk Pension Fund, their assets and liabilities.

4. Issues, risks and innovation

4.1. **Risk implications**

This report has fully considered 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. There are no implications with respect to:

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

5. Background

5.1. The terms of reference include that the Committee should 'Review the Committee's own terms of reference to ensure they are current'. The Committee's Terms of Reference form part of the Council's Constitution (Part 4 (4.4)): Composition and Terms of Reference of Regulatory and Other Committees, pages 9-12.

5.2. These revised Terms of Reference are compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2013 and the Local Authority

Guidance Note of April 2013 and help to ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A toolkit for Local Authority Audit Committees'.

5.3. The Policy and Resources Committee, on 26 November 2018, resolved that, 'the terms of Reference for the Audit Committee will be updated to include responsibility for receiving assurance on the effectiveness of the policy'.

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

5.5. **Background papers**

There were no other background papers relevant to this report.

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

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Email address: 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.

Appendix A

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE – Proposed

A Governance

1 Consider the Annual Governance Statement, and be satisfied that that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, the effectiveness of the Whistleblowing policy and includes an agreed action plan for improvements where necessary.

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.

2 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.

3 Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary. The Chairman can request a sample of audit reports to review periodically.

4 Consider reports showing progress of all clients against the audit plan and proposed amendments to the Council's audit plan.

5 Ensure there are effective relationships between internal audit and external audit, other inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

C Risk Management

1 Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

2 Consider the effectiveness of the system of risk management arrangements

3 Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.

4 Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.

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

6 Report annually to full Council as per the Financial Regulations.

D Anti-Fraud and Corruption and Whistleblowing

1 Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the council.

2 Consider the effectiveness of the Council's anti-fraud and corruption and Whistleblowing arrangements.

3 Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary

E Annual Statement of Accounts

1 Consider the external auditor's reports and opinions, relevant requirements of International Standards on Auditing and any other reports to members with respect to the Accounts, including the Norfolk Pension Fund and Norfolk Fire-fighter's Pension Fund, and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.

2 Consider the External Auditor's Annual Governance Report and endorse the action plan contained in this Report and approve a Letter of Representation with respect to the Accounts.

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

3 Consider the scope and fees of the external auditors for audit, inspection and other work.

G Norfolk Pension Fund

1 Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the relevant Governance reports of the Norfolk Pension Fund.

H Treasury Management

1 Consider the effectiveness of the governance, control and risk management arrangements for Treasury management and ensure that they meet best practice.

I Administration

1 Review the committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.

2 Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.

3 Consider the six monthly and Annual Reports of the Chairman of the Committee.

Audit Committee

Item No……

Report title:	**Internal Audit Strategy, Our Approach and the Audit Plan 2019/20**
Date of meeting:	**31 January 2019**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**

Strategic Impact

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, part 12, which is part of the Council's Constitution Article 6, at page 5.

The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice'.

Executive summary

Norfolk Audit Services fulfils the internal audit function for the County Council as required by its own Terms of Reference and the relevant regulations and standards, which are considered annually by the Committee. Our work is planned to support the County Council's vision and strategy.

This report sets out the:

- Background (Section 3)
- Internal Audit Strategy (Section 4)
- Our Approach to developing the Audit Plan 2019/20 (Section 5)
- The Audit Plan for 2019/20 (Section 6)
- Performance (Section 7)

The total days available to deliver all the services provided by NAS is 2,161. Of these days 835 days are delivered to external clients (FCE, schools, grants, EIFCA and the Norfolk Pension Fund).

Of the remaining 1,326 days available:

- 787 days (765 (revised days) in 2018/19) are available to deliver the audit opinion work. This is deemed sufficient to provide an opinion on the adequacy and effectiveness of the County Council's framework of internal control. it is proposed that 45 of these days will be delivered by our external contractor which supports our mixed economy delivery model
- To deliver the risk management and investigative auditor roles, 381 days are

available; and

- the remaining 158 days are available to deliver the other services provided by NAS

Recommendation:

The Audit Committee is recommended to consider and agree:

- The Internal Audit Strategy, the approach to developing the Audit Plan for 2019/20 and the Audit Plan for 2019/20, supported by the 'Days Available to Deliver NAS Services 2019/20 **(Appendix C)** and the 'Detailed Audit Plan for the First Half of the Year for 2019/20' **(Appendix D)**, and that this work will deliver the assurances required
- That the arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Chief Internal Auditor (described at paragraph 5.7 of this report), and any other relevant statements of best practice.

1. Proposal (or options)

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

1.2 The Executive Directors have been consulted in the preparation of this report.

2. Evidence

2.1 The evidence is detailed in sections 3 to 7 below.

3. Background

Accounts and Audit Regulations (England) 2015

3.1 Under these regulations, the County Council 'must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.

3.2 Also, the County Council 'must, each financial year (a) conduct a review of the effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'

3.3 In addition, the County Council 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance', described below.

UK Public Sector Internal Audit Standards

3.4 CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) has produced the UK Public Sector Internal Audit Standards (PSIAS) which came into force on 1 April 2013 and latest revised version is dated, 1 April 2017. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards, which remain current.

Crime and Disorder

3.5 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. Our Internal Audit Strategy

Our vision and mission

4.1 Our vision and mission, in Norfolk Audit Services (NAS), is to enhance and protect the Council's value by providing risk-based and objective assurance, advice and insight, while fulfilling the statutory requirements for assurance on the Council's Internal Control and Risk management (Accounts and Audit Regulations 2015) and relevant standards.

The 'Core Principles' for the Professional Practice of Internal Auditing

4.2 We also must achieve the 'Core Principles' for the professional practice of Internal auditing in our work which, taken as a whole, articulate internal audit effectiveness. Failure to achieve any of the 'Core Principles' would imply that an internal audit activity was not as effective as it could be in achieving Internal Audit's mission. The 'Core Principles' are:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

Code of Ethics

4.3 Internal auditors in UK public sector organisations must conform to the Code of Ethics in UK PSIAS, which is based on four principles: integrity, confidentiality, competency and objectivity. We also have regard to the Committee Standards of Public Life's, 'Seven Principles of Public Life'.

4.4 Our own Code of Ethics is based on best practice, the CIPFA publication "Code of Ethics for Professional Accountants" (2011) which is compatible with the UK PSIAS and incorporates elements of the 'Seven Principles of Public Life' where these are additional to the principles in the CIPFA publication and the UK PSIAS's Code of Ethics.

Our Critical Success Factors

4.5 These are: -

- Focusing on the Council's highest risks, both corporately and departmentally
- Maintaining efficient and effective audit processes which conform with UKPSIAS
- Having adequately skilled and knowledgeable staff; and
- Maintaining the role of trusted advisor.

Focus on the County Council's highest risks

4.6 Our planning process is risk focused. Conversations with Executive Directors, Assistant Directors and key senior managers incorporate

discussions on where the current risks are within the Directorate's departments and what NAS can do to provide assurance.

4.7 This year, some emphasis was placed on identifying risk categories which could hamper the achievement of the Council's strategy, and each Committee's service's plans to enhance risk identification and the embedding of risk management throughout the Council. Where a Red, Amber Green (RAG) rated risk category map was completed for a Directorate, this was used to inform the Council's audit plan and has enabled us to provide assurance on some of the Council's corporate and departmental risks.

Efficient and effective audit processes which conform with UKPSIAS

4.8 New ways of working were introduced in 2018/19 with the aim of increasing the turnaround of audit work, so that more reports were issued within a reasonable timeframe and improving the level of critical thinking within audit work, to increase the value of end product. These involved identifying risks for the areas under review as well as a more control defined audit programme. Smarter terms of reference and an enhanced report format were also introduced, and emphasis was placed on meeting report deadlines and working within budgets.

4.9 The impact of this change has been taken a while to embed, as staff become more confident with the new processes, and will continue into 2019/20.

4.10 Our processes continue to conform with UKPSIAS. Our next external quality assessment (EQA) is not due until 2022/23. There are still some actions from the EQA in 2017/18 which need to be fully completed. These are reported within our quarterly report.

Adequately skilled and knowledgeable staff

4.11 For the Council's audit work, NAS comprises two Principal Client Managers, one Client Manager, four Senior Auditors and two Auditors, one Audit Assistant and one Trainee Auditor. NAS is led by the CIA. This amounts to ten FTEs. Staff work a variety of work patterns and hours. In addition, the wider NAS Team includes a qualified Risk Management Officer and Investigative Auditor as well as the France Channel England Interreg VA Programme Audit Authority team. We also use the services of an outside contractor for our audits, particularly for complex and specialist areas.

4.12 The auditors and senior auditors are mainly AAT qualified, or studying for this qualification. Our Trainee Auditor is completing the level 4 Internal Audit apprenticeship qualification.

4.13 Our Client Manager and one of the Principal Client Managers are both ACCA qualified and Fellow members of the ACCA. Our other Principal Client Manager is a certified and chartered Internal Auditor, has the Qualification in Internal Audit Leadership, all obtained through the Chartered Institute of Internal Auditors (CIIA), and is a Chartered Member of the CIIA. The CIA is CIPFA qualified and a member of County Chief Internal Auditor Group Network (CCAN) and Home Counites Chief Internal Auditor Group (HCCIAG).

4.14 All staff are required to undertake continuing professional development (CPD) in accordance with professional body and NAS requirements. In November 2018 we recruited a new auditor who has obtained the CIPFA Certificate and Diploma in Public Sector Internal Audit and Accounting as well as 3 AAT Level 3 and has significant experience of auditing in local government and leading audit teams. This will enhance and improve the expertise of our team.

Maintaining the role of trusted advisor

4.15 Audit Managers work closely with departmental management teams and Finance Business Partners to ensure that audits add value, are efficient and effective and that any recommendations are followed through. Internal Audit are available to provide advice to Executive Directors on controls and risk management.

Actions for 2019/20

4.16 Our priorities are as follows:

- Work towards providing assurance on the Council's corporate risks.
- Continue to embed the new ways of working with the team to deliver reports on time and within budget.
- Develop staff to become expert auditors in specialist areas.
- Continue to introduce the use of data analytics in our auditing.
- Investigate whether any local organisations are receiving EU funding and whether they require FLC services.
- Identify what Council initiatives and projects are being implemented and how we can contribute.
- Promote the role and raise the profile of internal audit within the Council as a trusted advisor.

5. Our approach to developing the Audit Plan for 2019/20

The requirements

5.1 In accordance with UK PSIAS the Chief Audit Executive, the Council's Chief Internal Auditor (CIA), must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Council's goals.

5.2 In developing our risk-based plan, we must consult with senior management and obtain an understanding of the Council's strategies, key business objectives, associated risks and risk management processes and the plan must be reviewed and adjusted as necessary, in response to changes in the business, risks, operations, programmes, systems, and controls. Our approach to this is detailed below.

5.3 Our audit plan must incorporate or be linked to a strategic or high-level statement of how our service will be delivered and developed in accordance with our Terms of Reference (this is our Internal Audit Strategy as detailed in **Appendix C**) and how it links to the Council's objectives and priorities (this is shown in our detailed Audit Plan for the first half of the year for 2019/20 in **Appendix D**).

5.4 In addition, the internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.

5.5 The risk-based plan must also consider the requirement to produce an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement (AGS) and must conclude on the overall adequacy and effectiveness of the County Council's framework of governance, risk management and control. We detail below in 5.7 – 5.12, how each opinion on the overall adequacy and effectiveness of the County Council's framework of governance, risk management and control is derived.

5.6 As Section 151 Officer, the Executive Director of Finance and Commercial Services has a duty to consider the adequacy of the internal audit coverage. Our audit plan is discussed with the Executive Director of Finance and Commercial Services.

Risk Management

5.7 The CIA has management responsibility for the corporate risk management system, but the Executive Directors are the risk owners. The Audit Committee must approve and periodically review the safeguards put in place to limit any impairments to independence and objectivity in drawing a conclusion on the adequacy and effectiveness of the risk framework. These safeguards are that:

- The Council has a qualified Risk Management Officer
- The function undertakes nationally recognised benchmarking and reports this to the Committee
- The Executive Director has overall responsibility and reports to the Committee quarterly and annually
- The External Auditors reviews AGS which includes the effectiveness of risk management.
- In kind with the requirements for external review of the internal audit function in each five-year period, it is proposed to seek an external review of the Risk Management Framework in 2020/21.

Governance

5.8 The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Council has its own Code of Corporate Governance based on the International Framework: Good Governance in the Public Sector, produced by CIPFA and the International Federation of Accountants (IFAC).

5.9 The Council's Annual Governance Statement provides an overall self-assessment of the Council's corporate governance arrangements and how it adheres to the governance standards set out in the Code. Evidence relating to the principles of the Code is reviewed and analysed to assess the robustness of the Council's governance arrangements.

5.10 The AGS includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control.

5.11 Our role is to collate all the assurances from the Executive Directors and other staff members and any other information as required for the AGS and to draft the AGS for management approval before signature by the Leader of the Council. The scope of some of the audit opinion work we undertake contributes to the assurances given for the opinion in the AGS.

Internal Control

5.12 Our audit opinion work is designed to enable us to provide the required opinion on the adequacy and effectiveness of the Council's framework of control.

Strategies and Plans

5.13 Each Service Committee has produced a three-year plan, setting out their areas of responsibility. These plans were approved by Service Committees in March 2018.

5.14 Across the Council, teams and departments have developed 'Plans on a Page'. Within NAS, a 'Plan of a Page' is in place for NAS, risk management and Anti- Fraud.

Risk management processes

5.15 We reviewed the Council's risk management system at a high level to determine if we could rely on the risk assessments performed, resulting in the corporate and department risk registers in place, or whether we needed to complete out own risk assessments for planning purposes. We concluded that we could rely on the risk assessments based on our own professional knowledge of what an adequate and effective risk management system looks like and the information detailed below in 5.16 – 5.20 below.

5.16 The Council has a Corporate Risk Register in place and departmental risk registers are in place for Adult Social Services, Children's Services, Communities, Environment, Development and Transport, Finance Commercial Services and Strategy, Legal and Democratic Services.

5.17 Service risk Registers are in place for ICT, Banking and Treasury, Community, Information and Learning and Customer Services. Ones for Childrens Services are in early development.

5.18 A Risk Management Policy is in place along with risk management procedures. Risk tolerances are in place and enable the Council to control its risk appetite in line with the organisational strategic objectives. The tolerance sets the level of risk that can be borne in the context of specific transactions or activities, as described in each Committee's risk register. The risk tolerance level corresponds with the risk target score. The risk target score is set using the risk impact and likelihood criteria, as set out in the Council's Risk Scoring procedure, to judge to what score the risk should be mitigated down to.

5.19 The annual report for Risk Management 2017/18 states that 'The Council's system of Risk Management during 2017/18 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015.'

5.20 The annual report further states that 'Sound' is taken to mean that adequate governance, reporting, and assurance structures are in place to manage the risks to the Council's objectives. This was determined from the results of the Benchmarking Club, looking at evidence-based performance results against other councils.'

Audit universe

5.21 We want to complete risk-based internal auditing where we can and have a risk focused audit plan. Therefore, for the 2019/20 audit plan, we have identified a number of risk categories which we believe could hamper the achievement of the Council's strategy, and each department's or service's plans. These represent our risk audit universe for audit planning purposes along with the corporate and departmental risk registers. The risk universe is supplemented by audit universe of business areas and processes.

Senior management consultation

5.22 We have met with Executive Directors and Assistant Directors and other senior and key managers to determine whether each risk category is relevant for them and why and to assess each risk category for their responsible area, using Council's Risk Scoring procedure of likelihood and impact. The resulting RAG rated risk category map for each Directorate has been used to inform the Council's audit plan.

5.23 This approach has not been appropriate for every area and in these cases a high-level risk assessment of systems and processes was undertaken.

5.24 We also discussed any key issues facing the department or service and where the risks were significant, these areas were included in the audit plan.

5.25 We also considered concerns from Members and Executive Directors, inspection and committee reports, the Audit Report from the External Auditors, matters discussed with other Heads of Internal Audit, as well as applying our own professional judgement, audit knowledge and experience in devising an appropriate audit plan. The audit plan is also discussed with the Chair and Vice Chair of the Audit Committee.

Financial implications

This year our audit focus for finance is to audit some of the key finance areas as well as the financial risk category concerning savings not being met. See 6.8 for further details below.

Other factors to consider

5.26 With the departure of the Managing Director, Members are preparing to move the Council to a cabinet system, effective from May 2019 and having an Executive Leader of the Council. The Executive Director of Community and Environmental Services has taken up, on an interim basis, the additional responsibilities of Head of Paid Service.

5.27 To respond to changes in the business, risks, operations, programmes, systems and controls, the audit plan is split into two halves, an audit plan for the first half of the year and then a refreshed version for the second half of the year. This ensures the Audit Plan for 2019/20 remains current and

relevant. Further consultation with senior management takes place when the Audit Plan for the second half of the year is considered. Contingency days allow for us to deal with urgent requests.

6. The Audit Plan for 2019/20

Days available

6.1 The total days available to deliver all the services provided by NAS is 2,161. Of these days 835 days are delivered to external clients.

6.2 Of the remaining 1,326 days available to deliver the services to internal clients, 787 days (765 (revised days) in 2018/19) are available to deliver the audit opinion work, as shown in the table below, and it is proposed that 45 of these days will be delivered by our external contractor.

6.3 To deliver the risk management and investigative auditor roles, 381 days are available, and the remaining 158 days are available to deliver the other services provided by NAS, also detailed in the table below. **Appendix C** shows a comparison with 2018/19 and the proposed split of days across the two halves of the Audit Plan.

Audit opinion days

6.4 The detailed Audit Plan for the first half of the year for 2019/20 is shown is Appendix D. This shows that the days available for audit opinion work is 787. This is deemed sufficient to provide an opinion on the adequacy and effectiveness of the Council's framework of internal control.

6.5 Audits have been allocated to either the first or second half of the year. The second half of the year has a larger proportion of audit work allocated to it than the first half of the year. This is because less staffing resources are available in the first half of the year, due to the summer holidays and term time working, and to allow some time to complete audits still in progress from 2018/19.

6.6 Our audit opinion work produces draft and final reports, which include recommendations for improvements in internal controls and an action plan.

6.7 Our audit findings are categorised into high, medium and low priority. Action plans are agreed with management to mitigate risks for all findings. We assign overall opinions to our audit work of 'Acceptable – green rated' or 'Key issues to be addressed – red or amber rated'. We also assess the corporate and departmental significance of the audit.

The key content of the Audit Plan, 2019/20

6.8 This year the focus of the Audit Plan is to provide corporate assurance for the following risk categories: -

Risk Category	Definition	Audit Focus
Project risk	An uncertain event or condition occurring that has a	We will select a sample of ongoing projects, across

	positive or negative effect on a project's objectives	all directorates, which are designed to achieve savings and involve a change in process or delivery, for review to provide assurance against these three risk categories. <u>Relevant Corporate risks</u>: - RM002 - risk that the Medium Term Financial Strategy savings required for 2018/19- 2021/22 are not delivered. RM006 - 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.
Change management risk	Not being able to manage change for example, implementation of commercialisation or redefining service delivery models for ongoing efficiencies and savings, by maintaining or transforming in the face of shocks or stresses without compromising the County Council's long-term prospects	
Financial risk	Not being able to make sufficient savings to set a balanced budget, meet financial challenges, and manage increasing pressures on our spending	
Access risk	Unauthorised persons gain access to electronic (transaction processing) systems, including social media platforms, and alter, amend, add or delete information resident in data files or enter unauthorised transactions for processing	We will appoint specialist IT auditors to undertake a review of the IT systems and processes which keep our networks and the systems we use free from unauthorised exploitation and processing and data alteration, deletion, theft or amendment. <u>Relevant corporate risks</u>: - RM010 - 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
Cyber risk	Unauthorised exploitation of our systems, networks and technologies from a cyber-attack.	

		additional costs.

6.9 We will also be providing assurance on the Third River Crossing project, £121 million, and the Education Capital Programme; on 29 October 2018, the Policy and Resources Committee approved a capital scheme for the creation of new specialist Special Educational Needs and Disability (SEND) provision. Phase 1 is for £100 million expenditure over three years. For a complete list of the audits for 2019/20, please see **Appendix D**.

France Channel England (FCE)

6.10 The Audit Authority works to its own Audit Strategy, refreshed annually in January and endorsed by the FCE Consultative Audit Group. The Audit Strategy is developed to ensure that the Audit Authority fulfils the expectations and meets the requirements laid out in EU Regulations. The strategy has three main strands: audit of the systems, audit of the expenditure and audit of the accounts. The Audit Authority summarises the audit results in its Annual Control Report, which is submitted to the EC alongside the programme's annual accounts.

6.11 The work of the Audit Authority relates to the prior accounting year, similar to the work of external auditors, as it aims to support the opinion on the accounts.

6.12 In 2017/18, the programme reported expenditure of 2.5 million €, half of which relating to expenditure by the Council (NCC) in the delivery of the programme implementation and audit.

6.13 Expenditure is expected to rise significantly in 2018/19, as the projects are now entering implementation. From management information available, we anticipate the total expenditure declared in 2018-19 to be around 7 million €, including an NCC claim circa 1.25 million €.

6.14 The days available for FCE work is 461.

NAS budget

6.15 The net budget for delivering all the services provided by NAS remains at circa £520K for 2019/20. Projected income is estimated to be circa £175K.

7. Performance

Targets

7.1 We issue draft reports within ten days following the feedback meeting and final reports within seven days following receipt of the action plan from clients.

7.2 All audits have a budgeted number of days assigned to them which is compared to actual days. A budgeted and actual cost of each audit is also determined. Feedback from clients is also sought.

7.3 The productivity percentage for the whole of the NAS Team for 2019/20 has been calculated to be 75% and is 69% excluding FCE work and the risk management and investigative auditor roles.

7.4 The NAS Management Team monitor the above targets at their meetings.

7.5 Our audit opinion days of 787 includes days to complete audits in progress at the end of the 2018/19. Our target is to complete 100% of audits in progress from 2018/19 during the first half of the year.

7.6 The target for draft and final reports for audits which commence in the first quarter of the year are 100% for both. For those that commence in the second quarter, it is 80% for draft reports and 60% for final reports. There are 38 new audit opinion topics in the 2019-20 plan. Of these 14 are in the first half, 24 in the second half. There are fewer in the first half to ensure completion of the 2018-19 work in progress that is carried forward. The target for draft and final reports in the first half of the year (new opinion work) is 6 final and 2 draft.

7.7 The targets detailed in 7.5 and 7.6 are reported to the Audit Committee in our quarterly reports.

PSIAS

7.8 The NAS Management Team are responsible for ensuring that conformance with the PSIAS is maintained.

7.9 All audit work is subject to a review prior to the issue of the draft report. Feedback regarding what the auditor did well and what they could improve, and any training needs is provided to the auditor at the end of every audit.

7.10 The Principal Clients Managers review a sample of audit work in each half of the year and report back on any improvements that need to be made by the Team.

7.11 The CIA is consulted on the scope of audits (except for schools and grants) and reviews Draft reports where the audit opinion is 'Key Issues to be addressed - red or amber rated' or of corporate significance prior to issue.

8. Financial Implications

8.1 The expenditure falls within the parameters of the Annual Budget agreed by the Council. Our work provides assurance on the systems and internal controls that manage £1.405 billion of Gross Revenue expenditure, £145 million Capital programme and £977 million of assets.

8.2 The costings for NAS remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2019/20. The overall resourcing levels remain unchanged. We will actively maintain traded services and pursue new opportunities when they arise.

8.3 There is a contribution to the fixed costs from the FCE Programme Technical Assistance. All costs incurred in delivering the audit authority function are recovered from the European Commission, such that the resources can be back filled, where necessary.

9. Issues, risks and innovation

Issues

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

Risk implications

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

- The Council failing to achieve its corporate objectives
- The Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner; and
- Not meeting statutory requirements to provide adequate and effective systems of internal audit.
- The CIA may not be able to provide an opinion due to insufficient audit work being completed.

9.3 The correlation of the audit topics to corporate risks is shown in the 'Detailed Audit Plan for 2019/20', **Appendix D**.

Resource implications

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

Legal Implications

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

9.6 There are no implications with respect to:

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

Innovation

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

9.8 Examples of such innovation include how we resource the audit plan through the in-house team, use of agency staff and contracting our external contractor, BDO to provide resilience and flexibility in audit delivery. We have this past year also commissioned Grant Thornton to undertake some complex audit work and will continue to use such a model in the future.

10. Background papers

10.1 The background papers relevant to this report are the Internal Audit Team Audit Needs Assessment.

Officer Contact

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

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

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

IN TRAN communication for all

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.

Other Services

The table below details the other services we deliver within NAS.

Service	Description	Days
Provision of the Risk Management Strategy including servicing of Committees in respect of risk management	Our Risk Management Officer proactively supports Directorates in identifying and managing their corporate and departmental risks	191
Provision to undertake investigations where requested to do so by Chief Officers or the Audit Committee Chairman.	To deliver professional and objective evidence-based reports to assist with effective and efficient disciplinary or criminal proceedings. Our staffing strategy includes an investigative auditor role.	191
Delivery of the Anti-Fraud and Corruption Strategy including preliminary assessments and investigations and managing the Council's Whistleblowing Policy and Procedures.	We review, with the Chief Legal Officer, the Anti-Fraud and Corruption Strategy on an annual basis, update it as necessary and present it to the Audit Committee. A performance report with respect to Anti-Fraud and Corruption is made to the Audit Committee half-yearly. We provide advice in respect of allegations and undertake preliminary assessments into fraud, support disciplinary review action groups and undertake investigations. We undertake preliminary assessments into whistleblowing disclosures and commission / undertake investigations and maintain the log of disclosures.	
Reporting to the Audit Committee, quarterly and annually.	Production and delivery of reports to a professional standard. Attendance at all meetings by the appropriate officers.	50
Delivery of the Annual Governance Statement to the Audit Committee.	Delivery of the Annual Governance Statement ensuring adequate and timely consultation with appropriate senior officers and members.	8
Provision of assurance to the Executive Director of Finance and Commercial Services, the Section 151 Officer, with	Consideration of all aspects of governance, internal control and risk management throughout the authority or joint committee and	20

respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees.	arrive at a reasoned opinion. Consideration of all risks included in the Corporate Risk Register as part of the risk based internal audit approach. Demonstration of how corporate risks in the Corporate Risk Register are considered and covered in the annual audit plan and the sources of assurance available to ensure all corporate risks are adequately considered and have sufficient internal audit coverage. Reporting this to the Executive Director of Finance and Commercial Services and the appropriate committees.	
Provision of advice and assistance with respect to Internal Control to County Leadership Team (CLT) and other Senior Officers.	Our annual resource plan provides for general liaison with CLT and other Senior Officers particularly in the formulation of the audit plan. We provide advice on new systems and answers queries in respect of internal control.	80

Appendix B

Delivery to External Clients

The table below details the services NAS delivers to external clients.

Service	Description	Days
Provision of an Internal Audit Service to Schools – traded audits and health checks.	The strategy for auditing schools from April 2012 was agreed with the Audit Committee and incorporated into the 2017-18 audit plan. We offer a full audit or a health check to maintained schools. During 2019/20 we will continue to target the 44 schools who last had an audit or health check in 2008, 2009 and 2010 and have not had a finance review from Children's Services. Of these 44 schools, only ten have booked an audit since reminder letters were sent out in September 2018. The target numbers and days will remain at 25 and 76 respectively for 2019/20 (in 2081/9, 22 audits have either been completed or are booked for January – March 2019).	76
Provision of advice and assistance to the Eastern Inshore Fisheries and Conservation Authority.	Provision of advice and assistance with respect to the Annual Governance Statement and other internal control issues. We provide this service on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.	6
Undertaking grant certification work particularly with respect to EU grants completed quarterly, half yearly or annually.	We provide this service on the required charges basis or at full cost recovery, which enables us to absorb the cost of all or some of our senior management and other overheads. Grant certifications include five EU grants, increasing to six in 2019/20, five LGA grants, one external client and five other UK government grants, plus the 16-19 EFSA grant funding work for schools for the S151 Officer.	212
Provision of an Internal Audit Service to the Norfolk	We provide an internal audit service to the Norfolk Pension	80

Pension Fund.	Fund on a risk assessed basis. We provide these services on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.	

Norfolk Audit Services

Appendix C

Days available to deliver NAS services 2019/20

Element	Total Days proposed 2019/20	% of NCC plan (excludes external clients)	Proposed Days Q1 & Q2	Proposed Days Q3/Q4	Revised Total Days 2018/19	% of NCC plan (excludes external clients)
Reporting to the Audit Committee quarterly and annually	**35**	3%	17	18	**35**	3%
Facilitation of the delivery of the Annual Governance Statement to the Audit Committee and the Joint Committees	**8**	1%	8	0	**8**	1%
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**	2%
Undertaking audit work to support the internal audit opinion	**787**	59%	262	525	**765**	63%
Provision of advice and assistance with respect to Internal Control to Executive Directors and other Senior Officers	**95**	7%	40	40	**45**	4%
Delivery of the Anti Fraud and Corruption strategy, including preliminary assessments and investigations	**191**	14%	96	95	**192**	15%
Delivery of the Risk Management Strategy including servicing of Committees in respect of risk management	**191**	14%	96	95	**167**	13%
*Provision of chargeable Internal Audit Service to Schools	**76**		38	38	**76**	
*Provision of an Internal Audit Service to Norfolk Pension Fund	**80**		40	40	**80**	
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	**6**		6	0	**6**	
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	**212**		106	106	**173**	
*Delivering the Audit Authority Function to the FCE programme	**461**		230	231	**458**	
Gross Total	**2,162**	**100%**	**949**	**1,198**	**2,025**	**100%**
*Less Delivered to external Clients	**835**		**420**	**415**	**793**	
Total Days to be Delivered	**1,327**	**100%**	**529**	**783**	**1,232**	**100%**

Available productive days as per resource model **2161**

Detailed Audit Plan for the First Half of the year for 2019/20

APPENDIX D

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Norfolk Futures Ref	Q1 & 2 Audit days	Q3 & 4 audit days	
Community and Environmental Services							
Environment, Development and Transport Committee							
Norfolk Strategic Delivery Plan	Service risk	20	Assurance that governance arrangements are adequate and effective.	Local service strategy	20	0	
Third River Crossing	RM024	20	Assurance that project controls are adequate and effective.	Commercialisation	0	20	Q4
Highways Commercialisation	RM001	20	Assurance that key controls and processes are working efficiently and effectively.	Commercialisation	0	20	Q4
Concessionary Travel Scheme	Service risk	20	Assurance over the adequacy and effectiveness of key internal controls in respect of reimbursements to operators (fixed reimbursement pot).	Commercialisation	20	0	
Rent collection - Gypsy and Roma traveller sites	Service risk	20	Assurance on the adequacy and effectiveness of controls in place.	Commercialisation	0	20	Q4
Communities Committee							
Castle Keep Project	Service risk	15	Assurance that key milestones and funding conditions are being met.	N/a	0	15	
Heritage Lottery Funding and Department for Transport Funding projects	Service risk	20	Assurance that key milestones and funding conditions are being met.	Commercialisation	0	20	
Blue Badge Permits	Service risk	15	Assurance that key processes and controls are working efficiently and effectively.	Commercialisation	15	0	
Commissioned Services - Public Health	Service risk	25	Assurance that commissioned services are managed adequately and effectively.	Commercialisation	0	25	Q3
Total Community & Environment Services		**175**			**55**	**120**	
Adult Social Services							
All departments							
Project, change management and financial savings	Project, Change Mgmt, Financial RM002	40	Assurance on the adequacy and effectiveness of controls in place to mitigate the risks associated with managing projects and change, to deliver the required financial savings on time.	Promoting independence for vulnerable adults	20	20	
Contract Management within ASS	Customer / Service Delivery RM004	20	Assurance on the adequacy and effectiveness of controls in place to manage ASS contracts.	Promoting independence for vulnerable adults	20	0	
Business Support & Development							
No specific audits planned							
Early Help & Prevention							
No specific audits planned							
Community Health & Social Care							

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Norfolk Futures Ref	Q1 & 2 Audit days	Q3 & 4 audit days
No specific audits planned						
Adult Social Work and OT						
No audits planned						
Strategy and Transformation						
Delayed Transfer of Care Part 2 - Follow Up of Part 1 Action Plan	Service risk	15	Assurance that the aciton plan for Part 1 of the audit completed in 2018/19 has been implemented	Promoting independence for vulnerable adults	0	15
Integrated Commissioning						
No specific audits planned		0			0	0
Social Work & OT						
No specific audits planned		0			0	0
Integrated Operations (MH/LD)						
Deprivation of Liberty Safeguards (DoLS)	Customer / Service Delivery	15	Assurance on the adequacy and effectiveness of the controls in place to ensure compliance with the DoLS.	Promoting independence for vulnerable adults	0	15
Total Adult Services		**90**			**40**	**50**
Children's Services						
Performance Planning & QA						
No specific audits planned					0	0
Education						
Capital Programme for Schools	Financial, Project	20	Assurance on the adequacy and effectiveness of the controls in place to manage capital projects so that these are delivered on time and budget.	Safe children and resilient families	20	0
Contract Management within the non-maintained independent sector	Customer / Service, Delivery RM004	20	Assurance on the adequacy and effectiveness of controls in place to manage contracts within the non-maintained independent sector.	Safe children and resilient families	20	0
SEND Top Up Funding	Financial RM014a	15	Assurance that management of the SEND Top Up funding is appropriate and compliant with the National Model.	Safe children and resilient families	0	15
Thematic Audit - Topic 1	N/a	15	Topic to be decided.	Safe children and resilient families	15	0
Thematic Audit - Topic 2	N/a	15	Topic to be decided.	Safe children and resilient families	0	15
Business Design & Change Lead						
No specific audits planned					0	0

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Norfolk Futures Ref	Q1 & 2 Audit days	Q3 & 4 audit days
Social Work						
No specific audits planned					0	0
Early Help						
No specific audits planned		20			0	20
Total Children's Services		**105**			**55**	**50**
Managing Director's Department						
Intelligence and Analytics						
No audits planned					0	0
Communications						
No audits planned					0	0
Human Resources						
HR Audit	Service risk	15	Topic to be agreed on a risk assessed basis	N/a	0	15
HR Audit	Service risk	15	Topic to be agreed on a risk assessed basis	N/a	0	15
Strategic Delivery Unit						
Governance of Partnerships	RM013	15	Assurance that effective governance arrangements are in place for partnerships	N/a	0	15
Total Managing Director's		**45**			**0**	**45**
Finance						
Credit Control	Financial	20	Assurance on the adequacy and effectiveness of the controls in place to collect debts.	N/a	0	20
Insurance Claim Handling	Financial	15	Assurance that there is compliance with our process and that the process is robust for purpose.	N/a	0	15
Expenses	Financial	15	Assurance that the controls for the new electronic system are adequate and effective.	N/a	0	15
Corporate Property Team						
NCC Phase 3 Works	Project	20	Assurance on the adequacy and effectiveness of the controls in place to manage these capital works so that these are delivered on time and budget.	N/a	20	0
Repton Housing development Company	RM013	15	Assurance that effective governance arrangements are in place for the development company	Towards a Norfolk housing strategy	15	0
Project Qube (system for collecting and paying rents, rates and service chgs as a landlord and a tenant)	Financial	15	Assurance that the controls established for the Project Qube system are appropriate and working in practice.	Smarter information and advice	0	15
Procurement						
Contract Monitoring - Top 50 Contracts	Financial	20	Topic to be agreed on a risk assessed basis.	N/a	20	
Contract Monitoring - Top 50 Contracts	Financial	20	Topic to be agreed on a risk assessed basis.	N/a		20

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Norfolk Futures Ref	Q1 & 2 Audit days	Q3 & 4 audit days
Topic to be agreed	Financial	20	Topic to be agreed on a risk assessed basis.	N/a		20
Information Management Technology						
Cyber Security	Cyber RM010	30	Assurance that the controls to prevent unauthorised access to and exploitation of our electronic systems and networks are adequate and effective.	N/a	0	30
Access - Part 1	Access	20	Assurance that access controls to systems used within directorates and departments are appropriate and effective to ensure that that unauthorised access to electronic data is prevented.	N/a	20	0
Access - Part 2	Access	20	Assurance that access controls, with regards to starters, movers and leavers, the self-service Helpdesk, the new single sign on point and the replacement process for the CAR (Computer Access Request) Form system, are appropriate and effective.	N/a	0	20
Data Sharing (ASS)	Service risk	20	Assurance that the Guide for Practitioners is being adhered to when data is shared between ASS and the NHS to ensure that data is shared securely.	Promoting independence for vulnerable adults	0	20
Software Asset Management and Asset Disposals	N/a	30	Assurance that controls are appropriate and effective for managing software assets and the secure decommissioning of IT assets.	N/a	30	0
Total Finance		**280**			**105**	**175**
Days to complete 2018/19 audits		**70**			**70**	**0**
Total Number of Opinion Days to be delivered to NCC		**765**			**325**	**440**
Follow Up / Contingency Days		22			11	11
Grand Total Days Required		**787**			**336**	**451**
Less Days Available		787				
Total Undeliverable Days		**0**				
Pensions		**80**			**40**	**40**
Grants		**212**			**106**	**106**
HPF Follow Up		**6**			**2**	**2**
Completion of 2017-18 Audits		**100**			**80**	**20**
Schools		**76**			**38**	**38**
		1155				

Audit Committee

Item No……

Report title:	**Internal Audit Terms of Reference (Charter) and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)**
Date of meeting:	**31 January 2019**
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 April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards.

On 26 January 2016, Norfolk Audit Services was formally designated by DCLG to deliver the Audit Authority (AA) function for the Interreg VA France Channel England Programme over the lifetime of the programme, building on Council approval from 10 June 2013 to bid for that contract.

Executive summary

The purpose of this report is to present the revised Internal Audit Terms of Reference (Charter) and the Code of Ethics following a review, in accordance with CIPFA's and the IIA's UK Public Sector Internal Audit Standards. These were last presented to Audit Committee in April 2018 following a full review which incorporated the new requirements from the International Standards for the Professional Practice of Internal Auditing (Standards) which came into effect January 2017. This current review has resulted in minor changes as underlined.

The UK Public Sector Internal Audit Standards (UK PSIAS) requires that the purpose, authority and responsibility of the internal audit activity must be formally defined by the Council in an audit charter (UK PSIAS standard 1000), for Norfolk County Council this document is the Internal Audit Terms of Reference. Part I of the Internal Audit Terms of Reference refers to Norfolk County Council.

European Commission guidelines require that the Audit Authority mandate is documented in an audit charter when the mandate is not already set out in national legislation. Where an audit charter exists for the audit function, the Audit Authority mandate should be incorporated. This contributes to the independence of the Authority. Part II of the Internal Audit Terms of Reference (Charter) refers to the Interreg VA France Channel England Programme (FCE) Audit Authority.

The development of an FCE Audit function within the internal audit team was approved by Cabinet on 10 June 2013, as part of its approval for ETD to present a bid to act as Managing Authority for the FCE programme 2014-20. The approved proposal provided for other programme authorities to be set up within existing NCC services (namely Finance and NAS). It is anticipated that the FCE Audit function will be required to be in existence until the end of 2025, although the exiting of the UK from the European Union may bring this date forward.

In terms of performance and conduct, the UK Public Sector Internal Audit Standards contain requirements to set minimum standards for the performance and conduct of all internal auditors and includes five main principles; Integrity, Objectivity, Competence, Confidentiality and Professional Behaviour.

The current Internal Audit Code of Ethics appears at **Appendix B** and is applicable to all staff employed by the internal team, whether they are deployed on internal audit activities or EU audit activities. This continues to be based on best practice, the Nolan Principles of Public Life and the CIPFA publication "Code of Ethics for Professional Accountants" (2011) which is compatible with the UK PSIAS.

Recommendation:

The Audit Committee is recommended to:

- consider and, if satisfied, agree the amended Internal Audit Terms of Reference (Charter) as set out in **Appendix A**, and the Code of Ethics as set out in **Appendix B** of this report.

1. Proposal (or options)

1.1 The Audit Committee is recommended to consider, comment upon and agree the amended Terms of Reference (Charter) as set out in **Appendix A** and the Code of Ethics as set out in **Appendix B** of this report.

2. Evidence

2.1 The proposed Terms of Reference (Charter) and Code of Ethics are presented at **Appendix A** and **Appendix B.** There are minor changes, as underlined in the text for ease of reference.

3. Financial Implications

3.1. The expenditure in relation to the internal audit function falls within the parameters of the Annual Budget agreed by the Council.

3.2. Expenditure incurred in the delivery of the FCE Audit function is recoverable from the European Commission under the terms of the Technical Assistance budget, provided the expenditure is in line with EU eligibility rules and satisfactory evidence of compliance has been retained.

4. Issues, risks and innovation

4.1. **Risk implications**

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

4.3. The British and French Member States and the European Commission will place reliance on the work of the FCE audit team, which will enable the programme to function. Any issue raised with regards to the quality of the work produced by the Audit Authority or the adequacy of the audit strategy in place may result in programme interruptions and/ or suspension of payments from the European Commission.

4.4. **Environmental implications**

4.5. The scope of the work of the FCE audit team has a direct impact on the geographical territory to be covered by its activities, with audit activities planned over the whole FCE territory and training and strategical coordination meeting taking place throughout the EU territory. EU Regulations are prescriptive in terms of their requirements for site visits and limited scope for remote auditing. There will therefore be a significant increase in transport incurred by staff. This will be mitigated through maximising the use of public transport.

4.6. There are no implications with respect to:

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

5. Background

5.1. The Internal Audit Terms of Reference and Code of Ethics were last approved at the April 2018 Audit Committee meeting.

5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all its work and do all that it reasonably can to prevent crime and disorder in Norfolk.

5.3. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

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

5.5. **Background papers**

There were no background papers relevant to this report.

Officer Contact

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

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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.

APPENDIX A

TERMS OF REFERENCE (CHARTER)

CONTENT

Internal Audit

1. Responsibilities, Objectives and Scope
2. Reporting lines and relationships
3. Independence and Accountabilities
4. Statutory Role
5. Consultancy and Advisory Reviews
6. Internal Audit Standards
7. Internal Audit Resources
8. Fraud and Corruption
9. Reporting on individual audit assignments
10. Review of the Effectiveness of the System of Internal Audit
11. Quality Assurance and Improvement Programme
12. Related Documents
13. Definitions

FCE Audit Authority

1. Primary Role
2. Authority
3. Independence and objectivity
4. Responsibilities
5. Relationship with other audit functions
6. Reporting Arrangements

APPENDIX A

PART I : NORFOLK COUNTY COUNCIL INTERNAL AUDIT – TERMS OF REFERENCE (CHARTER)

1 RESPONSIBILITIES, CORE PRINCIPLES, OBJECTIVES AND SCOPE

1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.2 The Core Principles for the Professional Practice of Internal Auditing, taken, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The Core Principles, as demonstrated throughout this terms of reference (Charter), are:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives, and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future-focused
- promotes organisational improvement.

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

1.4 In meeting its responsibilities, Internal Audit activities are conducted in accordance with the County Council Strategy and 'Norfolk Futures' priorities and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Public Sector Internal Audit Standards and other such codes of professional bodies of which internal auditors are members, such as CIPFA and the Chartered Institute of Internal Auditors.

1.5 The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all the Council's operations, resources, services

and responsibilities including those where the Council works with other bodies. This definition shows the very wide scope of Internal Audit's work.

1.6 To turn this generic description of scope into actual subjects for audit, the Chief Internal Auditor uses a risk assessment to identify high-risk areas. This risk assessment includes an assessment of the effectiveness of the systems of internal audit, reviewing the adequacy and effectiveness of risk management and reviewing corporate and departmental risk registers. This process inevitably identifies the Council's fundamental financial systems as being 'high risk', but other non-financial systems and functions are also identified as important areas for review by Internal Audit, for example governance, data quality, environment, business continuity and health and safety.

2 REPORTING LINES AND RELATIONSHIPS

2.1 Internal Audit forms part of the Finance and Commercial Services Directorate. The Chief Internal Auditor reports directly to the Section 151 Officer (Executive Director of Finance and Commercial Services).

2.2 The Council has an Audit Committee and the Chief Internal Auditor reports to the Audit Committee on a quarterly and annual basis, through the Executive Director of Finance and Commercial Services. The Chief Internal Auditor's Annual Report includes an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and internal control within the authority.

2.3 The Audit Committee is responsible for endorsing the Annual Internal Audit Plan. The quarterly and annual reports from the Chief Internal Auditor show progress against the plan through a summary of audit work over the period. Quality feedback from questionnaires received from clients following audits is also presented to the Audit Committee.

2.4 The Audit Committee is responsible for ensuring Internal Audit are independent of the activities it audits, is effective, has sufficient experience and resources and that the scope of audit work to be carried out is appropriate.

2.5 The Audit Committee Chairman meets separately and privately with the Chief Internal Auditor and with the Council's External Auditor from time to time.

2.6 Internal Audit co-ordinate their work with that of the external auditors and assist the external auditors as required to ensure that appropriate reliance can be placed on Internal Audit's activities; Internal Audit may also place reliance upon the work of the external auditors, or external inspection bodies such as Ofsted, or departmental peer reviews.

2.7 Internal Audit will work in partnership with other bodies to secure robust internal controls that protect the Council's interests.

3 INDEPENDENCE AND ACCOUNTABILITY

3.1 Internal Audit is independent of the activities that it audits which enables the auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and unbiased recommendations.

3.2. Independence and objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit, including where members of staff have been involved in, for example working groups, consultancy etc. Internal auditors will also refrain from assessing specific operations for which they were previously responsible, within the previous two years.

3.3 Internal Audit determines its priorities based on an evaluation of risk in consultation with the Audit Committee. The Chief Internal Auditor has continual direct access to Council records, officers and reports and the ability to report independently and impartially if required. Accountability for the response to the advice and recommendations of Internal Audit lies with Chief Officers and Heads of Service, who either accept and implement the advice or choose another course of action on a risk assessed basis.

3.4 Internal auditors have no operational responsibilities, except for the Chief Internal Auditor who manages Corporate Risk Management, the Council's Whistleblowing Policy and is the Head of the FCE Audit Authority. These functions are overseen independently and will be subject to independent assurance reporting.

4 STATUTORY ROLE

4.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (England) 2015, which state in respect of Internal Audit that:

(Part 2 section: 5) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit: make available such documents and records; and supply such information and explanations; as are considered necessary by those conducting the internal audit.

(Part 2 section 6) A relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement. If the relevant authority is a Category 1 authority (which NCC is), then following the review, it must consider the findings of the review by a

committee; or by members of the authority meeting as a whole; and approve the annual governance statement by resolution of a committee; or members of the authority meeting as a whole.

4.2 The statutory role is recognised and endorsed within the Council's Financial Regulations (Section C, Risk Management and Control of Resources), which provide the authority for Internal Audit's access to officers, members, premises, assets, documents and records and to require information and explanation as necessary. These rights of access also extend to partner organisations.

4.3 Internal Audit's remit extends to the entire control environment of the Council. The Chief Internal Auditor will provide an annual audit opinion as to the adequacy of the Council's internal controls and risk management processes. This opinion is driven by individual audit opinions from each internal audit engagement, as agreed within the annual audit plan, and informs the Council's Annual Governance Statement. Likewise any findings or concerns raised in the Annual Governance statement will be reflected in audit plans and coverage.

5 Consultancy or advisory reviews

5.1 In addition to formal audit work, Internal Audit perform consultancy or advisory reviews as part of the annual internal audit plan, or on an ad hoc basis when requested by management. All such advisory work will be clearly identified in the internal audit plan. Where a significant consultancy or advisory service is required, either within or external to the Council, approval will be sought from the Audit Committee. Reports from this type of work contain findings, audit views and recommendations and whilst no formal opinion is given, this work does inform the Chief Internal Auditor's overall opinion on the adequacy and effectiveness of internal controls.

5.2 Assurance Services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. Internal audit is sometimes requested to undertake internal audit and assurance activity for third parties. These include internal audit services, grant certification and financial accounts sign off. The same principles detailed in this charter and our operational procedures will be applied to these engagements. In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagements objectives and be alert to significant control issue.

6 INTERNAL AUDIT STANDARDS

6.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit.

6.2 CIPFA and the IIA have published the UK Public Sector Internal Audit Standard (updated October 2016, effective January 2017). The mandatory elements include: the definition of Internal Auditing; the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of internal Auditing. CIPFA has also published in consultation with the IIA a Local Government Application Note with respect to the Standards. Our Internal Audit Terms of Reference, Code of Ethics are compliant with the Standard and Guidance.

7 INTERNAL AUDIT RESOURCES

7.1 The Chief Internal Auditor has ensured that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arises whereby the Chief Internal Auditor concludes that resources are insufficient, he must formally report this to the Section 151 Officer. The Chief Internal Auditor reports on the adequacy of resources on an annual basis.

7.2 The Chief Internal Auditor has been responsible for appointing the staff of the Internal Audit Section and has ensured that appointments have been made to achieve the appropriate mix of qualifications, experience and skills. In addition to this, the Chief Internal Auditor maintains a 'mixed economy' delivery model by having a call of arrangement with a contractor (by competitive tender) to supplement the resource and skills of the in house team. This provides flexibility and resilience in delivering aspects of the plan to ensure best expertise and value for money.

7.3 Internal Audit is appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors are properly trained to fulfil their responsibilities and maintain their professional competence through appropriate development programmes.

7.4 Where skills do not exist within the team, the Chief Internal Auditor buys in resources from external sources to provide an adequate, effective and professional service, for instance with respect to ICT technical audits.

7.5 If Internal Audit staff are appointed from operational roles elsewhere in the Authority, they do not undertake an audit in that operational area during the first <u>two</u> years of their appointment, except by prior agreement between the Chief Internal Auditor and the relevant Head of Service.

8 FRAUD AND CORRUPTION

8.1 The Anti-Fraud and Corruption Strategy 2017-2019 was endorsed by the Audit Committee at the September 2017 meeting. The Strategy sets out the responsibilities of the various parties and falls in line with 'Fighting Fraud and Corruption Locally', the local government fraud and corruption strategy 2016-2019. These include, amongst other things, that the promotion of and revision to the Strategy lies with the Monitoring Officer (Chief Legal Officer), advised by the Chief Internal Auditor. Managing the risk of fraud and corruption is the responsibility of Chief Officers; Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work. An investigative Auditor has this designated responsibility within the team, supported on an ad-hoc basis by other members of the team. A training programme to develop fraud investigatory skills within the team is included within the development plans.

8.2 The Chief Internal Auditor advises Chief Officers on fraud and corruption issues.

8.3 The Chief Internal Auditor has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he can determine if an investigation needs to take place, consider the adequacy of the relevant controls, and evaluate the implications for the opinion on the internal control environment.

9 REPORTING ON INDIVIDUAL AUDIT ASSIGNMENTS

9.1 A written report is prepared for every internal audit in accordance with the appropriate standards. The report is agreed with the Principal Client Manager before being issued to the responsible Senior Officer, or Executive Director of Service. The reports include an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and the internal controls in the area that has been audited.

9.2 Internal Audit make practical recommendations based on the findings of the work and discuss these with management to establish an appropriate action plan.

9.3 The responsible Senior Officer or Executive Director of Service is asked to respond to the report's recommendations within an agreed timescale. The response must show what actions have been taken or are planned in relation to each recommendation. If a recommendation is not accepted by the manager, this is also stated. The Chief Internal

Auditor assesses whether the managers response is adequate. If the Chief Internal Auditor concludes that management has accepted a level of risk that is unacceptable, the Chief Internal Auditor will discuss the matter with Senior Management and escalate to the County Leadership Team (as necessary) and to the Audit Committee.

9.4 Any findings given a high priority that are deemed corporately significant (based on the agreed criteria) are monitored and reported in a separate High Priority Findings (HPF) report. Management assurance is obtained to ensure the agreed actions have taken place and updates about the progress of dealing with high priority findings are reported to County Leadership Team quarterly. If actions have not been implemented satisfactorily by the agreed dates, the Chief Internal Auditor will make a risk based assessment to determine what further follow-up audit and subsequent reporting to County Leadership Team is required.

9.5 Any reports that, in consultation with Chief Officers, are judged to be "Corporately Significant" based upon agreed criteria are reported to the Audit Committee. These reports are subject to a full follow up audit.

9.6 The Chairman can request a sample of audit reports to review periodically.

10 Review of the Effectiveness of the Systems of Internal Audit

10.1 The Accounts and Audit Regulations 2015 require that, from April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. There is a requirement for an annual review of the effectiveness of internal audit. This is also part of the wider review of the effectiveness of the systems of internal control. The Chief Internal Auditor will carry out a review of the Internal Audit Function, in accordance with the Quality Assurance and Improvement Programme outlined below and will report the results to the Executive Director of Finance and Commercial Services and the Audit Committee.

10.2 The Chief Internal Auditor will arrange for an independent review to be carried out, at least every five years which will be reported to the Executive Director of Finance and Commercial Services and the Audit Committee.

11. Quality Assurance and Improvement Programme

11.1 The Chief Internal Auditor will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. The programme will include an evaluation of internal audit activity's conformance with the definition of Internal Auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement.

11.2 The Chief Internal Auditor will communicate to the Executive Director of Finance and Commercial Services and the Audit Committee on the internal Audit activity's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

12 RELATED DOCUMENTS

12.1 This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents include:

Anti-Fraud and Corruption Strategy
Whistle-Blowing Policy
Code of Conduct for Members and Co-opted Members
Officers Code of Conduct.
Anti-Money Laundering

13 DEFINITIONS

In terms of the PSIAS and the LGAN:-

Audit Charter – these Terms of Reference for Internal Audit represent the Audit Charter.

Senior Board – functions are exercised by the Audit Committee

Senior Management – functions are exercised by the County Leadership Team

PSIAS - CIPFA and IIA's UK Public Sector Internal Audit Standard, which came into force on 1 April 2013. The PSIAS were updated in October 2016 (effective from January 2017). The PSIAS and the Local Government Application Note (the Application Note) together supersede the 2006 CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* (the 2006 Code).

LGAN - Local Government Application Note published by CIPFA in collaboration with the IIA in April 2013

PART II : THE INTERREG VA FRANCE CHANNEL ENGLAND PROGRAMME AUDIT AUTHORITY – TERMS OF REFERENCE (CHARTER)

1. Primary Role

1.1. European Union regulations require that Member States must have in place a designated Audit Authority for all European Structural & Investment Funds. Norfolk Audit Services is the designated Audit Authority ('the Authority') for the Interreg V France (Channel) England programme. Interreg programmes are a specific type of European Structural & Investment Fund, falling under the European Regional Development Fund (ERDF) and more specifically the European Territorial Cooperation (ETC) programme.

1.2. Norfolk Audit Services was also designated Independent Audit Body for the purpose of the designation of the other programming bodies. The work of Norfolk Audit Services as Independent Audit Body is now completed.

1.3. The Authority's primary role is:

- To seek to provide assurance to the programme national authorities[1] and the European Commission that the FCE programme is delivered in compliance with the regulatory requirements of the European Union in relation to the delivery of ETC programmes and with national regulatory requirements.

1.4. In the course of its work, the Authority is required to audit

(i) operations co-funded by the FCE programme and

(ii) the management and control systems set up in the Certifying Authority (Norfolk County Council – Finance) and the Managing Authorities (Norfolk County Council – Economic Development).

1.5. In order to provide good quality, fair and balanced reports, the Authority performs audits in accordance with applicable EU regulations and in accordance with internationally accepted auditing standards, as specified in the FCE Audit Strategy.

[1] Each Member State participating in the cooperation programme appoints national authorities, to which the various programming bodies are accountable. The national authorities with regards to the audit activities is functionally independent from the national authorities working with the MA and the CA.

2. Authority

2.1. The Authority derives its authority from formal designation by the then Department for Communities and Local Government (DCLG) now MHCLG. Formal confirmation has been received from both Member States that Norfolk Audit Services will have authority to carry out directly the functions of the Audit Authority in the whole of the territory covered by the cooperation programme. Modality for Member State representatives to accompany FCE auditors on audit missions[2] were established as part of the Rules of Procedure agreed by the Consultative Audit Group on 20 April 2016.

2.2. The Department for Business, Energy & Industrial Strategy (BEIS) is responsible for ensuring that the Audit Authority is and remains fit for purpose, ie that it maintains its functional independence from the Managing Authority, Certifying Authority and project beneficiaries, is effective and has sufficient experience and resources. In practice, BEIS is relying on the Ministry of Housing, Communities and Local Government (MHCLG) to exercise this role, in its capacity as UK National Authority for the programme. MHCLG has a representative at the Consultative Audit Group.

2.3. In performing its activities, the Authority will have access to all people, records, information, systems and property deemed necessary, within the programming authorities and with each and every partner involved in the delivery of the cooperation programme. The Authority has been granted "read-only" access to the data and information held by the Managing Authority both in its information system and held on shared servers. The same access is in place with regards to the Certifying Authority data held on information systems. An agreement is in place that data held outside of shared information systems will be made available upon request.

2.4. All information requests should be dealt with promptly and truthfully by other parties. Should there be any perceived attempt to hinder the performance of the Authority's duties, this would be communicated to:

- The Managing Authority, where information has been requested from a project partner
- The internal FCE programme board[3] in a first instance, with escalation to the Ministry of Housing, Communities and Local Government and the Government Internal Audit Agency (in their capacity as British National Authorities for the MA and AA respectively), where information has been requested from a programming authority.

[2] It is a provision within the Common Provision Regulations that the Member States may request for their representatives to be present during audit missions on their own territory.
[3] The NCC internal FCE programme board is composed of Chief Officers and provide internal governance for the delivery of the MA, CA and AA functions.

3. Independence and objectivity

3.1. To ensure its independence, the authority functions under the direct responsibility of the Council's Section 151 Officer (Executive Director for Finance and Commercial Services) with oversight from the Audit Committee. The Audit Authority is functionally independent from the Managing Authority (Norfolk County Council – Economic Development), the Certifying Authority (Norfolk County Council – Budgeting and Accounting within Finance) and the Beneficiary Bodies involved in any FCE co-financed operations.

3.2. Although the Audit Authority will feed into Norfolk County Council's internal governance arrangements through the provision of progress and performance update, the Audit Authority will in effect be accountable to the national designating body in the UK (BEIS) and to the European Commission.

3.3. The Authority is therefore functionally independent of the activities that it audits. Moreover, it has sole responsibility for the planning and selection of expenditure/operations to be audited and the manner in which the audits are conducted.

3.4. Upon request of a national authority, the Authority's staff may be accompanied by an auditor from the national authority. An expectation of independence will also be placed on that member of staff.

3.5. The Authority may, if deemed appropriate by the Chief Internal Auditor and the Audit Committee, or if requested by management, advise on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.

3.6. All members of staff working for the Authority have a duty to abide by the Internal and Interreg FCE Audit Code of Ethics (Appendix B). The requirement for professional independence underpins the first two pillars of the internal code, namely integrity and objectivity. Staff are expected to complete annual declaration of interest, in order to detect and manage any potential conflict of interest with auditees.

4. Responsibilities

4.1. The specific role and responsibilities of the Authority are determined by European Union Regulations and Guidelines for the Structural Funds. The key roles may be summarised as follows:

- Produce a report for the benefit of the then DCLG,

including an opinion on the management and control systems set up by the Managing and Certifying Authorities, based on the descriptions provided, which will form the basis of their formal designation as programme authorities. This work must be undertaken prior to any claim for interim payment from the European Commission being submitted.

- Prepare, and update as necessary, an audit strategy in consultation with the National Authorities representatives on the Consultative Audit Group. The audit strategy will be submitted to the European Commission, upon request (in line with Article 127 (4) of EU Regulations 1303/2013).

- Prepare and deliver an annual audit plan, as discussed with National Authorities representatives on the Consultative Audit Group. Ensure the audit plan enables compliance with requirements as stated in EU regulation and complimentary guidance.

- Submit to the Commission an annual control report (ACR) setting out the findings of audits carried out during the audit year, with regards to audits of operations detailed expenditure, systems audits and follow up work on previous recommendations.

- Issue an annual audit opinion, on the basis of audits carried out, as to whether the management and control systems functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.

- Submit to the Commission a winding up declaration in respect of the FCE programme before the statutory date for closure.

5. Relationship with other audit functions

5.1. The Authority will be assisted by a Consultative Audit Group, which will be composed of competent and independent representatives of the National Authorities. The Consultative Audit Group will provide the National Authorities with a channel to influence the audit strategy and audit plan, to ensure specificities of their respective territories and needs are adequately met, whilst ensuring compliance with the relevant EU regulations and associated guidance.

5.2. The Authority will provide a progress update to the Norfolk County Council's Audit Committee for information. The update will focus on

summarising activity undertaken against expectations from the regulations and/ or the audit plan, to confirm satisfactory progress is being achieved.

5.3. The Authority shall liaise with the Audit Service of the European Commission in the Directorate General for Regional and Urban Policy (DG Regio) and submit all required documents, including the annual audit plans and an annual control report and annual audit opinion as outlined at 4 above.

5.4. If requested, the Authority will co-operate with audit missions by the European Commission Audit Services or the European Court of Auditors, either in the provision of information or advice in relation to financial control and audit procedures relating to the FCE programme or by participating in joint missions if appropriate.

5.5. Through the use of national public procurement procedures, the Authority will engage the use of private sector audit firms for audit activities on the French territory, specialist work or during particularly busy periods.

6. Reporting Arrangements

6.1. The Authority must be functionally independent from the MA and the CA and the Authority should report to a hierarchical level different than the MA's and CA's reporting levels. This enables the Audit Authority to be part of the same public authority or body (e.g. a ministry) together with the MA and/or the CA, provided that the principle of separation of functions is respected.

6.2. The Audit Authority is headed by a tier 3 manager, whereas the Managing and Certifying Authorities are both headed by a tier 4 manager.

6.3. The Head of Authority will have direct access to the Executive Director of Finance and Commercial Services (Section 151 Officer) and Audit Committee and will report on administrative and budgetary matters to the Executive Director of Finance and Commercial Services.

6.4. The Head of Authority shall fully engage with internal governance arrangements within Norfolk County Council and report quarterly to the Audit Committee and to the Section 151 Officer and six monthly to the internal FCE Programme Board in relation to progress on its audit strategy and work programme. Failure to complete annual audit programmes may lead to financial correction and reduction in the drawdown of Structural Funds.

6.5. The Authority shall consult national authorities representatives on the Annual Control Report and Audit Opinion, prior to submission to the European Commission.

6.6. The Authority shall notify the MA and the internal FCE programme board of any risks to the drawdown of ERDF Structural Funds arising from its regulatory audits of ETC expenditure, the audits of systems in the Certifying Authority and Managing Authorities and audit work in relation to the annual partial closure of accounts. Where unresolved, unmitigated risks will be identified in the Annual Control Report, which will be shared with the Consultative Audit Group for consultation and with Programme Monitoring Committee by the MA for information.

6.7. Individual audit reports will be shared by the AA with the relevant national authority representative prior to finalisation and will be shared by the MA with the Programme Monitoring Committee (or appointed sub-committee) for information once finalised.

6.8. The Authority will submit a Winding Up Report to the European Commission at the end of the 2014-20 programming period, on the closure of the FCE ETC programme and inform the Audit Committee of any risks arising from closure which would affect the drawdown of ERDF Funds.

APPROVAL

Ian Mackie
Chairman of the Audit Committee ……..

Simon George
Executive Director of Finance
and Commercial Services and
Section 151 Officer ……..

Adrian Thompson
Chief Internal Auditor and ……..
Head of the Audit Authority

Date…….

APPENDIX B

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority – Code of Ethics

Introduction

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. This code is complementary to, and should be read in conjunction with the CIPFA "Ethics and You" A Guide to the CIPFA Standard of Professional Practice on Ethics (June 2011). This code is compatible with the UK Public Sector Internal Audit Standard (refreshed October 2016, effective January 2017).

The Code of Ethics is based on five pillars and the Nolan Principles (Standards in Public Life).

1. **Integrity,**
2. **Objectivity,**
3. **Confidentiality,**
4. **Competency, and**
5. **Professional Behaviour.**

The Five Pillars

1. Integrity

The integrity of internal auditors is founded upon trust and thus provides the basis for reliance on their judgement. Internal auditors will never use their authority or office for personal gain. They will seek to uphold and enhance the standing of the profession. Internal auditors will maintain an unimpeachable standard of integrity in all their business relationships both inside and outside the organisations in which they are employed. They will reject any business practice, which might reasonably be deemed improper.

Internal auditors:

1.1. Will perform their work with honesty, diligence, and responsibility.
1.2. Will observe the law and make disclosures expected by the law and the profession.
1.3. Will not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation or themselves in their professional capacity. The fact that an action is legal does not necessarily mean that it is ethical.
1.4. Will declare any personal interest, which may impinge or might reasonably be deemed by others to impinge on impartiality in any matter relevant to his or her duties.
1.5. Will respect and contribute to the legitimate and ethical objectives of the organisation.

1.6. Will be trustworthy, truthful and honest. They should also promote and support these fundamental principles by leadership and example.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal auditors:

2.1. Will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2 Will not accept anything that may impair or be presumed to impair their professional judgement

2.3 Will disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review or distort their reports or conceal unlawful practice.

2.4. Will at all times maintain their professional independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not hold or disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal auditors:

3.1 Will be prudent in the use and protection of information acquired in the course of their duties.

3.2 Will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

3.3. Will respect the proper confidentiality of information acquired during the course of performing professional services: information given in the course of duty should be true and fair and never designed to mislead

3.4. Will not use or disclose any such information without specific authority unless there is a legal or professional right or duty of disclosure.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services. Internal auditors foster the highest possible standards of professional competence amongst those for whom they are responsible optimising the use of resources for which they are responsible to provide the maximum benefit to their employing organisation.

Internal auditors:

4.1. Will engage only in those services for which they have the necessary knowledge, skills, and experience.
4.2 Will continually improve their proficiency and the effectiveness and quality of their services.
4.3. Will perform professional services with due care, competence and diligence, and have a continuing duty to maintain their professional knowledge and skill at a level required to ensure that an employer or client receives the advantage of a competent professional service based on up-to-date developments in practice, legislation and techniques.
4.4. Will carry out professional services in accordance with the relevant technical and professional standards.

5. Professional Behaviour

Internal auditors comply with standards and laws and must not bring the reputation of the profession into disrepute in their behaviour and actions.

Internal auditors:

5.1 will behave in a professional manner both during their day to day work and activities outside of work.

Nolan Principles

The Nolan principles cover all of the same areas as the Five Pillars (above), but additionally include the following:

6. Selflessness

Holders of public office should act solely in terms of the public interest.
Internal auditors:

6.1 Will not perform work which leads to personal gain
6.2 Will perform work to assess the efficiency and effectiveness of current working practices within the Council

7. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or Bias.

Internal auditors:

7.1 Will base their opinion on evidence seen and testing performed during the audit work.

8. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Internal auditors:

8.1 Will produce audit files to back up conclusions reached during the audit process.
8.2 Will ensure there is an adequate review process in place to quality control the work carried out.

9. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Internal auditors:

5.1 Will report on completed audit topics for each individual NCC audit at the quarterly Audit Committee meeting.
5.2 Will provide more information about audits with corporate significant concerns to the County Leadership Team and Members.
5.3 Will report progress on corporately significant high priority findings to the Audit Committee.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Internal auditors:

7.1. Will exhibit the above behaviours in their own behaviour.
7.2. Will actively promote and support the principles
7.3. Will challenge and report poor behaviour when identified.

Audit Committee

Item No.

Report title:	**Risk Management Report**
Date of meeting:	**31st January 2019**
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 as a tool for managing risk 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 January 2019, along with an update on the Risk Management Strategy, and other related matters, following the latest review conducted during December 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 September 2018, prior to being refreshed in mid-December to show the latest developments. Officers have worked through the risk related questions and comments from that Committee and responses 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 and agree:

a. The changes to the corporate risk register **(Appendices A and B)**, the progress with mitigating the risks; and
b. The scrutiny options for managing corporate risks, (**Appendix C)**;
c. The heat map of corporate risks **(Appendix D)**;
d. The draft summary of the Benchmarking Club 2018 results **(Appendix E);**
e. The background information to the report **(Appendix F)**;
f. 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. Following the full Council meeting on 10th December 2018, Members have voted to move to a Cabinet System as of May 2019. Considering this, the implications of organisational change for Annual Governance reporting, Risk Management and internal controls are being monitored.

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, with a lowering of three risk scores. 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 six 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 are currently no red prospects scores. There is close monitoring of the progress against mitigation actions in place, which determines the prospects score.

2.2.7. A reconciliation to the September 2018 Audit Committee report is presented at **Appendix A,** detailing the significant changes to corporate risks since the September 2018 report.

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.

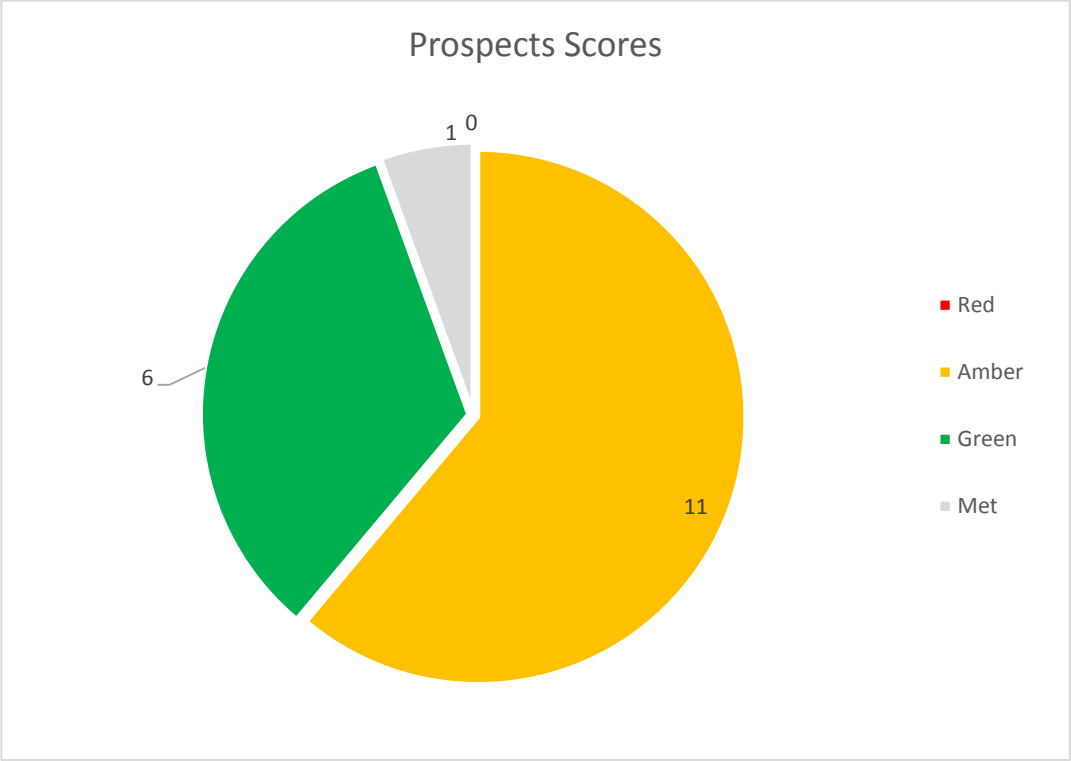
2.2.10. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C.**

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 F**.

2.2.14. Fig. 1. below reflects the percentages of risks in each prospects category.



2.3 <u>Development</u>

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. Current 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. The Council will be considering changes to the system of governance in May 2019.

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 has undertaken the Benchmarking Club exercise this year to self-assess our risk management maturity levels in comparison to other public- sector organisation participants using evidence to justify scoring. Risk management at Norfolk County Council is considered to be driving in four out of seven categories, and embedded and integrated in the other three. These are the top two category ratings. The summary of results can be seen at **Appendix E**.

5.2 Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up and will be developed 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. Where taken up, this will generate revenue for the County Council.

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 F.**

Officer Contact

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

Officer name :	**Adrian Thompson**	**Tel No. :**	01603 222784
Email address :	adrian.thompson@norfolk.gov.uk		
Officer name :	**Thomas Osborne**	**Tel No. :**	01603 222780
Email address :	thomas.osborne@norfolk.gov.uk		

If you need this report 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.

Appendix A – Risk Reconciliation Report

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

Current Risk Score Changes

RM003 - 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.

The likelihood score for this risk has been lowered from 3 to 2. This means that the current risk score has been lowered from 12 to 8.

The GDPR programme of work has been implemented in all but low risk areas.

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

Norfolk County Council for 2018/19 is NHS IG Toolkit accredited to Level 2 by NHS Digital in line with NHS partners within the Norfolk and Waveney STP.

RM010 - The risk of the loss of key ICT systems including internet connection, telephony, communications with cloud-provided services, or the Windows and Solaris hosting platforms.

The likelihood score has been lowered from 4 to 3 and the impact score has been lowered from 3 to 2. This means that the current risk score has been lowered from 12 to 6.

The disaster recovery site is now functional.

A dual power supply is currently being implemented for the new data centre, which improves resilience in the event of an unplanned power outage.

RM021 - Failure of Estate Management

The likelihood score has been reduced from 3 to 2. This means that the current risk score has been lowered from 6 to 4.

The only remaining significant mitigation to implement is the new IT system, which has been procured and is awaiting installation.

Risk Ownership Changes

The corporate risks previously owned by the outgoing Managing Director have been re-allocated to the appropriate senior officer.

* 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).

Appendix B

Risk Number	RM001	**Date of update**	20 December 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) Work with other county council officers and partners including district councils to compile evidence for Local Growth Fund 3 (LGF3) schemes by LEP deadline to maximise the chance of success in autumn bidding round.

1.2) Engage with Highways England over evidence base for RIS2 programme, and Network Rail for strategic rail delivery, and work with partners on advocacy and lobbying with government.

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, and other funding bids as they arise through the year.

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 Continue to build the relationship with the LEP to reduce the risk to the county council in having to fund budget increases on schemes. Build other strategic relationships.

2.3) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.

Overall risk treatment: Treat

Progress update

Progress update

1.1) 27 LEP pro formas have been completed for the highest priority LGF schemes. Growth Deal bidding round agreed by LEP Board 18 Oct, bids to be submitted by 21 January 2019. Working up bids for Sheringham Gateway Roundabout and Attleborough Link Road (dependent on gaining agreement from amongst others the development partners.

1.2) Business cases to support NCC A47 priority schemes (Acle Straight and East Winch to Tilney dualling) completed. NCC led Just Dual It campaign with EDP and Norfolk Chamber. Working with MPs to agree date for delegation to Westminster in the autumn, although getting date from Minister is proving difficult. Working on GEML (Great Eastern Main Line; Norwich to London) and Ely Task Forces (rail). Network Rail has been commissioned to look at priority infrastructure projects at both. Local Authority partners on the GEML Task Force in process of commissioning wider economic benefits work. Continuing to support East West Rail Consortium.

1.3) Annual review of Planning Obligations Standards programmed.

1.4) Pooled Business Rates bid were submitted, and have been successful, for the following key transport projects:
King's Lynn Transport
Norwich Western Link
Fakenham Market Town Study
Downham Market
Market Town Study
Wroxham / Hoveton Market Town Study
Wymondham Market Town Study
Long Stratton Bypass

Bid for Major Road Network funds submitted to government. WSP commissioned to develop work on business case. Still awaiting outcome of decision from DfT, which has been postponed. Currently assessing the implications of this, and the implications on the project and programme.

Bid for Transforming Cities successful: shortlisted for funds. Work is underway on developing the work programme, DfT visited the county in November to agree the way forward.

2.1) Delivery now complete at Attleborough town centre, positive feedback receieved; Great Yarmouth Transport; Norwich schemes; and Thetford Enterprise Park Roundabout. Remainder of schemes for delivery under development.

2.2) Relationship-building with LEP continues, with responsibility liason with LEP's programme management team on delivery issues moved to Infrastucture Delivery Team. Continuing to work as a key member of Transport East, the emerging Sub-National Transport Body. Transport strategy and evidence base to be commissioned.

2.3) 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**	05 December 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 available for other government priorities. However, the plan sets out a commitment that the Government will

Progress update

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 29 October and 26 November 2018 considered the latest budget position and agreed a timetable to consider the 2019/20 budget and future medium Term Financial Strategy. The October Committee meeting agreed the savings proposals recommended by Service Committees which did not require consultation and agreed to consult on those requiring consultation. The November Committee received an update following the announcements made at the Autumn budget.

Appendix B

Risk Number	RM003	**Date of update**	04 December 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**	2	4	**8**	2	4	**8**	Mar-19	**Green**

Tasks to mitigate the risk

1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities.
2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions.
3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management.
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.
5) NCC is NHS Information Governance Toolkit compliant to Level 2
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.
7) Embedding of GDPR
Overall risk treatment: Treat

Progress update

GDPR programme of work has been implemented with all but low risk areas. Programme of work is now continuing for the low risk areas.

Audit sucessfully undertaken by Internal Audit in regards to the use and implemention of Caldicott Guardians across Childrens and Adults with no signifiant or high outcomes. Quarterly meetings are in place to monitor the Caldicott process.

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

Norfolk County Council for 2018/19 is NHS IG Toolkit accredited to Level 2 by NHS Digital in lines with NHS partners within Norfolk and Waveney STP.

All the tasks to mitigate the risk and ensure the Target Risk Score is met are now in place.

Appendix B

Risk Number	RM004	**Date of update**	14 December 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**	Mar-19	**Amber**

Tasks to mitigate the risk

1) Ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively

2) Pipeline of expiring contracts and procurement summary to go to Committees and departments.

3) Appoint a Senior Commissioning Officer for Norse services and implement cross-department contract management structures

4) Review contracts to ensure compliance with the GDPR from May 2018

5) Rolling programme of internal audits of contract management of significant contracts

Overall risk treatment: Treat

Progress update

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

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.

3) A Senior Commissioning Officer (Al Collier) has been appointed for Norse services and cross-department

4) All major contracts have been reviewed, with ongoing review of all other contracts, to ensure continued compliance with the GDPR.

5) Rolling audit programme has commenced.

Appendix B

Risk Number	RM006	**Date of update**	14 December 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	Tom McCabe	**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.

Appendix B

Risk Number	RM007	**Date of update**	03 December 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**	Mar-19	**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 Identity and Access Management solution

Progress update

Data Quality audits have been undertaken by internal audit with no significant or concerning outcomes.

Manual records management project looking at retention periods of manual records held with BoxIt is providing positive results.

Moving forward all new systems being procured like Liquid Logic have more validation and integrity checks on the data/information at field level, row level and at page level thus ensuring the data/information is treated as a corporate asset inline with the NCC IM Strategy.

Risk Number	RM010	**Date of update**	03 December 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**	2	3	**6**	1	3	**3**	Sep-19	**Amber**

Tasks to mitigate the risk

'1) Full power down completed periodically.
2) Voice and Data reprocurement.
3) Commision Independant Data centre and power audit
4) Reprocure storage with suitable resilience and Disaster Recovery (DR)
5) Reprocure Microsoft Server Infrastructure with suitable resilience and DR
6) Replace ageing Local Area Network (LAN) equipment
7) Identify a suitable DR site to replace Carrow House
8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory)
9) Implement Cloud-based business systems with resilient links for key areas
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
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
11) Review and Implement suitable arrangments to protect against possible cyber / ransonware attacks including
• 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
Overall risk treatment: Treat

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 taking longer than expected. 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 5 out of 25 actions now complete with a target of December 2018, 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 have completed 1 of the 12 we will complete all actions by March 2019

Appendix B

Risk Number	RM011	**Date of update**	14 December 2018
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.		
Risk Owner	Fiona McDiarmid	**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

Reshaped and launched performance development framework
Mandatory training for 950 existing managers
Mandatory training for all new managers
Survey feedback to test employee and manager engagement and competence with new framework
Corporate vital signs for goals, and a target of at least 50% of staff having learning plans.
Other corporate vital signs of staying with organisation more than 2 years, absence targets.
Employee survey to test alignment with goals and performance improvement
Regular monthly communication.
Half year reviews will focus on launch of values and leadership attributes the “how”
Embedded into our management development framework offer.

Managing the following five corporate vital signs relating to performance;
Sickness absence - percentage lost time.
New employee retention rate
Vacancy rates
Agency and contract staffing spend as a percentage of pay bill
Working to a target of 95% of employees having written goals to works towards.

Overall risk treatment: Treat

Progress update

We have a plan in progress for the current year to deliver the HR based mitigations for this risk.
We are developing the vital signs relating to performance.
There is close working between the Head of HR and the Head of Intelligence and Analytics to capture how the organisation is performing.

Risk Number	RM013	**Date of update**	03 December 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	Simon George	**Date entered on risk register**	02 September 2015

Risk Description

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 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**	Mar-19	**Met**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.
2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Communities and Environmental Services of the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.
3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
4) To ensure that governance procedures are being discharged appropriately to Independence Matters.
5) Approve the Outline Business Case for Repton Property Developments Ltd.
6) Provide regular updates to the company Board and to the Business and Property Committee.

Risk Treatment: Tolerate

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 subsiduary 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.

Appendix B

Risk Number	RM014a	**Date of update**	07 December 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

There remains ongoing budget pressure within the SEN transport element of the overall Transport Budget for Children's Services with a significant overspend now being forecast; latest budget monitoring for November 2018 shows a forecast of £3.8 million. This has been caused by the increasing number of placements within special schools and exclusions, coupled with increased complex need resulting in requests for individual transport packages. The recent P&R Committee decision to invest £120million capital for more specialist provision will, in the medium to long term, mitigate these increases but in the short term the risk to budget has increased.

Appendix B

Risk Number	RM014b	**Date of update**	02 December 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, as at period six (September), is an underspend of £-0.128m.
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.

Appendix B

Risk Number	RM016	**Date of update**	11 December 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**	Mar-19	**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) 84% of critical services have plans which are up-to-date. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The next audit is due in the first quarter of 2019.
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. In January power is going to be cut to County Hall due to work required by UK Power networks and the generators will provide power to the datacentre and emergency lighting. During this time there will be another test of the PDC. Adult Social Services will work from the PDC over this weekend. As well as this Resilience and IMT are completing a DR/BC exercise to test the DR site in February, again services will be tested from the PDC. This is a significant milestone for BC and DR.

Tasks to mitigate the risk	Progress update
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.	3) The Business Continuity for managers course is now over subscribed despite more dates being added to the training programme. 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. Training and exercising is being completed across the organisation but a full programme of training and exercising needs to be developed. All plans must be exercised once per year. The percentage is increasing gradually. Currently the percentage is 48%. A TCG/Silver course is being developed for NCC staff. 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.
4) Implement the Business Continuity Framework	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 positon 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 have now been completed, with departments receiving a report listing departmental strengths and weaknesses in relation to Resilience.
5) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs. Overall Risk Treatment: Treat	5) Full ICT data from the Business Impact Analysis has been provided to IMT and we are awaiting their comments and feedback. Resilience have met with IMT about this twice recently, and is awaiting feedback. The aspiration is that what the Business has documented within the BIAs should be used to help shape IMT infrastructure projects and the DR development. 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 my cause a complete loss of communications. The target date for this risk has been amended to 31/03/2019 to take into account the exercise which is being planned for February 2019.

Risk Number	RM017	**Date of update**	03 January 2019
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**	Mar-19	**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: Treat, 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 was previously reinforced and has continued to provide sufficient scrutiny throughout the remaining works and will continue until closure of the final account. The team, supported by external specialists where required will continue to examine Balfour Beatty's project costs and final account. Further resource or specialist advice to be discussed at Board meetings. 3) Balfour Beatty agreed a programme to complete all the remaining works in three phased sections. Board and NDR Member Group were provided with details and updates as works progressed. 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. Remaining minor works have been completed by NCC Works team with costs included within the overall budget. Final planned tree planting works progressed as planned in October/November 2018. Minor signing/lining adjustments to the roundabouts were completed by early Dec 18. 4) Project administration controls and client commercial team have maintained systems to monitor ongoing costs and contract information. Contract administration has continued to be managed through CEMAR software package. 5) Regular weekly joint construction team meetings were held to ensure delivery maintains momentum on site. Meetings also held between respective commercial teams to deal with closing out necessary contract changes and programme management. Senior management meetings also continued to discuss the commercial position with a focus on closing the final account for the construction works. Final account details are still being resolved with the contractor, but are nearing conclusion, but, whilst not expected, could still result in protracted legal processes. Details are being reported to the 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 was ongoing as part of the contract final account process (see 2 above). Findings from the final cost audit will be reported to the Board and Member Group as part of the final account reporting when completed. 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. Final account proposals will also be checked and agreed with Legal team.

Appendix B

Risk Number	RM021	**Date of update**	07 December 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**	2	2	**4**	2	2	**4**	Mar-19	**Green**

Tasks to mitigate the risk

1) Install and establish new property data base for the management of the estate.

Progress update

1) The major outstanding action is the replacement of the IT system, which is procured and awaiting installation.

2) County Farms meetings are in place.

3) New tenant recruitment process in place and established.

4) Apprentice and County Farms Manager have been recruited.

Appendix B

Risk Number	RM022	**Date of update**	05 December 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	Tom McCabe	**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**	Mar-19	**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 aretaking 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.
6) Understand the risks and implications of Brexit to service delivery, wider community and business continuity.

Overall risk treament: 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 contine 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 Minstry of Housing, Communities & Local Government 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. 6) A task force has been set up, asking each Directorate to provide a summary of the risk posed to them and their service provision by Brexit.

Appendix B

Risk Number	RM023	**Date of update**	04 January 2019
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. Judicious use of one-off winter funding, as announced by Government.
5) Close tracking of government policies, demography trends and forecasts.
6) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.

Progress update

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. 4. Close joint working with NHS, through the STP , to shape and influence future integration of health and social care 5. We are still awaiting the Green Paper on Social Care; NHS 10-year Plan expected in January which may provide pointers for the direction of travel for health and social care 6. Collaboration with children's services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning

Appendix B

Risk Number	RM024	**Date of update**	03 January 2019
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: Treat, 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. A further gateway review has recently been completed to coincide with the award of contract decision making - the findings have been reported to the project board (there were no significant concerns identified that undermine the project delivery). 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 quarterly basis, reporting to the board and supporting the work of the commercial team which will be operational at the start of the contract in January 2019. No issues highlighted to date and budget is considered sufficient - this work was used to update the business case submitted to and accepte by DfT. A further budget review is to be completed following appointment of the contractor (however initial assessments based on tendered submissions has given sufficient confidence to award the contract). 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. Following the award of the contract, from January 2019, the programme will now focus on delivering the DCO process. 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. The commercial team leads are in place for the start of the contract (January 2019). 5) The project board will receive regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates.

Appendix B

Risk Number	RM025	**Date of update**	04 December 2018
Risk Name	Potential 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 has been proposed by the PCC. If this proposal was to go ahead in the future, 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**	Mar-19	**Amber**

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.
4) Re-fresh and reinvigorate collaboration with other emergency services, in particular Norfolk Constabulary.

Progress update

1) A special meeting of the Communities Committee took place on 29 August to consider and agree the County Council's formal response to the consultation, and the agreed formal response was submitted to the PCC 4 September 2018. The Committee also agreed to recommend that this risk is managed at corporate level. It was considered and agreed by the Policy and Resources Committee at the October 2018 meeting.
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. A further four staff sessions held to enable staff to hear directly from the Chair of the Fire and Rescue Authority about the County Council's views.
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. The public consultation closed on 5 September 2018. The responses have been reviewed and the PCC has decided not to submit a business case to the Home Office at this stage, but will keep the situation under review.
4) The Emergency Services Collaboration Board is being refreshed and the Chief Fire Officer and Chief Constable have met to discuss and agree a way forward. In addition, work is underway to develop a Memorandum of Understanding and formal Collaboration Agreement between Norfolk Fire and Rescue and Norfolk Constabulary to be clear about the shared commitment to collaboration and set out the basis on which this collaboration will progress. The intention is to bring these documents to Communities Committee in January for approval.

Appendix C

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.
		14b	The savings to be made on Adult Social Services transport are not achieved.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	16	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.
		17	Failure to deliver the Broadland Northway within agreed budget (£205m)
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.	21	Failure of Estate Management.
7	Potential risk of organisational failure due to data quality issues.	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').
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.	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	Potential change of governance in the Fire and Rescue Service.

Corporate Strategic Risks – Current Scores Heat Map

LIKELIHOOD	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost Certain 5			14a		
Likely 4					23
Possible 3			17, 1	2, 11, 4, 24	7, 25
Unlikely 2		14b, 21	10	3	16, 6
Rare 1				13	

IMPACT

Key

△ = Becoming more of a risk / ▭ = Risk is stable / ▽ = Becoming less of a risk

Summary

Here is an overview of your results in each area. Please see later sections for breakdowns of these results.

Enablers					
Leadership & Management	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Policy & Strategy	Awareness	Happening	Working	**Embedded & Integrated**	Driving
People	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Partnerships & Shared Resources	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Processes	Awareness	Happening	Working	Embedded & Integrated	**Driving**
Results					
Risk Handling & Assurance	Awareness	Happening	Working	**Embedded & Integrated**	Driving
Outcomes & Delivery	Awareness	Happening	Working	Embedded & Integrated	**Driving**

Level Guide:

Awareness	<20%
Happening	20 - 45%
Working	45 - 70%
Embedded & Integrated	70 - 85%
Driving	85%+

Appendix F

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:	**Norfolk County Council's Insurance Cover**
Date of meeting:	**31 January 2019**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Council's Constitution includes in the Audit Committee's Terms of Reference (part 4.4) for risk management to, 'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

Providing insurance cover is one of the accepted methods of reducing the impact of risks to Norfolk County Council. The payment of a premium to an insurer, thus offsetting the risk, allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the organisation against financial loss.

Executive summary

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

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

Recommendations:

Committee Members are asked to:

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

1. Proposal (or options).

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

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

2. Evidence.

2.1. There are many risks that Norfolk County Council face in delivering the services that it is required to deliver. When risks have been identified there are a number of industry accepted methods to treat or mitigate these risks.

2.2. There are four main methods to treat and mitigate identified risks used by the industry:

- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
- **Reduce:** Take actions to reduce the impact of the activity, e.g. contingency arrangements. Act to reduce the likelihood e.g. alternative systems, increased training, physical improvements to premises etc.
- **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it with agreed constraints.
- **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.

2.3. Risk transfer is usually accomplished using an insurance policy, although not exclusively. This is at its most basic, a voluntary agreement between two parties, the insurance company and the policyholder, in this case Norfolk County Council. In such an agreement the insurer takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurer will make good the agreed financial loss.

2.4. For providing this type of cover against loss the insurer charges a fee, or insurance premium, for accepting the risk which is based on the level of perceived risk. In addition, there may be deductibles, reserves, reinsurance and other financial agreements that modify the financial risk the insurer takes on.

2.5. Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.

2.6. Most risks that are identified can be insured against. However, the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claims history of the particular organisation and how effective risk mitigation measures are that have already been implemented.

2.7. The cost of cover or the premiums are also dependent upon the level of deductible (excess) that is attached to the policy. The greater the excess generally the lower the cost of the cover will be. The policyholder will be responsible for the full costs of any claim up to the excess, and where a claim is above the excess the insurer will be responsible for the balance.

3. Insurance provision.

3.1 Until 1992 Norfolk County Council was insured with "Ground-up cover", this is where the insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level as all the risk was held by the insurer. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.

3.2 To accommodate this decision, it was necessary to create a fund to cover the element of the self-insurance to the £100,000 level as the Council would be responsible for all claim payments up to that value. Since the mid 1990's our deductible across liability and motor policies has been increasing to the current £260,000, with Material Damage at £250,000. The result of the higher levels of deductibles is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge; the fund is then used to cover settlements up to the levels of the deductibles.

3.3 Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around the claim in conjunction with the insured. The insurer will investigate, review and decide upon liability, making their recommendations to the insured. Where there is a deductible the insured will have responsibility and conduct for the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims.

3.4 Norfolk County Council carries a number of different insurance policies, some that are a legal requirement, others that are out of necessity.

There are four main policy types that Norfolk County Council holds cover on:

- **Employers Liability** – As an employer the Council has insurance against claims from employees for breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council.
  Currently the limit of indemnity on this policy is £50 million with an excess of £260K

- **Public Liability** – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the Highway. Currently the limit of indemnity on this policy is £50 million with an excess of £260K.

- **Property or material damage insurance –** Cover for material damage to the Council's property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250K.

- **Motor insurance –** Cover for any motor vehicle which is the property of or in the custody of or control of the council. Currently the limit of indemnity on this policy is £50 million with no excess.

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

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

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

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

3.8 Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium we are required to pay tax on all insurance policies purchased. The current level of Insurance Premium Tax (IPT) is 12%, at the time of writing the Insurance Industry is lobbying central government to review the tax downwards to encourage growth.

3.9 We receive a competitive market rate on premiums charged by the insurer for the risks related to the activities of the Council. Those rates are then passed on to the individual areas through the annual premium calculations. If an individual area was to look to the market for a premium it would find that the rates would be much higher because the risks are more concentrated within a smaller portfolio. The insurer is more comfortable when spreading the risk over a number of areas/elements rather than a single entity.

3.10 The Material Damage or Property Damage policy was retendered at the beginning of 2018 and was awarded to Zurich Municipal (ZM) who commenced as our insurer on

1st April 2018. ZM was already our insurer for all our other main policies and were keen to win this tender. The Insurance Team worked closely with our Procurement Team and our broker Aon, to ensure the best possible outcome.

4. Claims Handling

4.1 Being self-insured to the level of £260,000 (£250,000 – property) means that the Insurance Team has full conduct of all claims that are valued below that figure and have the capacity and experience to make final decisions on all such claims. The insurer has, in the contract, authorised the team to act on its behalf within the excess layer.

4.2 All areas of claims brought against the County Council are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance Team has been managing claims for over 20 years and has considerable experience in all classes of business. Being in-house means that there is ready access to the appropriate officers and Senior Managers in departments against which claims have been brought and access to IT systems and electronic data as required. Data that is stored is available to investigators without special permissions as it remains within the Council being used for Council activities. The introduction of the General Data Protection Rules (GDPR) has not caused any major concerns about the use of data to defend claims as this is seen as a legal use of that data.

4.3 Claims can be brought against the Council in several ways, a claimant in person may complete a claim form or write a formal letter of claim, claims may come in through the Ministry of Justice portal which is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. No matter how the claim is brought it must contain clear and specific allegations of a breach and a clear description of the location. Once the claim has entered the system it is allocated to the appropriate level of handler for investigation and response.

4.4 In February 2018 a new claims management system was introduced to replace the system that had been in use since 1999 (with version developments). The new system is cloud based and linked with SharePoint, which is used to manage the storage of all documents. The system can be accessed from any location providing there is adequate WiFi coverage, thus enabling mobile working. The new system is a full reconfiguration of former versions and has been developed by NTT Data in conjunction with the Council, a relationship that goes back to 1999.

4.5 Each claim, when processed, is allocated to a specific handler who is managed by a Claims Manager. The handler will carry out a full investigation into the allegations and make decisions on the validity of the claim. The Claims Manager carries out regular audits on claim files and authorises all payments to ensure there is a consistent approach to claims handling throughout the team. This also enables the managers to identify trends and have an insight into developing areas of concerns. These are fed back to departments and often discussed at industry forums where representatives from other local authorities, insurers, legal representatives and brokers come together to review such trends.

4.6 Norfolk County Council received more than 2,700 claims in 2018. Approximately 1,400 of these were liability claims, the majority of which were brought as Public Liability claims. These claims include alleged slips and trips on the highway, damage to vehicles and claims arising from alleged failures in both Children's and Adult Services. A small number of claims (30) were brought as Employers Liability claims where the individual is an employee or is treated as an employee for the purpose of insurance such as volunteers acting in the appropriate capacity.

4.7 As a result of adverse and even extreme weather conditions at the beginning of 2018 (Storm Doris and The Beast from the East) there was an increase in claims brought against the Council. There was a significant increase in highway related claims and to a lesser extent, property damage. In 2017 there were 604 claims relating to highway defects, in 2018 this increased by almost 100% to 1153. Most of the increase related to vehicle damage caused by potholes and carriageway deterioration. In some cases, Councils in the East and Central England saw increases in claim numbers (particularly in highway related areas) in excess of 300%.

4.8 All claims on the Motor Policy will be related to an incident involving one of our vehicles, some will have a third-party involvement where our vehicle has collided with a vehicle or property owned by the third party. All property claims will relate to damage to a property owned by the Council. Motor claims are averaging just under 800 a year and Property claims are averaging just under 500 a year.

4.9 Claims are reserved (the potential cost of settlement, should it be necessary, including all potential legal costs) against the information provided by the third party. Where a claim reserve is higher than the excess the insurer has a right to take over conduct of the claim, working alongside the claims handler and Manager, to ensure an appropriate outcome.

4.10 All liability claim allegations must be associated with a breach of statute. It is for the claimant to bring the allegations of what statute/s they consider have been breached and for the claims handler to fully investigate the allegations and determine if the Council does have a defence or if there is a legal precedent (case law) to consider.

4.11 Where there are property damage claims, the team act as the loss adjustor and provides immediate recovery provisions. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre-incident condition as soon as possible. The team will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. This will also include working with contractors and NPS where building works are necessary. Where property damage exceeds the excess, we will work with the insurer and the nominated Loss Adjuster to ensure the best possible outcome for the organisation.

4.12 Where a claimant or the claimant's representative is dissatisfied with a denial they can refer the claim to the Courts and the claim will become litigated. The handler will work in conjunction with one of our panel solicitors to develop our defence to the allegations. Handlers will take witness statements, collate additional documentation,

meet with barristers and eventually attend court to support our witnesses. Whilst in court they will record the salient points of the case for future learning.

4.13 Denial rates (closing a claim with no payment to the third party) forms part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 60% (it should be noted that this figure is based on a very small sample). The overall Public Liability denial rate (including highway related claims) is 65%. Clearly denial rates are very dependent upon what the individual departments and teams are doing and what policies and practices they are working to. This year has seen a reduction in the denial rates as a result of the increase in highway related claims and the condition of the highway network following the extreme weather activity at the start of the year. Claims can only be defended and denied if there is sufficient documentation and evidence to prove the Council has complied with all that is required to do.

4.14 Where a claim must be settled the Claims Manager and claims handlers will provide feedback to the individual departments and managers. This process is used to improve and enhance further our future ability to defend similar claims. Sometimes this will require a change in working practices or consideration of how the activity can be delivered in a different way.

4.15 As part of the handling process a number of fraud indicators are checked at each stage in the life of the claim. Where there are concerns further investigation and checking is undertaken. The insurance industry is seeing fraudulent claims in two main areas, motor and the exaggeration of injuries. Recent Court cases have seen the judiciary willing to dismiss claims for exaggerated injuries and in extreme cases charge those who brought the claim.

4.16 As part of this investigation process, claims handlers are looking for signs of fraud, comparing photographs, statements, allegations and medical records for inconsistencies. Where fraud is suspected we can refer a claim to one of our panel solicitors who have teams with access to sophisticated fraud detection systems.

4.17 Reports are regularly produced from the Claims Management System to identify and address any specific claim trends and where these are identified, referred to the departments involved. This has proved very useful to the Highways Team in that it enables Engineers to target areas of need when considering proactive maintenance works.

5. Insurance Fund

5.1 The Insurance Fund is the financial provision that is used to pay settlement compensation and costs to successful claimants including any associated legal and medical costs. The fund is maintained by the collection of premiums paid by the departments against the policy cover provided.

5.2 For some classes of insurance, it can take several months or even years to report, investigate, pay and close claims. For some large and complex claims, courts may need to decide on liability and this can add more time to the process. Claims relating

to abuse or long-term disease such as mesothelioma can be open for many years until a final settlement can be agreed.

5.3 As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses. The total value of a claim (the incurred amount) is the amount paid to date plus the "outstanding" amount still to be paid, as money is paid out on a claim, the reserve will be reduced accordingly.

5.4 The Council carries a large deductible and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years as well as claims in the current policy year.

6. Assurance

6.1. The Insurance Fund is reviewed on an annual basis by our broker to provide the Council with the confidence and assurance that there are sufficient monies within the fund to cover actual and potential losses. The review uses actual claim figures and statistical analysis to calculate how claims are expected to change over time before they are eventually concluded.

6.2. In addition to the actual claims held on the book of liabilities the review also looks at the whole insurance market to determine what may be brought against the Council in future years. These claims are known as incurred but not reported (INBR), the incident may have occurred but has not been developed into a claim or notified to the Council and the review provides statistical analysis of what value may be placed on such claims. An allowance is then made within the fund to cover such claims should they arise at a future date.

6.3. The handling policies and procedures are reviewed when claims are litigated by our representing solicitor who ensure that the claim has been handled in an appropriate way and to industry standards. Furthermore, our insurers carry out audits on open and closed claims, the overall quality of claims handling found at Norfolk CC has been of an excellent standard. As a result, ZM have agreed that they will undertake another audit in July 2019 to ensure that the team is still delivering the high industry standards required.

6.4. As part of the general auditing process Claims Managers carry out random reviews of files at various times throughout the life of a claim to ensure consistency. We also have sessions with members of our panel solicitors who provide training and assurance in the context of national standards. Where a claim is litigated all documentation and information will be reviewed in conjunction with legal experts to ensure there is an effective course of action in defending.

Officer Contact

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

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Audit Committee

Item No……

Report title:	**Work Programme**
Date of meeting:	**31 January 2019**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**

Strategic impact

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

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

April 2019	
NAS Quarterly Report Quarter ended 31 March 2019	Executive Director, Finance and Commercial Services
NAS Annual Report for the year ended 31 March 2019	Executive Director of Finance and Commercial Services
Monitoring Officer Annual Report 2018-19	Chief Legal Officer
Risk Management Report and Annual Report 2018-19	Executive Director of Finance and Commercial Services
Audit Committee Work Programme	Executive Director of Finance and Commercial Services
Norfolk Pension Fund Governance Arrangements 2018-19	Executive Director of Finance and Commercial Services
Governance, Control and Risk Management of Treasury Management 2018-19	Executive Director of Finance and Commercial Services
Annual Update of the Audit Committee 2018-19	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption and Whistleblowing Update	Chief Legal Officer

July 2019	
NAS Quarterly Report Quarter ended 30 June 2019	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption and Whistleblowing 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

September 2019	
NAS Quarterly Report Quarter ended 30 September 2019	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer
Internal Audit Plan for the second half of 2018-19	Executive Director, 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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