Norfolk County Council

Audit Committee

Date: **Thursday, 15 June 2017**

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

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

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

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

A g e n d a

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

2. Election of Chairman
To elect a Chairman for the ensuing Council year.

3. Election of Vice Chairman
To elect a Vice-Chairman for the ensuing Council year.

4. To confirm the minutes from the Audit Committee meeting held on 29 January 2017. **Page 4**

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects
- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

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

6. Any items of business the Chairman decides should be considered as a matter of urgency

7. Monitoring Officer's Annual Report 2016-17 **Page 12**
Report by the Chief Legal Officer

8. External Auditor's Audit Plan 2016-17 **Page 21**
Report by the Executive Director of Finance and Commercial Services.

9. Risk Management Annual Report 2016-17 **Page 85**
Report by the Executive Director of Finance and Commercial Services.

10. Risk Management **Page 97**
Report by the Executive Director of Finance and Commercial Services

11. Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority) **Page 139**
Report by the Executive Director of Finance and Commercial Services.

12. Norfolk Audit Services Report for the six months ending 31 March 2017. **Page 162**
Report by the Executive Director of Finance and Commercial Services.

13. Norfolk Audit Services Annual Internal Audit Report 2016-17. **Page 175**
Report by the Executive Director of Finance and Commercial Services.

14. Work Programme **Page 199**
Report by the Executive Director of Finance and Commercial Services.

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Date Agenda Published: 07 June 2017

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Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 26 January 2017 at 2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie - Chairman
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Ms C Rumsby
Mr N Shaw
Mr R Smith – Vice-Chairman

1 Apologies for Absence

An apology for absence was received from Mr B Bremner (Ms C Rumsby substituted.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 22 September 2016 were agreed as an accurate record and signed by the Chair.

3 Declaration of Interests

3.1 Mr N Shaw declared an other interest in agenda item 6 (Risk Management Report) as he worked in IT.

3.2 Mr I Mackie advised that he had sought advice from the Monitoring Officer and would leave the room when the Committee discussed item 12 (County Farms Update).

3.3 Mr I Mackie declared an other interest in item 7 (Norfolk County Council's Insurance Cover as he was a Director of Norse).

4 Items of Urgent Business

4.1 Sailpoint system.
The Chief Internal Auditor would circulate an update on the roll-out of the Sailpoint System. Sailpoint was the Identity Access Management System which would be used to monitor new employees and leavers, as well as ensure equipment was retrieved from staff who had left Norfolk County Council employment.

4.2 Information Commissioner's Office (ICO) Audit.
A summary of the recent ICO Audit could be found on the ICO website - https://ico.org.uk/action-weve-taken/audits-advisory-visits-and-overview-reports/norfolk-county-council/ Members were pleased to note that reasonable

assurance that processes and procedures were in place and delivering data protection compliance had been given by the ICO. An action plan had been developed to cover the 25 audit findings and these would be monitored by the ICO and Audit Team. The Committee would receive an update at its meeting in April as to how the action plan was progressing.

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

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

5.2 In introducing the report the Principal Client Manager informed the Committee that 26 Traded Schools Audits had been completed during this financial year. Feedback had been very positive from those schools who had taken up the service.

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

5.3.1 The nine completed complaints which related to County Farms had been on a range of topics, including tenancy and contracts. The themes of the complaints had been included in the Key Lines of Enquiry report, published in the County Farms Report considered by the Audit Committee in April 2016.

5.3.2 Following the Referendum on EC Membership, the France (Channel) England Programme would be monitored closely so that any exchange rate risks to the budget could be identified quickly. The Government had advised that they would be honouring all agreements already signed up to. In the meantime full use would be made of all available funding.

5.3.3 At the present time, academies employed their own external audit function. If there was sufficient demand from academies for using the traded schools audit service, Internal Audit would consider developing a service.

5.3.4 The Chief Internal Auditor would provide the Committee with some additional information about the Whistleblowing referral, being mindful not to undermine the Whistleblowing Policy.

5.3.5 The Head of Place Planning and Organisation, Children's Services, had been asked to provide reassurances that processes were in place for the schools capital building programme. Once reassurance had been received, the project could be assessed and if relevant it would be added into the Audit Plan.

5.4. The Committee **RESOLVED** to note:

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.
- That plans are being established in the audit team to strengthen corporate development themes of: Strategy into Action / Accountability,

Commerciality/Business Like, Data Analytics/ Evidence Based and Collaboration/Influencing for the internal audit function.

6 Risk Management Report

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

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

6.2.1 Target dates depended on the nature of risks and were key to monitoring progress with risk mitigation actions. When a target date could not be met, a revised target date was agreed with the risk owner and that change would be reported to Members.

6.2.2 The word “effectively” in respect of risk RM006 (The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015-16) was questioned. It was clarified that, in this instance, the term “effectively” meant that the results achieved the desired outcomes.

6.2.3 Once the pilot training programme had been completed, further information on the evaluation results and roll-out as set out in the progress update on risk RM007 (Potential risk of organisational failure due to data quality issues) would be provided to the Committee.

6.2.4 With regard to risk RM014b (The savings to be made on Adult Social Services transport are not achieved) Members were reassured that annual benchmarking took place looking at other comparable authorities to ascertain what they were doing and to see where we could make savings on Adult Social Services transport. The Committee was reassured that work was continually carried out to ascertain new ways to improve services and cut costs.

6.2.5 Work was being carried out to see if some transport services could be shared between Children’s Services and Adult Social Services.

6.2.6 The Committee requested further details about risk RM018 (Potential failure to meet the needs of children in Norfolk) which would be developed when the new Interim Executive Director of Children’s Services took up the post on 6 February 2017.

6.2.7 No particular concerns had been raised regarding risk RM020a (Failure to meet the long term needs of Norfolk citizens).

6.3 The Committee welcomed Tracy Jessop (Assistant Director Highways and Transport) and David Allfrey, Major Projects Manager who attended the meeting to provide the Committee with an update on risk RM017 (Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m).

6.3.1 The project was approximately half-way through construction. Environment, Transport and Development Committee had received regular reports on the progress of the project, including any potential risks of keeping within the budget as the second half of the project was approaching, which was becoming more difficult. Mitigation measures had been identified and put in place, one of which was recruiting an additional manager to provide support to the project.

6.4 The following points were noted in response to questions from the Committee:

6.4.1 The appointed Commercial Manager had a lot of experience about how large contracts worked. A Norfolk County Council employee with a construction background had also been appointed which reinforced the appointment of the Commercial Manager.

6.4.2 A weekly project team meeting was held to monitor finances, management of the contract delivery, construction and robust systems were in place to monitor the administration of the contract.

6.4.3 A number of cost pressures were reported to Members, for example excessive rainfall in June 2016 had caused some delay which had impacted on the budget. Other pressures included the requirement for a rail bridge which needed negotiating with Network Rail; land acquisition which sometimes incurred delays due to the negotiation of price, as well as estimating costs relating to work with utility companies.

6.4.4 The actual amount of risk to the project was approximately £6.7m of the additional project costs if all the identified risks came to fruition. Some of the risks could be resolved quickly, others could be delayed, for example if land acquisition negotiations were protracted. The Committee was reassured that Norfolk County Council's interests were being protected at all times in ensuring Members knew the risks and the action being taken to mitigate those risks.

6.4.5 The Executive Director of Finance and Commercial Services advised that the Capital Programme would include an additional sum to set money aside to cover identified risks if they did come to fruition.

6.4.6 The Committee thanked the Assistant Director Highways and Transport and the Major Projects Manager for attending the meeting and for providing the update.

6.5 The Committee **RESOLVED** to **note**:

a) The changes to the Corporate Risk Register and the progress with mitigating the corporate risks;
b) The scrutiny options for managing corporate risks.
c) The summary of results from the Risk Management Benchmarking Club report.
d) The actions being taken to improve flood risk management for Norfolk County Council owned properties.

7 Norfolk County Council's Insurance Cover

7.1 The Committee received the report by the Executive Director, Finance and Commercial Services providing it with information relating to the current position

of the insurance provision for Norfolk County Council. The report provided Members with assurance as to how the insurance provision was delivered for the County Council and how claims against the Council were managed by the Insurance Team.

7.2 In response to questions, the following points were noted:

7.2.1 Property valuations were reviewed every three to four years on a rolling programme. The last valuation had been carried out approximately 18 months ago and the Head of Finance Exchequer Services was confident that the cover value in place was reasonable.

7.2.2 Norfolk County Council was in the second year of a three year policy term with Zurich Insurers. When the Property Insurance portfolio ran out in approximately 12 months time, a decision would be made as to how to procure future insurance requirements.

7.2.3 The benefit of handling claims internally allowed Norfolk County Council to quickly settle or defend claims. The Committee was reassured that robust systems were in place and reasonable steps were taken to defend all claims. A statutory defence of highways claims was in place and although this was not always popular it was a fair system.

7.2.4 A procurement process was currently being carried out to identify a single broker who could manage the Norfolk County Council insurance portfolio and it was hoped a Broker would be identified by August 2017.

7.2.5 The amount of reserves for future insurance claims was assessed by Marsh, the current Actuary.

7.2.6 No work had been undertaken with Parish Councils about offering them a service to help them with insurance costs.

7.2.7 A written response would be provided to the Committee about the statement in the report “Contract works premium has increased significantly. This is because the value of construction works currently being undertaken required cover to be increased from £2.0m to £10.0m per construction activity”.

7.2.8 Following a procurement exercise, four specialist restoration companies had been contracted to cover specialist flood and fire recovery services in the event of major losses. These contractors provided a specialist drying and cleaning service before a decision could be made as to whether a building could be repaired, for example after flooding, the fire service would pump out the water and the specialist firm would then come in and dry and clean the building before a decision could be made as to whether a building could be repaired.

7.3 The Committee **RESOLVED** to **note** that proper insurance existed where appropriate, as confirmed by external and internal reviews and accept the report.

8 Internal Audit Strategy, Approach, Strategic Plan 2017-20 and Internal Audit Plan for first half of year 2017-18.

8.1 The Committee received the report by the Executive Director, Finance and Commercial Services setting out the Strategy and Internal Audit Plan for the first half of the year 2017-18.

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

8.2.1 As the Internal Audit Plan was for the first half of the year, there would be opportunities to gather further information on Looked After Children (LAC) and develop the plan to include LAC during the second half of the year.

8.2.2 The France Channel England Audit Authority work would be managed within the available budget.

8.3 The Committee **RESOLVED** to **note:**

- That internal audit's strategy and plan, contribute to an effective system of internal audit and risk management and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

- The strategy and plan being the Internal Audit Strategy 2017-20 (Appendix A), the Approach 2017-18 (Appendix B), the Three-year Strategic Audit Planned Days to support the Audit Opinion (Appendix C), the Summary Internal Audit Plan for the first half of the year 2017-18 for work supporting the Internal Audit Strategy (Appendix D) and the Detailed Internal Audit Plan for the first half of the year 2017-18 (Appendix E).

9 External Auditor's Annual audit Letter 2015-16 and Audit Committee Briefings.

9.1 The Committee received the report by the Executive Director, Finance and Commercial Services introducing the External Auditor's Annual Audit Letter 2015-16.

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

9.2.1 The External Auditors were pleased that their advice had been actively sought in the required material adjustment to the financial statements within the Property, Plan and Equipment Register and thanked the Executive Director of Finance and Commercial Services for taking their comments on board.

9.2.3 The 2016-17 Accounts would need to be signed off by 30 September as in previous years, although the Committee noted that the 2017-18 Accounts would need to be signed off by 31 July 2018.

9.2.4 The Committee placed on record its appreciation of the Finance and Audit Teams for their collaborative working with the External Auditors.

9.3 The Committee **RESOLVED** to note:

- The External Auditor's Audit Letter 2015-16.
- The key messages in the briefings.

10 Anti-Fraud and Corruption Update

10.1 The Committee received the report by the Chief Legal Officer providing an update on the Council's Anti-Fraud and Corruption activity for the period from January 2016 to December 2016.

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

10.2.1 A proposal on how anti-fraud e-learning training could be deployed to all staff was currently being developed to ascertain if there was a case for mandatory training across the council. The Chief Internal Auditor hoped to bring an update to the Committee at its April meeting. The Committee was unanimous in its frustration that there had been yet another delay in implementing one of its core recommendations regarding mandating fraud training.

The Committee was pleased to note that all staff within the Finance Department had been mandated to undertake anti-fraud e-learning training as would staff in the departments which had recently come under the control of the Executive Director of Finance and Commercial Services.

10.2.2 Mr I Mackie proposed, seconded by Mr N Shaw, that the Audit Committee request anti-fraud training be mandated for all Norfolk County Council staff. The Committee **agreed** the proposal.

10.3 The Committee **RESOLVED** to note the report and requested anti-fraud e-learning training be mandated for all Norfolk County Council staff.

11 Audit Committee Work Programme

11.1 The Committee received and **noted** the report by the Executive Director, Finance and Commercial Services setting out the programme of work for the Committee and agreed the following items to be included on the agenda for the April 2017 meeting:

Children's Services and Department for Education activity.
Update on progress with the ICO Action Plan.

Mr I Mackie left the meeting and Vice-Chairman, Mr R Smith, took the Chair.

12 County Farms Update

12.1 The Committee received the report by the Executive Director, Finance and Commercial Services, providing an update to the report received by the Committee at its meeting on 22 September 2016.

12.2 The Executive Director of Finance and Commercial Services advised that BDO LLP would be asked to carry out a further audit to check that the changes they had recommended had been effectively implemented. This audit was likely to

be carried out after the next round of County Farms Lettings had been completed.

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

12.3.1 The Executive Director confirmed that he agreed the findings in the report, although he considered some of the interpretation had been a bit severe.

12.3.2 In response to a comment that the report was a "whitewash", the Executive Director disagreed and advised that the audit had been commissioned using an independent auditing contractor (BDO) and there was no attempt to cover up any wrong-doing. He added that the department would continue to subject itself to internal and external scrutiny on the recommendations until they received confirmation that all processes and procedures were effectively carried out. The Finance team was working to draft amendments to the Norfolk County Council Constitution to reflect the comments made by Members and their wishes. The amended Constitution would be agreed by the Constitution Advisory Group before being adopted by Policy & Resources Committee and finally adopted by County Council.

12.3.3 Appropriate sanctions had been taken against the Member of Staff who had been suspended. The person had returned to work and remained working for County Farms Team. Reassurance was given that all avenues of the complaint had now been exhausted; the individual concerned had undergone extensive training and knew the formal duties and responsibilities required when working for Norfolk County Council.

12.3.4 Although some Members welcomed the audit, they felt that the report was three years too late and that no-one was being held to account.

12.3.5 Once BDO had completed their follow-up audit, the Committee requested a progress report be brought to a future meeting.

12.4 The Committee **RESOLVED** to:

- Note the follow-up Audit Report and Action Plan.
- Note that an update would be reported to the Economic Development Sub-Committee and Audit Committee when appropriate.

The meeting ended at 4.15pm.

CHAIRMAN

Audit Committee

Item No ____

Report title:	**Monitoring Officer's Annual Report 2016/17**
Date of meeting:	**15 June 2017**
Responsible Chief Officer:	**Chief Legal Officer**

Strategic impact

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

Executive Summary

The Monitoring Officer's Annual Report summarises the internal governance work carried out by the Monitoring Officer in 2016/17 and provides assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective. This annual report supports the assurance statements included in the draft Annual Governance Statement for 2016/17 (the "Annual Governance Statement").

The key messages in the Monitoring Officer's report include:

- that there have been no 'reportable incidents' during the period 2016/17;
- that the systems of internal control administered by the Monitoring Officer were adequate and effective during 2016/17 for the purposes of the latest regulations;
- that there were no findings of breach of the Council's Code of Conduct during 2016/17;
- that two new Independent Persons, required by the procedures for the assessment of Code of Complaints under the Localism Act 2011, have been appointed by the Council; and
- that a review of the Council's governance arrangements in relation to the Norse Group was carried out in 2016/17 and a series of recommendations for strengthening those arrangements were adopted by the Council.

Recommendation

The Audit Committee is requested to note the contents of the report and in particular the key messages in the above Executive Summary and **Appendix A** section 2.1.

1 Proposal

1.1 The proposal is shown at the Executive Summary above.

2 Evidence

2.1 The Monitoring Officer's Annual Report for 2016-17 is presented at **Appendix A.**

3 Financial Implications

There are no specific financial implications to report.

4 Issues, risks and innovation

Section 17 Crime and Disorder Act

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

4.2 The Monitoring Officer's work helps to deter crime, and/or make crime difficult, increasing the likelihood of detection and prosecution and thereby disincentivising crime.

5 Background

5.1 Officers have considered all the implications which Members should be aware of. Apart from those listed in the report, there are no other implications to take into account.

Officer Contact

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

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Monitoring Officer's
Annual Report
2016/17

Section Numbers	Contents
1	Introduction
2	Key messages
3	Results of the Monitoring Officer's work in 2016/17
4	Review of effectiveness of systems of Internal Audit
5	Governance Statement
6	Section 17 Crime and Disorder Act
7	Overall opinion on the adequacy and effectiveness of the Governance framework

1. Introduction

1.1 The Monitoring Officer's Annual Report summarises the more significant activities of the Monitoring Officer in 2016/17 and comments on other current issues relevant to the Monitoring Officer's work for the County Council.

1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, Norfolk County Council recognises the need for sound corporate governance arrangements and over the years has put in place policies, systems and procedures designed to achieve this. The County Council adopted a Code of Corporate Governance based on the CIPFA model which is reviewed annually by the Executive Director of Finance as a means of drawing together all the positive elements of corporate governance which it already has in place. A full review of the Code of Corporate Governance is now under way.

1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those more recently conferred under the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007 and subsequent regulations governing local investigations into member conduct. The current standards regime came into effect with the introduction of the Localism Act in 2011 and subsequent implementing regulations that came into force during 2012/13.

2. Key messages

2.1 The key messages to note from the year are:

- There have been no 'reportable incidents' during the period 2016/17.

- That the systems of internal control administered by the Monitoring Officer including compliance with the Code of Corporate Governance and the Council's Constitution were adequate and effective during 2016/17 for the purposes of the latest regulations.

- The Council is required to have at least one "Independent Person" for the purposes of its standards regime. The term of office of the Council's Independent Person came to an end in May 2016. The Council decided to appoint two Independent Persons (Council Meeting 12 December 2016) and approved the appointment of Mr. Alan Squirrel and Mr. Stephen Jones, each for a four year term.

- The Council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

- The County Council publishes on its website a summary of Members' declared interests, all the authority's expenditure over £500 and the expenses of Chief Officers.

- The Council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training and has put in place arrangements for monitoring compliance with standards of conduct across the Council including:

  - Standards of conduct and behaviour for officers

  - Code of Conduct for Members

  - Register of Disclosable Pecuniary Interests

  - Register of gifts and hospitality

  - Complaints procedure

  Following the May 2013 elections all Members completed a declaration of Disclosable Pecuniary Interests. Any new members elected during the 2013-2017 administration similarly completed a declaration and all members were asked to update their declarations in May 2016. These updates were loaded onto the website.

- Following the May 2013 elections training on the Code of Conduct and registration and declaration of interests was held for all Members. New members appointed in 2016/17 (and in previous years) received training from the Monitoring Officer.

- The Council can demonstrate that generally Members and staff exhibit high standards of personal conduct. During 2016/17 the number of standards complaints was low (as it was in 2015/16) and no hearings of the Standards Committee were required.

- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.

- The Audit Committee receives an annual update on the Council's counter fraud and corruption policy applying to all aspects of the Council's business. This policy has been communicated throughout the Council. There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.

- The Council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct and fraud and corruption.

- The County Council's Anti-Fraud and Corruption Strategy updated to reflect changes in law and practice, and was approved by the Audit Committee in January 2014.

- There is a whistleblowing policy which is publicised and demonstrates the Council's commitment to providing support to whistle-blowers and has been communicated to staff and those parties contracting with the council. The Council can demonstrate its staff, and staff within contracting organisations,

have confidence in the whistleblowing arrangements and feel safe to make a disclosure. The policy was last reviewed against best practice guidance from the Audit Commission during 2011, as reported to Audit Committee, and is currently under way, with an update scheduled to go to the Audit Committee's September 2017 meeting.

- The Monitoring Officer and the Executive Director of finance and Commercial Services conducted a full review of the Council's governance arrangements during 2016/17 in relation to the Norse Group and a series of recommendations were adopted by the Council.

- nplaw, the legal service for the County Council, achieved the Law Society's Lexcel quality standard and has arrangements in place to ensure the quality of the service provided.

- Money laundering requirements as stipulated in the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002 have been fully met.

3. Results of the Monitoring Officer's work in 2016/17

3.1 In order to ensure the effective undertaking of her responsibilities, the Monitoring Officer has a number of duties which are set out in the table below:-

DUTIES	EXAMPLES
Has regular meetings with each of the Managing Director, Executive Director for Finance and Commercial Services and Head of Democratic Services in order to review current and likely future issues with legal, constitutional or ethical implications.	Preparation for the May 2017 County Council elections were a key focus of discussion in the period Nov. 2016 to March 2017. The Monitoring Officer and the Head of Democratic Services were closely involved with arrangements with the District Councils, the Electoral Commission and in devising induction and training for new members.
Maintains good liaison and working relations with the External Auditor.	Key issues for the External Auditor were raised through meetings with the External Auditor and through the Executive Director for Finance and Commercial Services. The External Auditor is notified and contacted if reportable incidents arise.
Ensures that the County Council is kept up to date on new legislation and changes in the law which are relevant to the carrying out of the County Council's activities.	This will generally take the form of reports to Members and briefing notes to Executive Directors but where appropriate will involve training sessions for relevant Members and Officers. These activities are carried out in consultation and conjunction with relevant Executive Directors.

DUTIES	EXAMPLES
The Monitoring Officer or one of her senior staff is consulted at an early stage on new policy proposals and on matters, which have potentially significant legal implications.	The Monitoring Officer and her staff are regularly consulted by Executive Directors on new policy proposals. The Monitoring Officer is not a member of the County Leadership Team (CLT) and there is therefore an onus on the Executive Directors to inform her of key policy proposals and matters with significant legal implications. She receives copies of reports that go to the CLT.
All draft reports to the Service Committees are as a matter of routine cleared with the Monitoring Officer or her senior staff.	Significant reports for decision were routinely forwarded to the Monitoring Officer and her staff by service departments and were reviewed for their legal and ethical implications.
The Monitoring Officer has been informed of all emerging issues of concern of a legal, ethical or constitutional nature. Similarly, Members have ensured that the Monitoring Officer is routinely informed and consulted in respect of new policy proposals.	Executive Directors are aware that they should consult the Monitoring Officer on legal, ethical or constitutional matters and they regularly do so. Members can rely on the fact that significant reports for decision are routinely reviewed by the Monitoring Officer or her senior staff, prior to their presentation at Committees.
The Monitoring Officer has sought to resolve any potential illegality by identifying alternative and legitimate means of achieving the objective of the proposal.	The Monitoring Officer, in her capacity as Chief Legal Officer, and her senior staff regularly advise on the legality and/or appropriateness of administrative procedures.
In cases where external lawyers are acting for the County Council, it will be necessary for the relevant Chief Officer and the Monitoring Officer to agree arrangements for ensuring that vires and constitutional issues are satisfactorily addressed.	No exceptions were raised during the period.
In appropriate cases, and to secure the rapid resolution of a potential reportable incident or avoid a separate statutory report, the Monitoring Officer will be entitled to add her written advice to the report of any other County Council Officer.	There have been no such incidents during 2016/17.

DUTIES	EXAMPLES
Where the Monitoring Officer receives a complaint of a potential reportable incident, she must in appropriate cases seek to resolve the matter amicably, by securing that any illegality or failure of process is rectified. However, it is recognised that the Monitoring Officer may decide that the matter is of such importance that a statutory report is the only appropriate response.	There have been no incidents requiring a statutory report during 2016/17.

4. Review of effectiveness of systems of internal audit

4.1 The Accounts and Audit (England) Regulations 2015 require the Council to review annually the effectiveness of its system of internal audit. There is currently no guidance or good practice available for meeting this requirement. Informal advice from CIPFA and discussions with other local authorities provided various options for reviewing the effectiveness of the system of internal audit.

4.2 The elements of the Council's systems of internal audit and the assurance on their effectiveness include corporate control functions such as legal services. As endorsed by the Audit Committee on 24 April 2007, the option chosen is for the Audit Committee to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by self-assessment, customer feedback and any existing external performance reviews.

4.3 nplaw's work was accredited by Lexcel, the Law Society's quality standard for all legal practices, in March 2017 and was commended for some good practice areas.

5. Governance Statement

5.1 In addition to the Council's own governance the Monitoring Officer provides legal advice to the following joint committees:

- Norfolk Records Committee
- Norfolk Joint Museums and Archaeology Committee
- Eastern Shires Purchasing Organisation (ESPO)
- Norwich Highways Agency Committee
- Eastern Inshore Fisheries and Conservation Authority; and
- Norfolk Parking Partnership Joint Committee.

5.2 The Council and each Joint Committee (where required to do so) publishes its own Annual Governance Statement.

5.3 In addition the Monitoring Officer provides legal advice to the Pension Funds administered by the Council and in some areas, to the Council's wholly owned companies.

6. Section 17 Crime and Disorder Act

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

6.2 The Monitoring Officer's work helps deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing the rewards from crime.

7. Overall opinion on the adequacy and effectiveness of the Governance framework

7.1 That the systems of internal control administered by the Monitoring Officer including the Code of Corporate Governance and the Council's Constitution, were adequate and effective during 2016/17 for the purposes of the latest regulations.

Victoria McNeill
Chief Legal Officer
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VM/NMM-Monitoring Officer Report 2017 (T/Constitution/HoL General)

Audit Committee

Item No……

Report title:	**External Auditor's Audit Plan 2016-17**
Date of meeting:	**15 June 2017**
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 11) being:

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

Executive summary

The purpose of this report is to introduce the External Auditor's Audit Plan for the year ending 31 March 2017, which is attached as **Appendix A**. The Pensions Committee will receive a separate plan, dated 19 April 2017, for their approval, which is attached at **Appendix B**. Our External Auditors publish Local Government Audit Committee Briefings and the latest briefing for Local Government/Fire and Rescue sector Audit Committee Briefings are attached as **Appendices C and D.**

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

Members are recommended to consider:

- **the External Auditor's Audit Plan for the Council for 2016-17 at Appendix A, including their assessment of the Financial Statement Risks and Value for Money Risks**
- **the External Auditor's Audit Plan for the Pension Fund for 2016-17, including their assessment of the Financial Statement Risks and Value for Money Risks, at Appendix B**
- **whether there are other matters which you consider may influence their work**
- **the key messages in the briefings at Appendices C and D.**

1. Introduction

This 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 is attached as **Appendix A** to this report. There are no specific matters which are considered to influence their work. Financial Statement risks and Value for Money risks are set out in parts 2 and 3 of the plan. The reference to an April Committee, in the letter to the Audit Committee (at the start of the document), is now out of date as it was cancelled.

Points of interest in the plan are:

- Page 2 - Part 2 covering risks and Page 5 for Value for Money Risks
- Page 9 - mentions the fees for the audit, which are as expected

The External Auditor's Audit Plan for the Norfolk Pension Fund is attached as **Appendix B** to this report. There are no specific matters which are considered to influence their work. Financial Statement risks are set out in part 2 of the plan.

The latest briefing for Local Government/Fire and Rescue sector Audit Committee Briefings are attached as **Appendices C and D**.

3. Financial Implications

There are no specific financial implications.

4. Issues, risks and innovation

Risk implications

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

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

5. Background

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

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

Officer Contact

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

Name	Telephone Number	Email address
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Adrian Thompson	01603 222784	adrian.thompson@norfolk.gov.uk

IN TRAN communication for all

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Appendix A

External Auditor's Audit Plan for Norfolk CC 2016-17

Appendix B

External Auditor's Plan for Norfolk Pension Fund 2016-17

Appendix C

Audit Committee Briefing – Local Government

Appendix D

Audit Committee Briefing – Fire and Rescue Sector

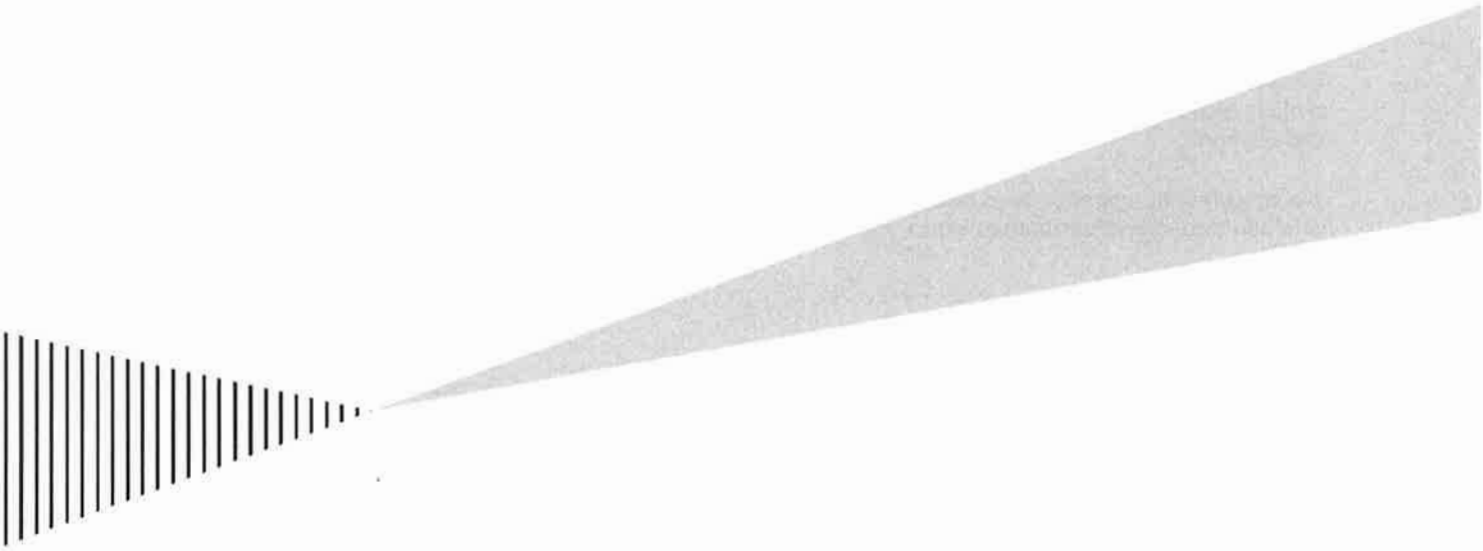
Norfolk County Council

Year ending 31 March 2017

Audit Plan

28 March 2017

Ernst & Young LLP



EY

Building a better working world

Building a better working world

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Audit Committee
Norfolk County Council
County Hall
Martineau Lane
Norwich
Norfolk
NR1 2DH

28 March 2017

Dear Committee Members

2016/17 – External Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this Audit Plan with you on the 18 April 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

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

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A list of members' names is available for inspection at 1 More London Place, London

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

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

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

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

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

1. Overview

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

- Our audit opinion on whether the financial statements of Norfolk County Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

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

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

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

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

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

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

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

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

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

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have rebutted this risk for the Council's income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.	Our approach will focus on: ► Reviewing and testing revenue and expenditure recognition policies; ► Reviewing and discussing with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ► Develop a testing strategy to test material revenue and expenditure streams; ► Reviewing and testing revenue cut-off at the period end date; and ► Testing the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewing accounting estimates for evidence of management bias; and ► Evaluating the business rationale for significant unusual transactions.
Other financial statement risks	
Academies	
Schools have continued to convert to academy status during 2016/17. This has implications for the treatment of the schools' property, plant and equipment, debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.	Our approach will focus on: ► The arrangements for identifying and agreeing with the schools the assets, liabilities and balances for transfer; and ► Reviewing how the transfers have been accounted for.
Pension Assets & Liabilities – IAS19	
Pension Assets and Liabilities are a significant balance sheet item (£871 million) which involves a large estimation process. No significant changes have been made to the process for estimation and no errors noted in the prior year.	Our approach will focus on: ► Liaising with the auditors of the Pension Fund, to obtain assurances over the information supplied to the actuary; ► Assessing conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by PSAA & PwC; and ► Reviewing & testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Minimum Revenue Provision	
The minimum amount charged to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments. NCC plan to reduce this for 16/17 in order to assist with savings targets. As this is a highly material figure in the accounts, it represents an inherent risk. However, in prior years we have had no issues regarding this disclosure and as such we do not expect an issue this year.	Our approach will focus on: ► Reliance on Capita, for whom we will perform relevant steps for a management expert; and ► Specific review to be performed by EY staff with relevant knowledge & expertise over the Minimum Revenue Provision disclosure

Property, Plant and Equipment – Valuation	
The size of the Property, Plant and Equipment (PPE) balance on the balance sheet (£1.5 billion) in 2015/16 shows the significance of this figure to the balance sheet. Due to the material nature of the PPE balance and the fact that the balance is based on estimation techniques, there is an inherent risk that the PPE valuation assertion may be materially misstated as only small % fluctuations on the PPE valuation could show as a material error.	Our approach will focus on: ► A review of the revaluation technique, including relevant assessment of experts used; ► Detailed testing on revaluation entries; and ► Queries during the audit process regarding revaluation processes.

Valuation of NDR Compensation Provision	
We are aware that Norfolk County Council intends to provide for compensation arrangements in relation to the Norwich Distributor Route under construction. As this has not been provided for in the prior year, there is an inherent risk arising within provisions that this could be under or over provided, as it is likely this will be estimate driven.	Our approach will focus on: ► Understanding how the provision is calculated; ► Establishing the value of the provision; and ► Determining the need for further work based on the above and the relevant risk of material misstatement.

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement	
Amendments have been made to the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the* code) this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the '*Telling the Story*' review of the presentation of local authority financial statements. The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis. This change in the code will require a new structure for the primary statements of the Councils single entity accounts along with the Councils consolidated group accounts, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.	Our Approach will focus on: ► Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code; ► Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and ► Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers. ► The classification of consolidated group balances within the group CIES and new notes to ensure disclosures are in line with the code.

2.1 Responsibilities in respect of fraud and error

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

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

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

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

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
For 2016/17 this is based on the overall evaluation criterion:

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

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

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

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

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

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

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

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

Significant value for money risks	Our audit approach
Sustainable resource deployment: Achievement of savings needed over the medium term	
In its MTFS issued in February 2015, the Council identified a cumulative budget gap of £85.7 million over the three years 2015/16 to 2017/18. Since that time, the Council has extended its projections to 2018/19, which has resulted in the inclusion of new cost pressures and increased its saving targets by a further £82.9 million. This includes a total of £58 million to mitigate the impact of any unanticipated financial pressures, and to allow member choices around the delivery of a balanced budget. Although the Council has assessed savings, there remains a risk that savings are not achievable at the planned level	Our approach will continue to focus on: ► The adequacy of the Council's budget monitoring process, comparing budget to outturn; ► The robustness of any assumptions used in medium term planning; ► The Council's approach to prioritising resources whilst maintaining services; and ► The savings plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term.

4. Our audit process and strategy

4.1 Objective and scope of our audit

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

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

We issue an audit report that covers:

1. Financial statement audit

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

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

Alongside our audit report, we also:

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

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

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

4.2 Audit process overview

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

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

- Accounts receivable
- Accounts payable
- Payroll
- LMS Schools System

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

Analytics

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

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

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

Internal audit

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

Use of specialists

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

Area	Specialists
Fair value of financial statement disclosure	Management expert – for the provision of fair value information in respect of financial instruments (Capita Asset Services)
Insurance Provision	Management expert – valuation services around the Employer and Public Liability Insurance provision (Marsh)
Pension valuations and disclosures	EY Pensions Advisory, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Suffolk Pension Fund actuary)
Property, Plant and Equipment, and Investment Properties	Management expert – valuation specialists (Norfolk Property Services)

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

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

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

4.3 Mandatory audit procedures required by auditing standards and the Code

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

Procedures required by standards

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

Procedures required by the Code

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

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

4.4 Materiality

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

We have determined that overall materiality for the financial statements of the Council are £13.4 million based on 1% of gross expenditure in 2015/16. We will communicate uncorrected audit misstatements greater than £672,000 to you.

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

4.5 How materiality is applied to the component locations

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. Based on the group planning materiality of £15.3 million, we expect to apply materiality of £5.7 million to the Norse Group Ltd and £4.5 million to Independence Matters Ltd. The component reporting limit for adjustments is £764,000.

4.6 Fees

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

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

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

4.7 Your audit team

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

4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

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

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

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	**April 2017**		Audit Fee Letter Progress Report
Risk assessment and setting of scopes	**February 2017**	**April 2017**	Audit Plan
Testing routine processes and controls	**March 2017**		Reporting of any significant matters (if required)
Year-end audit	**June to August 2017**		
Completion of audit	**September 2017**	**September 2017**	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and, overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	**October 2017**		Annual Audit Letter

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

5. Independence

5.1 Introduction

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

Required communications

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

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

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

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

5.2 Relationships, services and related threats and safeguards

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

Self-interest threats

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

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

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

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0:1, as we have not been commissioned to perform any non-audit work in 2016/17. No additional safeguards are required.

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

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

Self-review threats

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

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

Management threats

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

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

Other threats

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

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

Overall Assessment

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

5.3 Other required communications

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £s	Scale fee 2016/17 £s	Outturn fee 2015/16 £s	Explanation
Opinion Audit and VFM Conclusion*	£127,762	£117,045	£127,762	
Total Audit Fee – Code work	**£127,762**	**£117,045**	**£170,360**	

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

All fees exclude VAT.

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

- The Council provides good quality draft accounts which have undergone senior management review by 30 June 2017 and working papers which have similarly undergone review by 30 June 2017;
- Officers provide appropriate responses to queries and other information we request within the agreed timescales to allow us to complete the audit fieldwork by August 2017;
- The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control

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

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

Appendix B UK required communications with those charged with governance

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

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balances on initial audits [delete if not an initial audit]	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	► Report to those charged with governance

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

Appendix C Detailed scopes

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

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

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

Group audit scope	Entity	% of GRE
Full	Norfolk County Council (single entity) Norse Group Ltd	99.1
Limited	Independence Matters	0.9

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

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

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

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

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

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Appendix B

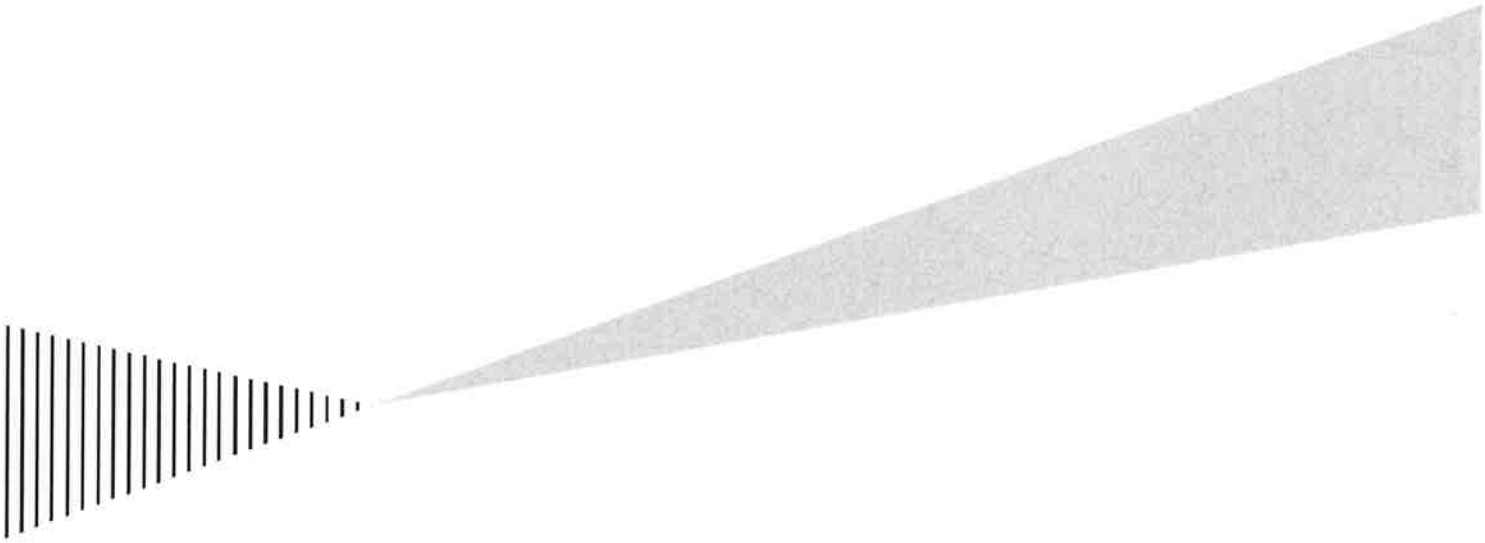
Norfolk Pension Fund

Year ending 31 March 2017

Audit Plan

19 April 2017

Ernst & Young LLP



EY

Building a better working world

Building a better working world

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Audit Committee and Pension Fund Committee
Norfolk Pension Fund
Norfolk County Council
County Hall
Martineau Lane
Norwich
Norfolk
NR1 2DH

19 April 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 15 June 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Tessa Gilbert
For and behalf of Ernst & Young LLP
Enc

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A list of members' names is available for inspection at 1 More London Place, London

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2. Financial statement risks 3
3. Our audit process and strategy 5
4. Independence 9
Appendix A Fees 11
Appendix B UK required communications with those charged with governance 12

1. Overview

Context for the Audit:

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 Pension Fund (the Pension Fund) give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- Our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements.

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 Pension Fund.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

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

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

Significant risks (including fraud risks)	Our audit approach
Risk of Management Override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ► Reviewing accounting estimates for evidence of management bias, and ► Evaluating the business rationale for significant unusual transactions

Other financial statement risks	
Valuation of complex investments (Unquoted investments)	
The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments. Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error. Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.	We will focus on: ► Assessing the competence of management experts ► Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used ► Reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation ► Performing analytical procedures and checking the valuation output for reasonableness against our own expectations, and ► Where necessary our internal valuation specialists will support our work in this area

2.1 Responsibilities in respect of fraud and error

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

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

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

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

3. Our audit process and strategy

3.1 Objective and scope of our audit

Under the Code of Audit Practice (the 'Code') our principal objectives are to review, and report on, the Pension Fund's financial statements to:

- form an opinion on the financial statements under International Standards on Auditing (UK and Ireland); and
- form an opinion on the consistency of the financial statements within the pension fund annual report with the published financial statements.

3.2 Audit process overview

Our audit involves:

- identifying and understanding the key processes and internal controls;
- testing the operation of those controls,
- where relevant reviewing the work of your internal auditors;
- 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; and
- substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the entity has identified the contributions receivable process where we will seek to test key controls. Benefits payable, investments and cash balances will be tested substantively.

As investments are managed by contracted fund managers and overseen by the appointed custodian, we will also review the findings of independent ISAE 3402 assurance reports, for the custodian and fund managers, and assess if there are any issues reported that may impact on our testing strategy.

We will also undertake work in order to provide information to the auditors of the relevant admitted bodies of the Norfolk Pension Fund, on which reliance can be placed when auditing the admitted bodies' financial statements.

Analytics

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

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

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

Internal audit

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

Use of specialists

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

Area	Specialists
Investment valuation	The Pension Fund's custodian and fund managers
Pensions liability	The Pension Fund's actuary (Hymans Robertson) and the EY Pensions team

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 Pension Fund's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

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

We also anticipate relying on the work of the experts commissioned by PSAA to review the work undertaken by the pension scheme actuary appointed by Norfolk County Council.

3.3 Mandatory audit procedures required by auditing standards and the Code

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

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;

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

Procedures required by the Code

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

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

3.4 Materiality

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

We have determined that overall materiality for the financial statements of the Pension Fund is £29 million based on 1% of net assets. We will communicate uncorrected audit misstatements greater than £1.4 million to you.

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

3.5 Fees

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

The indicative fee scale for the audit of Norfolk Pension Fund is £27,099. Further information is provided in Appendix A.

We anticipate charging an additional fee of £2,300 in 2016/17 to take into account the enhanced level of work required to respond to IAS19 assurance requests from scheduled bodies. We will undertake the following audit procedures in response to requests received:

- Identify and document the overall IAS19 procedures and controls established by the Pension Fund; and
- Test the membership data, contributions data and fund asset values submitted to the actuary.

3.6 Your audit team

The engagement team is led by Tessa Gilbert, who has significant experience of Pension audits. Tessa is supported by David Riglar who is responsible for the day-to-day direction of audit work and is the key point of contact for your finance and pension teams.

Mark Hodgson is the director leading our overall engagement with Norfolk County Council and our relationship with the Audit Committee.

3.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit. The timetable includes the deliverables we have agreed to provide to the Pension Fund through the Audit Committee and Pension Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

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

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

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	**April 2016**	-	Audit Fee Letter
Risk assessment and setting of scopes	**February - March 2017**	**June 2017**	Audit Plan
Testing routine processes and controls	**March 2017**	**June 2017**	Verbal Progress Report
Year-end audit	**June 2017**		
Completion of audit	**July 2017**	**September 2017**	Report to those charged with governance via the Audit Results Report Audit report , including our opinion on the financial statements Audit report on our opinion on the consistency of the financial statements within the pension fund annual report with the pension fund financial statements.
Conclusion of reporting	**July to August 2017**	**September or January 2018**	Annual Audit Letter

4. Independence

4.1 Introduction

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

Required communications

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

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

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

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

4.2 Relationships, services and related threats and safeguards

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

Self-interest threats

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

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

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

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 the Pension Fund. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

Self-review threats

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

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

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work. There are no management threats at the date of this report.

Other threats

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

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

Overall Assessment

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

4.3 Other required communications

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Total Audit Fee – Code work	**27,099***	**27,099**	**27,099**	* As reported in paragraph 3.5 above, we anticipate charging an additional fee of £2,300 in 2016/17 to take into account the enhanced level of work required to respond to IAS19 assurance requests from scheduled bodies.

All fees exclude VAT.

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

- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes outlined in section 3.2 above;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund 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 Pension Fund in advance.

Appendix B UK required communications with those charged with governance

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

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balances on initial audits [delete if not an initial audit]	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	► Report to those charged with governance

UK required communications with those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	► Audit Plan ► Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	► Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	► Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Report to those charged with governance

UK required communications with those charged with governance

EY | Assurance | Tax | Transactions | Advisory

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Appendix C

Local government audit committee briefing

EY
Building a better working world

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

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

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

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

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

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

Government and economic news

Brexit Update

On Wednesday 29 March 2017 Theresa May triggered article 50, the part of European Union law that sets out the process by which member states may withdraw from the union. European governments and the EU as an institution are at the vanguard of the Brexit process. The challenge of unravelling the UK from the EU is a significant one. Negotiations will be complex as there seems little likelihood now that one of the existing models for non-EU European countries' relationships with the EU can simply be extended to the UK.

As advisers to the sector, we have a critical role in working with our clients through this period of uncertainty. The negotiations will touch on multiple policy areas – such as trade, immigration and border control, tax and customs, transport and infrastructure, higher education, state aid, energy and the environment – and will require significant change in the Government and Public Sector. Whilst UK government departments consider potential scenarios for different outcomes of the negotiations, EU negotiators will in turn have the task of balancing the diverse interests and priorities of the other 27 Member States.

The UK's exit seems like a long way off, but it is essential for us to keep abreast of political, regulatory and economic developments as negotiations progress. We will monitor the situation on an ongoing basis and provide connectivity, timely information, communication and tailored content to our Government and Public Sector clients.

For further information and our most recent views of the impact of Brexit on the economy please see the EY Item Club article within the EY website, full link is below in the 'Find Out More' section.

Final Local Government Finance Settlement

The Local Government finance settlement has been finalised after formal representations were received from a number of organisations and individuals.

This includes the four year funding allocations so councils can publish efficiency plans for the future. £200bn was allocated for the settlement.

This Local Government Finance Bill will devolve 100% of business rates. As a result of this the revenue support grant will be abolished. This is a move to make councils financially self-sufficient. It also means that there will no longer be an annual finance settlement each year. The scheme is being piloted in Greater Manchester, Liverpool City Region, the West Midlands, Cornwall, the West of England and Greater London Authority. In 2018-19 further pilots will take place and councils can apply to be a part of this. The scheme will be rolled out nationally in 2019-2020.

New Valuations of Business Rates

The Government implemented a £6.7bn relief package which came into effect from April 2017 due to the new valuation listings. This will mean around three quarters of businesses will see a reduction or a freeze in the business rates they pay. The revaluation will not affect the overall income received by the Treasury as it is fiscally neutral. However, it could affect the level of income received by a council based on the mix of businesses in a constituency. Each local authority must develop schemes for how the business rate relief is allocated which will require member approval.

Spring Budget 2017 – Adult Social Care funding

It was announced in the Spring Budget that £2bn worth of additional funding will be provided to councils in England for use on adult social care over the next three years. £1bn of this will be available in 2017-18 meaning more care packages can be funded immediately. Funding will be supplemented with targeted measures. This is to ensure areas with the greatest challenges make improvements.

NAO report: Health and social care integration

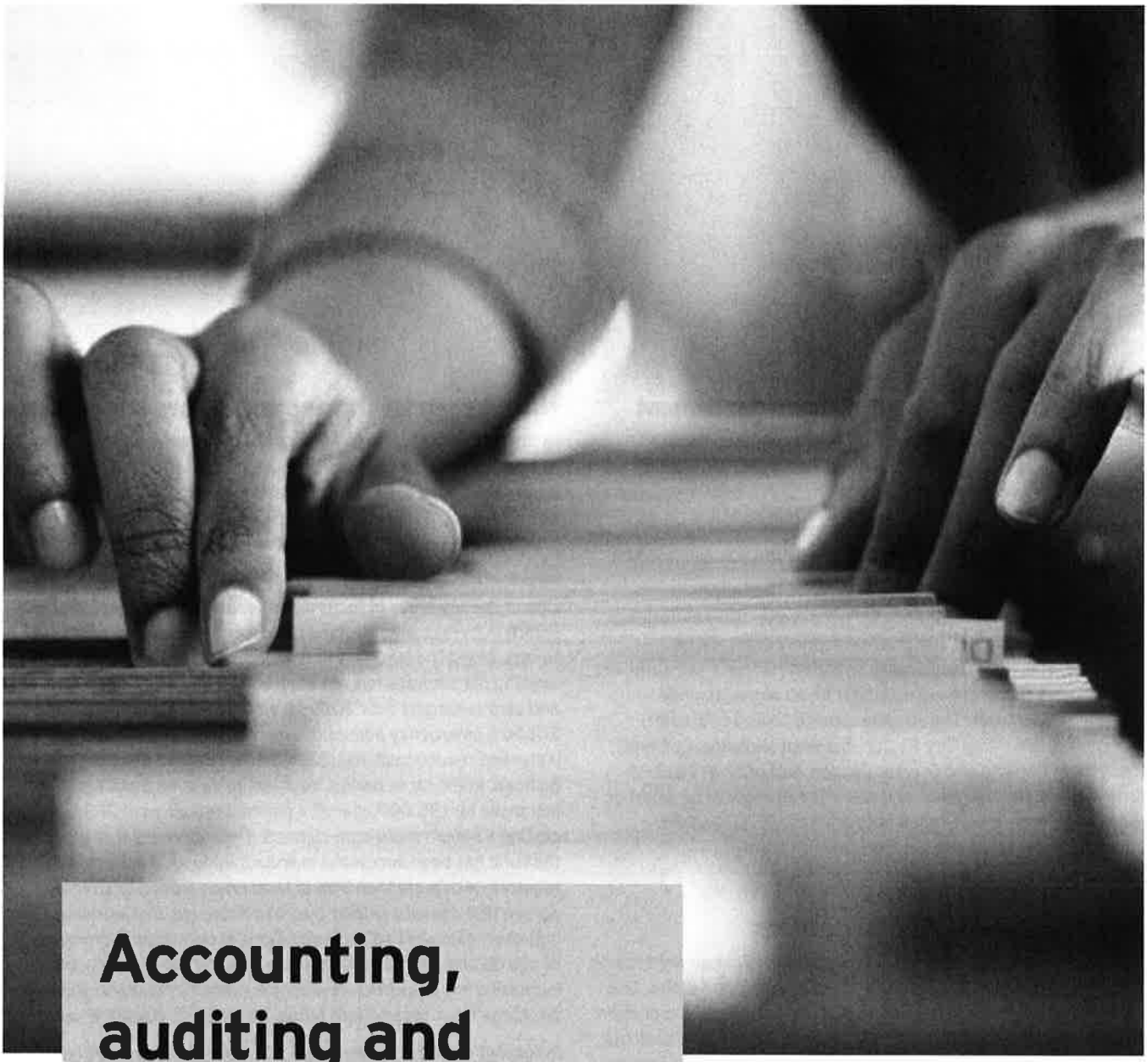
In this report the National Audit Office (NAO) states that integration of health and social care has been less successful and progressed slower than envisaged, and has not delivered all of the expected benefits for all parties (patients, the NHS or local authorities). It says that the Government's plans for integrated health and social care services across England by 2020 are at significant risk.

One of the key areas of focus in the report is the Better Care Fund (which in its first year involved the pooling of in excess of £5bn of funds). Whilst the NAO saw that its introduction has improved joint working, its potential has not been achieved. Its principal financial and service targets over 2015-16 were not met. Compared with 2014-15 emergency admissions increased by 87,000 against a planned reduction of 106,000 costing £311mn more than planned. In the same period, days lost to delayed transfers of care increased by 185,000 against a planned reduction of 293,000 costing £146mn more than planned. The report acknowledges that the Fund has been successful in encouraging local areas to work together, with more than 90% of local areas agreed or strongly agreed that delivery of their plan had improved joint working. Improvements were seen in reductions in permanent admissions of age 65 and over to nursing and residential care homes, and in increasing the proportion of older people still at home 91 days after discharge from hospital into rehabilitation or re-ablement services.

In respect of central government, the NAO states that whilst the Department of Health and the Department for Communities and Local Government have identified barriers to integration, (e.g., misaligned financial incentives, workforce challenges and reluctance over information sharing), but are not addressing them in a systematic way. Government commissioned research in 2016 assessed that local areas are not on track to achieve the target of integrated health and social care by 2020.

NHS England's ambition to save £900mn through introducing seven new care models was seen to potentially be optimistic. The models' impact is still being assessed and they are not yet proven. According to the NAO, there is poor governance and oversight of the initiatives examining different ways to transform care and create a financially sustainable care system (e.g., The Integration Partnership Board only receives updates on progress of the Better Care Fund with no reporting from other integration programmes).

Finally, there was no compelling evidence found to demonstrate that sustainable financial savings or reduced acute hospital activity results from integration. Whilst it recognises that there are some good examples of integration at a local level, assessment of these has been hindered by issues with comparable cost data across different care settings, and difficulty tracking patients.



Accounting, auditing and governance

Current Accounting Issues

As Local Authority finance teams across the country begin to close down the 2016/17 financial year and prepare the financial statements, it is timely to highlight the two main changes to financial reporting requirements impacting in 2016/17 and subsequent years.

'Telling the Story'

Local Authority financial statements will look different in 2016/17 when compared to previous years. These changes arise from the changing requirements of the Local Authority Accounting Code of Audit Practice issued each year by CIPFA. The 2016/17 Code now includes the accounting requirements of CIPFA's *'How to tell the story'* publication.

CIPFA has been working on a project for the last few years to both streamline Local Authority financial statements and improve their accessibility to the user. One way in which user accessibility has been strengthened is to try and make year-end external reporting through the financial statements look more like in year internal management reporting. As a result, the main changes to

the 2016/17 financial statements will be to the Comprehensive Income and Expenditure Statement (CIES) and associated disclosure notes. The key changes to look out for are:

- How income and expenditure are analysed on the face of the CIES. In previous years Local Authorities had to analyse their service income and expenditure using the service expenditure analysis prescribed by CIPFA in the Service Reporting Code of Practice (SeRCOP). Local Authorities must now provide this analysis in the same format and reporting segments that they use for internal management reporting throughout the year.
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This subject was covered in detail at the recent EY CIPFA Accounts Closedown Workshops that were run as part of the EY and CIPFA strategic e alliance. The 32 workshops were attended by over 800 Local Authority finance staff across the UK.

Highways Network Asset

Previous Audit Committee Briefings have included information regarding the Highways Network Asset (HNA) Code which was published in 2016. The key aim of the Code was to improve the asset management of the HNA at Highway Authorities. The Code also sought to provide the basis for improved financial information by setting out a move to valuing such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of that asset.

The implementation of the HNA Code has encountered a number of issues, and its original implementation date of 2016/17 was deferred. At its meeting on March 8 2017, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

Regulation news

Gender Pay Gap Reporting Regulations

The Gender Pay Gap Reporting regulations come into effect in April 2017 and they will impact on every organisation that has 250 or more employees.

Under these regulations organisations will be required to publish:

1. The gender pay gap for the pay period to 5 April each year. Numbers need to be submitted to a Government portal (still in development) and be placed in a searchable position on the organisations own website where they need to remain for at least three years. There are six calculations:
   - Mean gender pay gap in hourly pay
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   - Mean bonus gender pay gap
   - Median bonus gender pay gap
   - Proportion of males and females receiving a bonus payment
   - Proportion of males and females in each pay quartile
2. A written statement, authorised by an appropriate senior person (e.g., a director), which confirms the accuracy of the calculations.
3. Optional contextual narrative alongside the numbers on the website – e.g., to explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

Whilst organisations have until next April to publish these disclosures:

- A data snap shot on 5 April 2017 is required to ensure prior year comparisons are possible.
- It is expected that there may be significant stakeholder and media pressure to publish sooner than the deadline. Some organisations have recently included a requirement in tender processes for potential suppliers to disclose their gender pay gap. Some organisations have already published their disclosures ahead of the deadline.

The impact of the regulations goes well beyond compliance, and some organisations are concerned about the implications of having to publish a significant gap, as this could have an impact on employee engagement and motivation, the ability to attract new talent and the overall reputation of the organisation.

EY have been working with a number of clients to assist them to ensure compliance with this new regulation, speak to your audit team for further information.

Other

Placing gender on the public sector agenda

In a time of significant change for governments and public sector organisations, the ability to draw on a diverse pool of talent – including a mix of genders, ethnicities, ages and backgrounds – is a critical factor in helping governments adapt to the changes disrupting the sector. There is strong evidence that diverse and inclusive leadership sparks better debate, stimulates innovation, and enhances problem-solving and decision-making. In short, it leads to improved performance and better outcomes.

In mid-2016, EY surveyed 80 government and public sector leaders from a range of countries. We wanted to understand their views on gender parity at the leadership level. The survey built on an earlier study involving interviews with 350 business leaders from seven sectors: automotive, banking and capital markets, consumer products, insurance, life sciences, oil and gas, and power and utilities.

Our research reveals overwhelming agreement that gender diversity is crucial to combating the challenges faced by the public sector. Despite valuing diversity, many public sector organisations are not addressing the gender gap in a way that will deliver the needed change. Sixty percent of respondents believe they do not have sufficient diversity of thought and experience within their leadership team.

Through our research, we identified five disconnects that are holding back government and public sector organisations from achieving gender diversity on their senior leadership team.

1. **The reality disconnect:** Public sector leaders assume the issue is nearly solved despite little progress within their own organisations.
2. **The data disconnect**: Organisations don't effectively measure how well women are progressing through the workforce and into senior leadership.
3. **The pipeline disconnect**: Organisations aren't creating pipelines for future female leaders.
4. **The perception and perspective disconnect**: Men and women don't see the issue of gender parity the same way.
5. **The progress disconnect**: Different sectors agree on the value of diversity but are making uneven progress towards gender parity.

In this report, we explore each of these disconnects to better understand the key barriers that women face in moving ahead in their organisations. We also share our insights on what government and public sector organisations can do to accelerate the journey to gender parity.

EY Resources and Information

EY offers a number of resources to our clients, 'Citizen Today' is produced by EY's Global Government and Public Sector team. Here you can read features and interviews covering the big issues facing governments around the world as they seek to provide better services for citizens. This is the Government and Public Sector element of the EY Client Portal, by signing up to this it could help you stay in touch with relevant news.

The EY Client Portal provides a single, continuous connection to EY. This tool can provide you with continuous access to EY worldwide, some of the key benefits are listed below:

- **Collaborative services** – Providing better management, team synergies, communication, and continuous global access to status and current documents via a variety of protected online work environments and electronic tools.
- **Individually tailored content, tools, and resources** – Customised so you see only the content, tools, and resources you want and need.
- **Improved efficiencies** – Helping you work more productively with relevant knowledge, insights, and business tools accessible in one location.
- **Enhanced service delivery** – Giving you access to EY's global breadth and depth of services and capabilities (self-service to full-service), helping you execute your business decisions.
- **Global knowledge and expertise** – Valuable and timely insights on evolving business issues, helping you make informed decisions faster.

Key questions for the Audit Committee

Has the Authority considered the potential impact of the business rates relief on the Authority's finances?

Has the Authority considered how effective the integration of health and social care has been in its local area? Are arrangements with local health partners working effectively and has the Authority considered ways in which they could be improved?

Has the authority put in place processes to meet the new accounting requirement for the analysis of income and expenditure in the CIES, and the new note on the Expenditure and Funding Analysis?

How well prepared is the authority for the new requirement to collect and publish gender pay gap data?

Find out more

Brexit EY Item Club

http://www.ey.com/uk/en/newsroom/news-releases/17-04-10-stronger-global-economy-paves-the-way-to-brexit-says-ey-item-club

Final Local Government Finance Settlement

https://www.gov.uk/government/speeches/statement-in-debate-on-the-local-government-finance-settlement

NAO Report – Health and social care integration

https://www.nao.org.uk/report/health-and-social-care-integration/

Gender Pay Gap Reporting Regulations

The regulations – Statutory Instrument 2017/172: http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf

Overview of the rules from gov.uk https://www.gov.uk/guidance/gender-pay-gap-reporting-overview

Guidance – Advisory, Conciliation and Arbitration Service (ACAS) and the Government Equalities Office have published guidance for employers http://www.acas.org.uk/index.aspx?articleid=5768

Placing gender on the public sector agenda

http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf

EY Client Resources and Information

http://www.ey.com/gl/en/industries/government---public-sector/ey-citizen-today#recent-content

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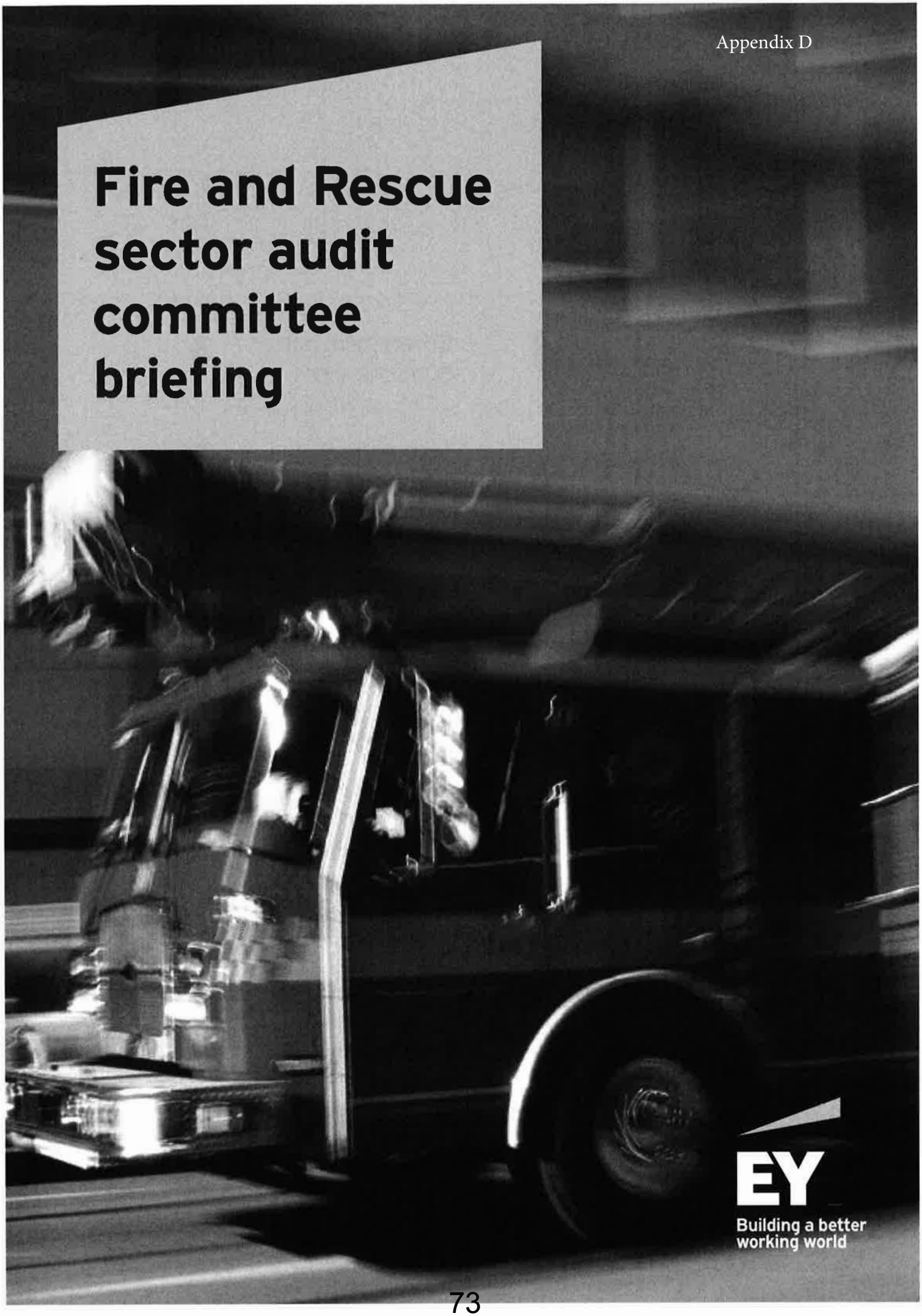
Appendix D

Fire and Rescue sector audit committee briefing



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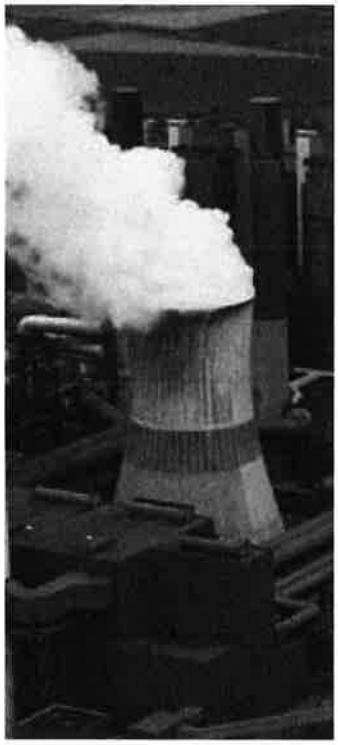

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The Policing and Crime Bill receives Royal Assent

On 31 January 2017, the Policing and Crime Bill received royal assent and became an Act of Parliament. The Act is a substantial document, split into nine parts and containing over 400 pages. It introduces changes to a wide spectrum of the criminal justice system, from reform of the police disciplinary and complaints system to changes in the powers of PCSO's to improved protection for the victims of forced marriage.

Of particular relevance and interest are the provisions of the Act which aim to enhance close collaborative working between the emergency services. This is the Government's attempt to implement its manifesto commitment to *"enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners"*. The Minister for Policing and Fire, Brandon Lewis, has made it clear that he expects the pace and ambition of collaboration to increase.

The Act introduces a duty on police, fire and rescue and ambulance services to enter into collaboration agreements where it is in the interests of efficiency or effectiveness. Notably, these are two of HMIC's three pillars alongside legitimacy in their annual National Police Effectiveness, Efficiency and Legitimacy reports. This duty will come into force on 3 April 2017.

The Act also contains provisions that will enable Police and Crime Commissioners (PCCs) to take on responsibility for local fire and rescue services. Furthermore, PCCs who take on such responsibilities will be able to consolidate into one organisation with a single chief officer for police and fire. Where the PCC does not become responsible for fire and rescue functions, they may request to be appointed to the Fire and Rescue Authority (FRA) and associated committees, enabling them to speak and vote on functions of the FRA.

The Act also abolishes the London Fire and Emergency Planning Authority and gives the Mayor of London direct responsibility for the fire and rescue service in London.

Next steps for fire reform

Shortly after the Policing and Crime Act 2017 received Royal Assent, Brandon Lewis delivered a speech on the 7 February 2017 setting out his vision for the fire sector in 2017 and outlining the Government's next steps for fire reform.

Addressing the chairs of FRA, chief fire officers and others across the fire and rescue sector, he stated that fire and rescue services are transforming and seizing opportunities for collaboration. There has been a significant reduction in the number of fires and fire fatalities over the past decade demonstrating positive results of fire prevention and firefighting services.

The creation of the National Fire Chiefs' Council, is aimed at helping to transform the operational side of the fire service.

Despite these positives there are a number of problems that FRAs face, including outdated working practices, a lack of diversity and the absence of independent scrutiny.

The identified key areas of transformation include:

- **Accountability and transparency.** In 2016 the Home Secretary highlighted the lack of a suitable inspection regime. To address this issue, a new inspectorate for the fire authorities is being created. The new inspectorate will have a power to determine how effective each service is to prevent and respond to incidents; whether the service understands its current demands and where the future risks lie; and its leadership, training, diversity, values and culture.

  A new Fire and Rescue Service (FRS) website will be created this year, containing a range of FRS information, all in one place. In response to FRA requests, incident-level data will be published in the spring.

  There are no plans for the police to take over the fire services or that firefighter and police roles will merge, instead efficiency and collaboration between the services is required.

- **Efficiency and collaboration.** Particular emphasis is being placed on collaborative procurement as last year's basket of goods exercise revealed that some fire authorities were paying five times more than others for similar or the same equipment. As a response to this the Chief Fire Officers' Association has developed new commercial strategy. This strategy includes collaborative working to get a better deal from suppliers in order to optimise their costs. FRA should review their procurement practices and question whether they can be more strategic.
- **Workforce reform.** To address workforce problems and ensure that all fire personnel are the best trained and the most professional in the world, a new professional standards body for fire and rescue services will be established. The body will build a comprehensive professional framework of standards for services, setting standards on a range of issues including leadership, workforce development, equality and diversity and codifying effective practice. Two proposals on how this body will operate are being considered- a new fire standards body affiliated to the College of Policing or creating a fully combined College of Policing and Fire. The body is expected to become operational later this year.

  The Thomas Review published in November demonstrated a need for workforce reform to in order to create a diverse working environment free from bullying and harassment, with strong leadership and more flexible working conditions. However the latest workforce statistics show that little has changed in terms of workforce diversity in the fire and rescue services, and major changes must to be made to fire and rescue service culture to improve acceptance that women and ethnic minorities have a place in the fire and rescue service.

These reforms mean that 2017 will be a year of significant changes for the fire service. To support an effective and smooth transition, strong collaboration between police and fire and rescue authorities is required. To drive and improve this collaboration the Emergency Service Collaboration Working Group was established in 2014. The Working Group's 2016 national overview can be accessed via the links within the 'Find out more' section below https://aace.org.uk/wp-content/uploads/2016/11/National-overview-v13-WEB.pdf

The full text of the Minister's speech can be found at https://www.gov.uk/government/speeches/fire-ministers-speech-to-reform

Independent review of conditions of service for fire and rescue staff in England February 2015 can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562972/Thomas_Review_-_for_publication_in_97-2003_format.pdf

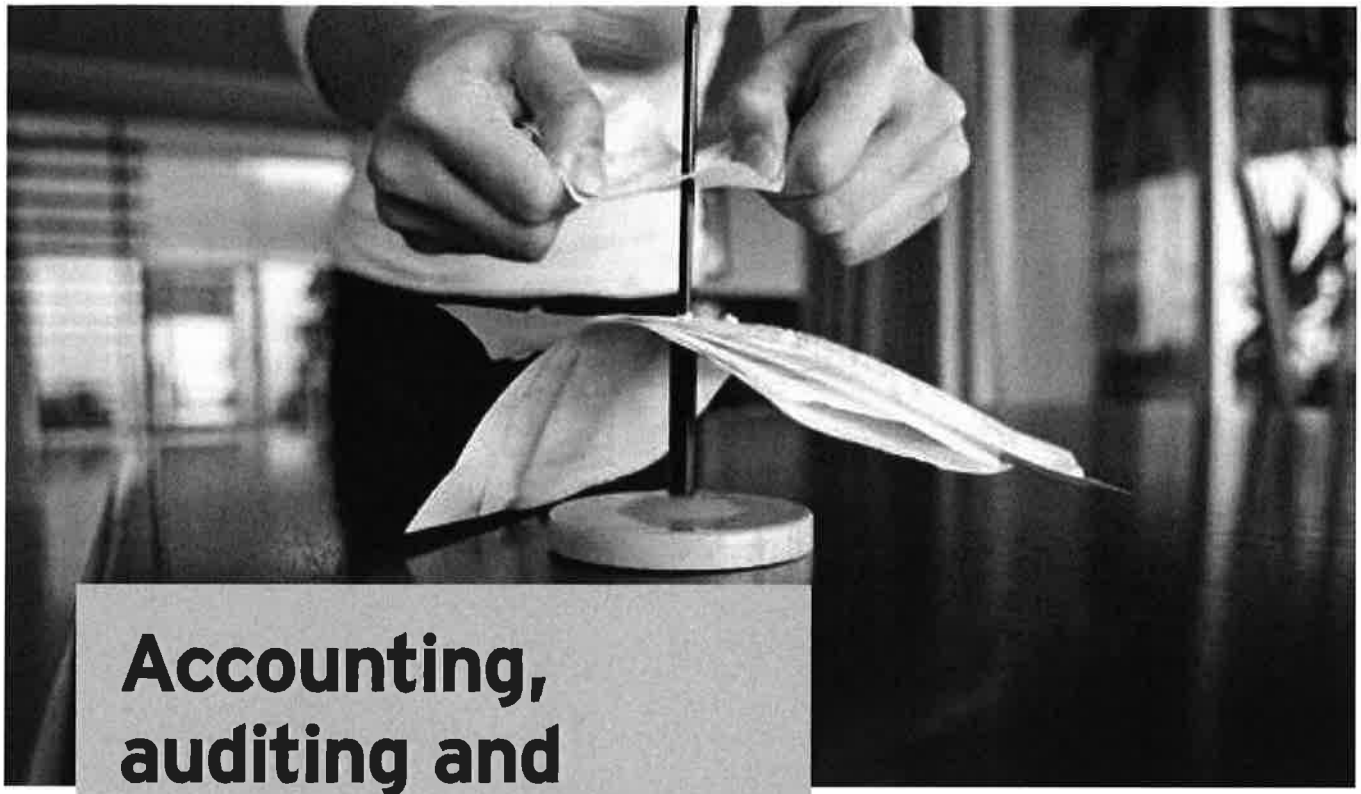
Consultation on proposals to stop senior fire officers from being re-employed after they have retired

As part of the reform to make fire and rescue services more accountable, efficient and effective, the Government has set out proposals for new guidelines to end the practice of senior fire officers retiring from post and subsequently being re-employed in the same or similar roles.

A six week consultation was launched by the Home Office on 21 February 2017 and will end on 4 April. Whilst the consultation is aimed primarily at fire and rescue authorities and trade unions, views from other parties are also being sought.

The consultation paper outlines that there are a number of senior fire officers retiring and then being re-appointed into the same or a similar post. As a result they are able to access up to a quarter of their pension as a tax free lump sum and cease to pay employee pension contributions.

The practice has attracted considerable public interest, and could potentially damage the trust between regular firefighters and senior officers. To avoid this happening, the Government will revise the National Framework to include a special guidance to FRAs. This involves a prohibition of re-appointing principal fire officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety (in which case this decision should be subject to agreement by a vote of the elected members of the FRA, or a decision by the appropriate elected representative of the FRA). Any such appointment must be transparent, justifiable and time limited.



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   - Proportion of males and females in each pay quartile
2. A written statement, authorised by an appropriate senior person (e.g., a director), which confirms the accuracy of the calculations
3. Optional contextual narrative alongside the numbers on the website – e.g., to explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

Whilst organisations have until next April to publish these disclosures

- A data snap shot on 5 April 2017 is required to ensure prior year comparisons are possible
- It is expected that there may be significant stakeholder and media pressure to publish sooner than the deadline. Some organisations have recently included a requirement in tender processes for potential suppliers to disclose their gender pay gap. Some organisations have already published their disclosures ahead of the deadline.

The impact of the regulations goes well beyond compliance, and some organisations are concerned about the implications of having to publish a significant gap, as this could have an impact on employee engagement and motivation, the ability to attract new talent and the overall reputation of the organisation.

EY have been working with a number of clients to assist them to ensure compliance with this new regulation, speak to your audit team for further information.

Other

Placing gender on the public sector agenda

In a time of significant change for governments and public sector organisations, the ability to draw on a diverse pool of talent – including a mix of genders, ethnicities, ages and backgrounds – is a critical factor in helping governments adapt to the changes disrupting the sector. There is strong evidence that diverse and inclusive leadership sparks better debate, stimulates innovation, and enhances problem-solving and decision-making. In short, it leads to improved performance and better outcomes.

In mid-2016, EY surveyed 80 government and public sector leaders from a range of countries. We wanted to understand their views on gender parity at the leadership level. The survey built on an earlier study involving interviews with 350 business leaders from seven sectors: automotive, banking and capital markets, consumer products, insurance, life sciences, oil and gas, and power and utilities.

Our research reveals overwhelming agreement that gender diversity is crucial to combating the challenges faced by the public sector. Despite valuing diversity, many public sector organisations are not addressing the gender gap in a way that will deliver the needed change. Sixty percent of respondents believe they do not have sufficient diversity of thought and experience within their leadership team.

Through our research, we identified five disconnects that are holding back government and public sector organisations from achieving gender diversity on their senior leadership team.

1. **The reality disconnect:** Public sector leaders assume the issue is nearly solved despite little progress within their own organisations.
2. **The data disconnect:** Organisations don't effectively measure how well women are progressing through the workforce and into senior leadership.
3. **The pipeline disconnect:** Organisations aren't creating pipelines for future female leaders.
4. **The perception and perspective disconnect:** Men and women don't see the issue of gender parity the same way.
5. **The progress disconnect:** Different sectors agree on the value of diversity but are making uneven progress towards gender parity.

In this report, we explore each of these disconnects to better understand the key barriers that women face in moving ahead in their organisations. We also share our insights on what government and public sector organisations can do to accelerate the journey to gender parity.

EY Resources and Information

EY offers a number of resources to our clients, 'Citizen Today' is produced by EY's Global Government & Public Sector team. Here you can read features and interviews covering the big issues facing governments around the world as they seek to provide better services for citizens. This is the Government and Public Sector element of the EY Client Portal, by signing up to this it could help you stay in touch with relevant news.

The EY Client Portal provides a single, continuous connection to EY. This tool can provide you with continuous access to EY worldwide, some of the key benefits are listed below:

- **Collaborative services** – Providing better management, team synergies, communication, and continuous global access to status and current documents via a variety of protected online work environments and electronic tools.
- **Individually tailored content, tools, and resources** – Customised so you see only the content, tools, and resources you want and need.
- **Improved efficiencies** – Helping you work more productively with relevant knowledge, insights, and business tools accessible in one location.
- **Enhanced service delivery** – Giving you access to EY's global breadth and depth of services and capabilities (self-service to full-service), helping you execute your business decisions.
- **Global knowledge and expertise** – Valuable and timely insights on evolving business issues, helping you make informed decisions faster.

Key questions for the Audit Committee

Has the authority considered the implications for your authority following the passing of the Policing and Crime Act 2017, and the duty to enter into collaboration agreements where in the interests of efficiency or effectiveness?

Have you considered your procurement policy and practices, and how they can be more strategic? Have you considered the scope for greater collaborative procurement?

Does your authority have a strategy and plans in place to ensure that the workplace is diverse and inclusive?

Has the authority considered the impact of the consultation on proposals to stop senior fire officers from being re-employed on similar roles after they retire?

Has the authority put in place processes to meet the new accounting requirement for the analysis of income and expenditure in the CIES, and the new note on the Expenditure and Funding Analysis?

How well prepared is the authority for the new requirement to collect and publish gender pay gap data?

Find out more

Brexit EY Item Club

http://www.ey.com/uk/en/newsroom/news-releases/17-04-10-stronger-global-economy-paves-the-way-to-brexit-says-ey-item-club

Policing and Crime Bill

http://www.legislation.gov.uk/ukpga/2017/3/contents/enacted

A more readable *'Overview of the Bill'* produced by the Home Office can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537257/Factsheet_0_-_overview.pdf

Next steps for fire reform

National overview 2016 conducted by Emergency Service Collaboration Working Group https://aace.org.uk/wp-content/uploads/2016/11/National-overview-v13-WEB.pdf

The full text of the Fire Minister's speech on 7 February 2017 can be found at https://www.gov.uk/government/speeches/fire-ministers-speech-to-reform

Independent review of conditions of service for fire and rescue staff in England February 2015 can be accessed via https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562972/Thomas_Review_-_for_publication_in_97-2003_format.pdf

Consultation on proposals to stop senior fire officers from being re-employed after they have retired

A full copy of the consultation can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/593051/170220_Consultation_document__-_re-engagement_of_senior_officers.pdf

Gender Pay Gap Reporting Regulations

The regulations – Statutory Instrument 2017/172: http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf

Overview of the rules from gov.uk https://www.gov.uk/guidance/gender-pay-gap-reporting-overview

Guidance – Advisory, Conciliation and Arbitration Service (ACAS) and the Government Equalities Office have published guidance for employers http://www.acas.org.uk/index.aspx?articleid=5768

Placing gender on the public sector agenda

http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf

EY Client Resources and Information

http://www.ey.com/gl/en/industries/government---public-sector/ey-citizen-today#recent-content

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Audit Committee

Item No……

Report title:	**Risk Management Annual Report 2016-17**
Date of meeting:	**15 June 2017**
Responsible Chief Officer:	**Executive Director of 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, as set out in its Terms of Reference, which is part of the Council's Constitution. There are Risk Management controls in place within the Council as per the Financial Regulations (part 4.3, of part 7.7) of the Council's Constitution.

Executive summary

Norfolk County Council ensures that risks to the delivery of its objectives are appropriately managed in accordance with the Council's Risk Management Framework in order to fulfil the Financial Regulations, as set out in the Council's Constitution (part 4.3, of part 7.7). The policy and framework of procedures will comply with the Accounts and Audit (England) Regulations 2015 (Part 2, Internal Control 3(c)) and the Public Sector Internal Audit Standards.

The Audit Committee is recommended to:

Consider and comment on these key messages from the Annual Risk Management 2016-17 Report (Appendix A):

- The overall opinion on the effectiveness of risk management for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 7 of the report)
- In November 2016, the annual CIPFA (Chartered Institute of Public Finance and Accountancy) Risk Management Benchmarking Club exercise was carried out, and the Council was assessed against other Local Authorities on its' risk management capabilities. A summary of the Benchmarking Club exercise can be found at Appendix 1 of Appendix A of this report.
- The permanent position of Risk Management Officer was ratified by the Council in September 2016, and the current Risk Management Officer was appointed to this role in October 2016.
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The current Risk Management Policy is being refreshed, with a Risk Management Strategy to be developed from this in 2017/18.

1. Proposal (or options)

1.1 The recommendation is covered in the Executive Summary above.

2. Evidence

2.1 The Chief Internal Auditor's Annual Risk Management report 2016-17 is presented at **Appendix A**. The CIPFA Risk Management Benchmarking Club Exercise report (Appendix 1 of Appendix A of this report) provides an assessment of the Council's performance.

3. Financial Implications

3.1 In 2016/17, the Risk Management Function has been delivered within the budget allocated for the year. There are no financial implications for the Risk Management Function for 2016/17.

3.2 Looking ahead to 2017/18, one of the four themes for development is Commerciality, looking at how the Risk Management Function could potentially increase its commerciality to generate income for the County Council. This is referenced at part 6 of the report in Appendix A.

4. Issues, risks and innovation

4.1 Looking ahead to 2017/18, there are four themes for development as part of business as usual. These are;

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

Further details can be found at part 6 of the report in Appendix A.

4.2 There are no implications with respect to:

- Other resource implications (staff, property)
- Legal implications
- Equality
- Human rights implications
- Environmental implications
- Health and safety issues.

5. Background

5.1 This report has been completed with input from officers including Risk Coordinators within each of the Council's Departments.

6. Officer Contact

6.1 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:

Officer Name: Adrian Thompson - Chief Internal Auditor

Telephone Number: 01603 222784

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

Officer Name: Thomas Osborne – Risk Management Officer

Telephone Number: 01603 222780

Email address: thomas.osborne@norfolk.gov.uk

IN TRAN
communication for all

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Appendix A

Risk Management Annual Report
2016 – 2017

Chief Internal Auditor
Norfolk Audit Services

Norfolk Audit Services

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1 Introduction

2 The Council's Priorities

3 Key Messages and Risk Management Opinion

4 Our Outputs – Risk Management Work

5 Developments of the Risk Management Function for 2016/17

6 Developments of the Risk Management Function for 2017/18

7 Further Information

8 Acknowledgements

Appx 1 Risk Management Benchmarking Club Summary 2016-17

1. Introduction

1.1 In line with Internal Audit standards, the mission of the Corporate Risk Management Function is to enhance and protect organisational value by providing objective risk management assurance, advice, and insight. The Function aims to:

- Understand the organisation
- Know its position and role in the assurance regime
- Be a catalyst for improvement of Risk Management
- Add value to the organisational objectives
- Be forward looking

1.2 This annual Risk Management report helps the Audit Committee to assess the performance of Risk Management over the year and informs the Managing Director and Executive Directors, clients and staff of how we add value through the Risk Management Function. This report also supports the Council's Annual Governance Statement 2016-17 with an assurance on the Council's arrangements for the management of risk. The report brings together and adds to, the quarterly Risk Management reports to the Audit Committee and includes:

- An acceptable opinion - (see part 3)
- Key Messages (see part 3)
- Our outputs - the work we carried out, performance and the difference we made in 2016-17 (see part 4)
- Developments in the Service in 2016/17 (see part 5) and planned development areas for 2017/18 (see part 6)
- Other relevant information (see part 7).

2 The Council's Priorities

2.1 The Risk Management Function's work has contributed to the Council's priorities during 2016-17, being:

Excellence in Education

Real Jobs

Improved Infrastructure

Supporting Vulnerable People

2.2 Through managing the corporate risks to achieving the Council's priorities and objectives, the Risk Management Function has ensured that the priorities above continue to be supported. Threats to achieving these priorities are documented in the corporate risk register, and are regularly managed, and reported quarterly at Committee level. Mitigations to manage the risks to the priorities are managed by risk owners and reviewers, and independently scrutinised by the Risk Management Officer.

3 Key Messages and Risk Management Opinion

3.1 The key messages from the Risk Management work in 2016-17 are:

- The Council's system of Risk Management during 2016-17 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. These requirements state that "a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk".

- The Risk Management Function has operated within the approved budget for 2016/17. Cost control is operating through cash budgets for training and staffing resource during the year.

- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval.

- 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 has been determined from the results of the Benchmarking Club, looking at evidence based performance results against other councils.

4 Our Outputs – Risk Management Work

4.1 The Risk Management Function has delivered a number of outputs in 2016/17, including;

- delivery of quarterly Risk Management reports for committees;

- co-delivering a Performance and Risk Management training workshop in July 2016 for Members of the Communities Committee.

- the introduction of a 'Risks Around the Council' and 'Key Dates Timeline' summary, ahead of the Policy and Resources, and Audit Committees for officers, managers and directors involved in Risk Management reporting.

4.2 The Risk Management Function has delivered quarterly Risk Management reports for Committees, covering corporate risks, reported and presented to both the Audit, and Policy and Resources Committees.

4.3 The Risk Management Function has also been active in risk reporting at departmental level at the Community and Environmental Services Committees, and has delivered quarterly reports to the Communities, and Environment, Development, and Transport Committees.

4.4 In July 2016, the Risk Management Function co-delivered a training workshop with the Business Intelligence and Performance Function, for Members of the Communities Committee. This clarified the Risk Management policy and procedures, and confirmed that the risks being managed were the risks that Members recognised as needing to be managed.

4.5 Risk Management reporting has been developed, further standardising the structure of Risk Management reports, as outlined below in 5.2.

4.6 In mid-2016, the Key Dates Timeline summary was developed for officers, and in early 2017, the Risks around the Council summary for officers was produced. Further details can be found in section 5 below.

5 Developments in the Risk Management Function in 2016/17

5.1 Risk Management reporting has been further developed in 2016/17 through increased active scrutiny of risks. In January 2016, corporate risks were linked to the Council's Audit Plan, with further scrutiny planned for corporate risks where no internal audit had been identified and carried out for the risk area. Prior to the March 2017 Policy and Resources Committee, the Risk Management Officer met with four risk reviewers whose risks were not linked to an upcoming internal audit, allowing further scrutiny of how the risks are being managed. The Risk Management Officer has advised risk coordinators and risk owners / reviewers on the current Risk Management policy, and procedures, and where improvements to reporting their risks can be made.

5.2 In January 2017, the Joint Museums Committee adopted the standard Risk Management reporting structure.

5.3 Efforts have been made to promote continuity of Risk Management reporting across committees by including appendices showing the following information;

- a summary of changes since the last committee report;
- a risk heat map, showing at a glance where risks are on the risk spectrum, with changes since the last committee report.

5.4 In 2016/17, the Risk Management Policy Framework has been reviewed, and is now in the process of being refreshed.

5.5 The Risk Management Function has strengthened its' working relationship with risk coordinators in each of the Council's departments, with closer communication and more streamlined reporting of Risk Management to Committees.

5.6 The planning around the delivery of the corporate Risk Management reports has been developed, including the introduction of Risks around the Council, and Key Dates Timeline summaries for officers actively involved in corporate Risk Management. The Risks around the Council summary enables these officers to quickly understand what is going on around the Council in the Risk Management environment. The Key Dates Timeline summary summarises the development stages of the report, and deadline dates.

6 Developments in the Risk Management Function in 2017/18

6.1 For 2017/18, there are four themes for development across the Council. These are;

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

6.2 In terms of the Risk Management Function, the following areas have been identified for development;

6.3 Strategy into Action / Accountability: Looking ahead to this financial year 2017/18, a new Risk Management strategy will be developed and published. The strategy will detail how the Risk Management policy will be implemented, and how the objectives of the Risk Management Function will be achieved going forward.

6.4 Commerciality / Business Like: In 2017/18, the commerciality of the Risk Management Function will be assessed to see how a more commercial approach could be developed. Further details of the areas for development will be presented in the Risk Management strategy.

6.5 Data Analytics / Evidence Based: In 2017/18 the Risk Management Function will look at developing the Three Lines of Defence risk governance model, to further ensure that there is full, evidence based assurance that the risk procedures of the Risk Management Function are effective. This model will involve checks being made by three different functions (three lines of defence) within Norfolk County Council to ensure the validity of the Council's risk procedures. Further details of this model will be presented in the Risk Management strategy.

6.6 Collaboration / Influencing: In 2017/18, the Risk Management Function will aim to develop further collaboration with other functions (i.e. Performance, and Finance) to ensure that the Council's four main corporate objectives continue to be met. Through active involvement in the national ALARM Risk Management network of Local Authority Risk Managers, the Risk Management Function will develop its' role and influence in this network, through its collaboration with other Local Authorities' Risk Management counterparts. The Risk Management Officer is a Member of the ALARM network, and will be attending regional and national events on behalf of the Risk Management Function of Norfolk County Council.

6.7 The Benchmarking Club exercise generated a series of results, broken down in to seven different areas. From the 2016/17 results, there are two areas that have been identified for further development. These are Leadership and Management, and Policy and Strategy. To develop these areas, the Risk Management Function, through the Risk Management Officer, will deliver a refreshed Risk Management policy and accompanying Risk Management procedures, and will engage further with senior management risk owners to further ensure that they are owning and leading on mitigating their risks, and that they understand the refreshed policy and procedures, and are engaged in the new Risk Management strategy that will be delivered in this financial year.

7 Further information

7.1 This Risk Management Annual Report will be referenced in the Council's Annual Governance Statement, which will be reported to this Committee in September 2017.

8 Acknowledgements

8.1 I would like to thank Members of the Audit Committee, County Leadership Team, managers and officers for their co-operation and assistance during the year.

9 Officer Contact

9.1 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:

Officer Name: Adrian Thompson - Chief Internal Auditor

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Email address: thomas.osborne@norfolk.gov.uk

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Appendix 1

Home Page

Instructions | **Guidance** | We recommend printing this sheet for reference. | **Action List**

Questions | **Submit Questionnaire**

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

ENABLERS			Score
E	6/6	**PROCESSES**	**85/100**
1	✓	Links to business/service processes overview	25/30
2	✓	Risk Identification and Analysis	25/30
3	✓	Risk response	14/15
4	✓	Risk reporting and review	5/5
5	✓	Information Risk	8/10
6	✓	Service Continuity	8/10

RESULTS			Score
F	2/2	**RISK HANDLING & ASSURANCE**	**93/100**
1	✓	Risk handling	53/60
2	✓	Assurance	40/40
G	2/2	**OUTCOMES & DELIVERY**	**80/100**
1	✓	Risk management contribution to overall performance	50/60
2	✓	Contribution to specific outcomes	30/40

Additional Questions

- Go to additional questions

Comparison to Alarm's National Performance Model for Risk Management

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

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

Audit Committee

Item No. ….

Report title:	**Risk Management**
Date of meeting:	**15th June 2017**
Responsible Chief Officer:	**Executive Director, Finance and Commercial Services**

Strategic impact

One of the Audit Committee's role is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk Management contributes to achieving corporate objectives, and is a key part of the performance management framework.

Executive summary

This report provides the Committee with the corporate risk register as it stands in June 2017, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during April / May 2017.

Risk Management is reported in its own right 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 January 2017, prior to being refreshed in April/May 2017 to show the latest developments. Officers have worked through the suggestions from that Committee. The latest developments since the last Policy & Resources Committee (where corporate Risk Management was last reported) in March 2017 are shown in **Appendix A** (the risk register report). A reconciliation of corporate risks from the last Audit Committee in January 2017 is shown at **Appendix B.**

Recommendations:

Committee Members are asked to consider:

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 movement of corporate risks since the last meeting **(Appendix D)**;
d. The Finance and Commercial Services departmental risk summary **(Appendix E)**;
e. If any further action is required.

1. Proposal

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

2. Evidence

2.1. Direction

2.1.1. The Council's Medium Term Strategy and Financial Plan, adopted in February 2017, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

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

2.1.3. Work is taking place to further develop performance management. Risk Management continues to be reviewed and strengthened. The Council's Management of Risk Framework, including the Risk Management policy was last revised in 2014 and, whilst it has been fit for purpose, is now being refreshed to incorporate current governance, organisational and developments in best practice. That work is in progress. Key areas to be strengthened are setting out clearly how the Council's 'Risk Appetite' and 'Risk Tolerance' are governed. Developments also include benchmarking the Risk Management function against our peers.

2.2 Progress

2.2.1 Overall, corporate risk scores continue to be generally stable. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. The corporate risk register is now joined up with the Council's 2017-18 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. Since the last Audit Committee in January 2017, the Risk Management Officer has met with seven risk

reviewers to consider risk reporting to these risks. Progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County Council, and the actions required to mitigate them, managed by the County Leadership Team, and owned by the Policy and Resources Committee.

2.2.2. The latest corporate risk register details 19 risks presented at **Appendix A**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and reviewer who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the County Leadership Team and their Departmental Management Teams.

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

2.2.4. There is one risk with a ‘current’ red rated risk score:

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

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

2.2.6. There are three risks with a ‘prospects’ target red risk score (see note 2 for the definition):

1. RM014b - The savings to be made on Adult Social Services transport are not achieved.

2. RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)

3. RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.

   For each of these three risks, additional mitigations have been introduced to ensure that the risk is managed as effectively as possible.

2.2.7. A reconciliation to the January 2017 Audit Committee report is presented at **Appendix B,** detailing the significant changes to corporate risks since the January 2017 report.

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

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. These principles have been considered during consultations by the Risk Management Officer with Risk Reviewers, as above in paragraph 2.2.1.

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

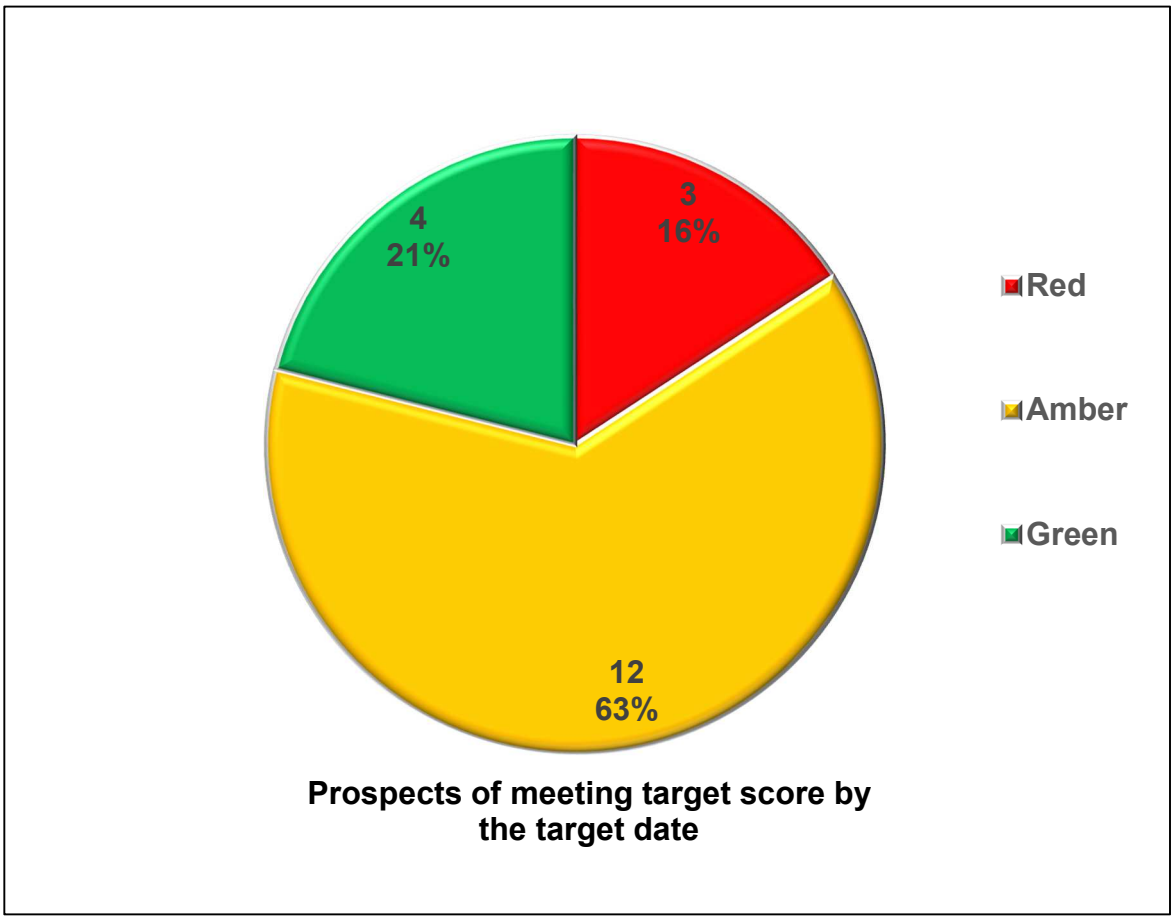
2.2.11. Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' previously presented in an Audit Committee meeting agenda paper, pages 368-378. Risk scores are based on the scoring model found in the Norfolk County Council Management of Risk Framework.

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 A Finance and Commercial Services departmental risk register has been drawn up, summarising the departmental risks from Finance, ICT, and Procurement. It also shows the corporate risks in this department for information. This can be seen at **Appendix E,** and will be developed going forward.

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

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



2.2.17 Overall, progress is considered satisfactory, and mitigations are proportionate to the Amber prospects rating.

2.3 Development

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

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

- Collaboration / Influencing

The following strands are identified for taking forward;

2.4. Strategy into Action / Accountability

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

2.5. Commerciality – Business Like

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

2.6. Data Analytics – Evidence based

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

2.7. Influencing – Collaborative

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

3. Risk Management reporting to Committees

3.1. Risk Management is reported separately to Financial and Performance Management at Committees, although there continue to be close links between financial, performance, and risk reporting. The departmental reporting continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Finance and Performance Reports.

3.2. At the January 2017 Audit Committee, it was noted that corporate risks RM018 and RM019 should be developed with the Executive Directors for Children's and Adults Services respectively. A meeting has taken place with the Executive Director of Children's Services, with the scope of the risk having changed to focus on the potential failure to move out of intervention. A meeting has taken place with the Executive Director of Adults Services to further develop the mitigations of risk RM019.

4. Financial Implications

4.1 There are potential financial implications arising from RM017, relating to the NDR, as set out in the report.

5. Issues, risks and innovation

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

6. Background

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

Officer Contact

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

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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.

Note 1:

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 criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.

- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

The prospects of meeting target 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.

Appendix A

Risk Number	RM001	**Date of update**	24 April 2017
Risk Name	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk		
Risk Owner	Tom McCabe	**Date entered on risk register**	01 July 2015

Risk Description

1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • congestion, delay and unreliable journey times on the transport network • a lack of the essential facilities that create sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. 2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	4	**12**	3	2	**6**	Mar-18	**Amber**

Tasks to mitigate the risk

1.1) Independent Evaluation Group team and District Council staff to complete draft Local Growth Fund 3 (LGF3) business cases to maximise the chance of success. Funding will be announced in Autumn Statement, and the Local Enterprise Partnership will make a decision.
1.2) Respond to Roads Investment Strategy 2 (RIS2) call for evidence to maximise chance of securing additional trunk road improvements. Provide business case evidence for priorities to Highways England by end of the year.
1.3) Actively promote and lobby to secure funding for the Great Yarmouth Third River Crossing. Submit Third River Crossing Outline Business Case to the Department for Transport.
1.4) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers.

2.1) Manage and oversee development and delivery of individual Local Growth Fund schemes bringing forward spend on some to offset lag on others and targeting the highest priority schemes and those that have the greatest impact. All the LGF schemes have been deemed worthy of funding by the Local Enterprise Partnership as they address the identified needs. Determine a revised programme for Norfolk schemes that still meets overall profile and agree with Local Enterprise Partnership.
2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required.

Progress update

Progress update
1.1) Discussed LEP pipeline schemes at last IEG Transport and Infrastructure Programmes meeting and agreed to assign the most appropriate person to each business case. This could include non IEG staff being responsible for some business cases. 1.2) Commissioned Mouchel to produce business cases and drafts have been prepared. These will be finalised to feed into Highways England's consultation on Network Strategies. 1.3) The Third River Crossing OBC was submitted in March 2017. 1.4) Reviewed Planning Obligations Standards in December 2016 and as changes are limited we intend to use delegated chief officer powers to adopt new standards rather than a formal member committee. 2.1) LTB has agreed to a carry over some of the Local Growth Fund profile from 2016/17 to 2017/18 2.2) Various S106 for improvements to the Longwater interchange have been programmed and dovetailed with the Local Growth Fund funding to ensure they are spent before any deadline dates.

Appendix A

Risk Number	RM002	**Date of update**	21 April 2017
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 2017/18- 2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	**20**	3	4	**12**	3	4	**12**	Feb-18	**Amber**

Tasks to mitigate the risk

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

Overall risk treatment: reduce

Progress update

Government's 2017-18 local government finance settlement reflected in the 2017/18 budget and Medium Term Financial Strategy.
DCLG confirmed on 16th November 2016 that it had accepted the Council's Efficiency Plan which results in a multi year settlement and provides more certainty over the level of future Government funding. The risk impact score has been lowered from 5 to 4 to reflect this.
Policy and Resources Committee on 17 July 2017 to consider the latest position and agree a timetable to consider the 2018/19 budget and future Medium Term Financial Strategy.

Appendix A

Risk Number	RM003	**Date of update**	24 April 2017
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.		
Risk Owner	Simon George	**Date entered on risk register**	30 September 2011

Risk Description

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

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	4	**12**	2	4	**8**	Dec-17	**Amber**

Tasks to mitigate the risk

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

The current impact score is at 4 to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.
The target date has been changed to take into account recommendations to be undertaken as a result of the ICO Audit.

Overall risk treatment: reduce

Progress update

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.
Data cleansing has started in relation to Children's and Adult's social care information pre-procurement.
The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have idenitified Information Asset Owners (IAOs) associated with them. The SIRO will recieve quarterly exception reports from the IAO's and the IAO's will on a regular basis update these assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

Six new Corporate Information Management

Progress update

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

The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published.

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

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

Appendix A

Risk Number	RM004	**Date of update**	24 April 2017
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**	May-18	**Amber**

Tasks to mitigate the risk

1) Agree a standard corporate approach to the management of significant contracts.

2) Conduct a gap analysis, initially focused on the top fifty contracts.

3) Put in place an action plan based on the gap analysis

4) The March 2017 Policy & Resources report should update Members on the procurement procedure.

5) Procurement pipeline to go to all Committees with each Committee to have their own procurement pipeline summary.

6) Appoint a Senior Commissioning Officer for Norse services.

Overall risk treatment: reduce

Progress update

1) CLT agreed the standard approach on 30 June 2016.

2) An initial pilot was undertaken on ten contracts to assess the useability of the contract management standards and associated templates. This was used to refine the templates.

3) A gap analysis of the top fifty contracts and associated categories has been completed, identifying themes and trends in contract management performance. An action plan to address those issues is being developed and will be completed by the end of May 2018.

4) The March 2017 Policy & Resources report updated Members on procurement procedure.

5) 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.

6) A Senior Commissioning Officer has been appointed for Norse services.

Appendix A

Risk Number	RM006	**Date of update**	25 May 2017
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	01 July 2015

Risk Description

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

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	2	5	**10**	Aug-17	**Green**

Tasks to mitigate the risk

1) Clear robust planning framework in place which sets the overall vision and priority outcomes. A council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand
2) Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear targets.
3) A robust annual process to provide evidence for Members to make decisions about spending priorities.
4. 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.
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: reduce

Progress update

Progress update
1) Full Council agreed a three-year medium term financial and service strategy, including the budget for 2017/18, at its meeting on February 20th 2017. In making their decisions, Councillors had the benefit of a cycle of robust committee discussions about priorities and pressures on services. The new Strategy Director was appointed in April 2017. The new service will focus on building effective intelligence and analytics alongside the Strategy and Delivery unit to develop the County Council plan and monitor the delivery of the Corporate priorities. 2) In agreeing the budget, a detailed review of the deliverability of previously agreed savings was undertaken. As a result, a number of savings were reversed or delayed to ensure sustainability going forward. 3) The County Plan continues to provide the strategic context for the Council, providing direction and guiding strategic and resource choices. 4) Regular performance reporting to committees is focusing attention on poorly performing areas and highlighting areas of good performance. Dashboards are used, providing a summary of key performance indicators (KPIs) which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT). 5) Public consultation took place on specific proposals for savings in 2017/18 and the feedback was considered in detail by councillors. 6) Re-shaping the corporate centre of the council will strengthen corporate oversight, horizon scanning, and strategic planning to marshal evidence and intelligence to support prioritisation and decision making.

Appendix A

Risk Number	RM007	**Date of update**	24 April 2017
Risk Name	Potential risk of organisational failure due to data quality issues.		
Risk Owner	Simon George	**Date entered on risk register**	01 July 2015

Risk Description

Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	3	5	**15**	2	4	**8**	Dec-17	**Amber**

Tasks to mitigate the risk

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

The target date has been changed to take into account any recommendations to be undertaken as a result of the ICO Audit.

Overall risk treatment: reduce

Progress update

Progress update
The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose. April 2017 compliance rate for 3 year refresher is 97.6% - 2.6% higher than the target for the vital sign of 95%. A pilot training programme has been completed concerning increasing data accuracy skills. The pilot was for 32 staff accross all services. The Council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have idenitified Information Asset Owners(IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will regularly update their assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians. The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published. The Maturity Readiness Plan is being monitored by the BI/IM Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT. Norfolk County Council is NHS IG toolkit accredited for 2017/18, following re-accreditation in March 2017. There is a data quality audit planned for Q1 of 2017/18, particularly focussing on information asset owners.

Risk Number	RM010	**Date of update**	05 June 2017
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.		
Risk Owner	Simon George	**Date entered on risk register**	02 September 2015

Risk Description

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

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

Tasks to mitigate the risk

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

Overall risk treatment: reduce

Progress update

1) Full power down completed periodically and procedures updated from lessons learned.
2) Recovery Time Objectives drafted - to be reviewed by the business to ensure that they meet business continuity requirements.
3) Initial set of Disaster Recovery tests have been successfully undertaken, a rolling programme of further tests in being conducted. The proximity of Carrow as a DR facility is not ideal.
4) Cloud-based highways management system has been implemented; CareFirst replacement will be remotely hosted and live by April 2018 with resilient network connections ordered; review of Oracle hosting has been commenced (options to be considered in March 2017); Windows will remain with HPE for the next 2 years but some elements such as eMail will be removed from the arrangements during Q1 2017.
5) Voice and Data network procurement completed January 2016, with the migration to the new service commencing from this date. Key drivers behind the procurement was; to improve performance, improve resilience, reduce the reliance on single points of failure such as County Hall
6) The Council received re-accreditation for PSN compliance on 14/12/16. An audit of the Council's cyber

Progress update

security arrangements was completed in late March 2017, with the final report issued on 08/05/17.

As of Febuary 2017:

a. Migration of WAN sites is 95% complete. Each WAN site connects to the new resilient core WAN. The core WAN is comprised of 33 nodes distributed across the County, arranged in a multiple ring based topology. The failure of a single node, or associated core WAN circuit, will not cause loss of service to other parts of the WAN.

b. Key services, such as Internet connectivity, internet proxy services, and DNS services are now hosted within the two resilient Updata data centres.

c. Improved security and segregation of the core WAN allows connections to third parties and cloud providers to be hosted from locations other than County Hall. Several third party connections have already been migrated to the resilient Updata Data Centres, with more planned over the next month. New connections to key partners, such as Liquidlogic, are planned to be installed at multiple geographically diverse locations across the County Hall core WAN.

Planned:

a. Replacement of NCC's contact centre service. With implementation due to be completed by Summer 2017

b. Phased replacement of NCC's voice service

Appendix A

Risk Number	RM011	**Date of update**	22 April 2017
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	02 September 2015

Risk Description

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

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	1	3	**3**	Mar-18	**Amber**

Tasks to mitigate the risk

A review of the tasks to mitigate and to reduce this risk was undertaken in April 2016(further review planned in September 2017) and the following actions for 2016/17 were identified:-
1) CLT/CLG implementing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To continue to implement a set of common leadership objectives (for the third year).
2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions for end of year appraisals - to ensure year on year improvements at the end of year appraisals - 2016 89% completion rates.
3) CLT to agree focus for further performance management skills development - following assessment of gaps. Particular focus agreed to be on Commerciality and Performance Coaching skills.

Overall risk treatment: reduce.

Progress update

Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same; given the criticality of this area. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months:
1) Performance framework in place and communication from MD planned to confirm expectations for the end of year appraisals and common objectives.
2) Appraisal completion rates overall for NCC for 2016 were 89% - improvement from 81% in 2015 (variation of 74% Children Services, Adults 94%, Finance & Resources 96%, CES 97% for 2017. In the last year, we have started to achieve a greater understanding in our management population of the gaps in our performance framework and their role in addressing the changes needed.
3) An external managerial Assessment and Development of our Leadership population against four priority leadership criteria was completed between November and December. Managers were provided individual feedback on their performance. CLT has considered the collective organisational feedback which has informed the directed development areas for this group.

Risk Number	RM013	**Date of update**	25 April 2017
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	02 September 2015

Risk Description

The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2015-16, from page 13, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	**4**	1	4	**4**	1	4	**4**	Sep-17	**Green**

Tasks to mitigate the risk

1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.
The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.
The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.
2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Communities and Environmental Services of the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.
3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.
4) To ensure that governance procedures are being discharged appropriately to Independence Matters.

Overall risk treatment: reduce

Progress update

Progress update
1) There are regular Board meetings, share holder meetings and reporting as required. Risks are recorded on the NORSE group risk register. 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board. 3) The Council has reviewed its framework of controls to ensure it is meeting its 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. The Norse "Consents" backlog has been cleared via reporting to the P&R Committee. All County Council subsiduary limited company Directors have been approved by full council. New Chair of Norse and new Senior Commissioner appointed. Updated report on Norse governance went to P&R in November 2016. 4) The Executive Director of Finance and Commercial Services directs external governance.

Appendix A

Risk Number	RM014a	**Date of update**	26 April 2017
Risk Name	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 a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	4	3	**12**	2	2	**4**	Dec-17	**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.
Progress contract with HCT (Hackey Community Transport) to implement a new independence travel scheme previously securing savings in other LA areas.

Look for further, more innovative, ways to plan, procure and integrate transport.

Overall risk treatment: reduce.

Progress update

Norfolk County Council have now progressed to the contract 'sign-up' stage with Hackney Community Transport to formally start the ‘payment by results’ initiative. The plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT). There was a 'start up' meeting on 2 March between the Passenger Transport Unit, Education Inclusion Service, Special School Headteachers and HCT.
First cohorts have been identified by special schools and HCT have been advised.
Contract sign-off is imminent and implementation via HCT will progress through the current summer term.
Impact and implementation will be from September 2017.
The recent budget setting process for FY2017/18 has confirmed that the budget will be increased and, therefore, the risk to achieving a balanced budget has reduced for this reason also. We are, therefore, now forecasting to achieve a balanced budget within FY17/18 and recommend that the risk target score is reduced accordingly from 6 to 4.

Appendix A

Risk Number	RM014b	**Date of update**	24 May 2017
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 £3.8m 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**	4	3	**12**	2	3	**6**	Mar-20	**Red**

Tasks to mitigate the risk

1) Whilst we have managed to achieve £0.487m of the budgeted savings, as we were unable to achieve the savings in full, the savings have been reprofiled to future years (2017/18 and 2019/20).
2) A review of transport is also taking place.
3) Transport Guidance has been updated in line with the revised transport policy
4) Refurbishment of a site in Thetford to provide day services and respite care to prevent people from having to travel long distances.
5) Under the Younger Adults of the Promoting Independence Workstream, we're developing a joint approach to disability and transition from Children's to Adults.
6) Exploring the use of an application to help with monitoring of the cost of transport. This application is currently being used by Children with Special Educational Needs.

Progress update

1) P&R agreed to the reprofiling of savings to future years (2017/18 and 2019/20). The target date of the risk has been amended accordingly.
2) Titan training will be rolled out. Currently recruiting 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.

Appendix A

Risk Number	RM016	**Date of update**	01 June 2017
Risk Name	Failure to adequately embed Business Continuity into the organisation.		
Risk Owner	Tom McCabe	**Date entered on risk register**	10 December 2015

Risk Description

To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a either a Major or Moderate disruption both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).

Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	**10**	2	5	**10**	2	3	**6**	Oct-17	**Green**

Tasks to mitigate the risk	Progress update
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management meetings.	1) 80% of critical services have plans which are up-to-date. This is an excellent improvement. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The annual audit completed on 10% of plans has now been completed. This wil be fed back to officers and managers involved, in the next month.
2) That departments are represented at Resilience Management Board meetings, and fully engaged in delivering actions within the departments they represent.	2) Most departments are represented at meetings regularly, including ICT and Procurement. Further work is required on Supplier Continuity. Resilience managers and Procurement managers have met to agree a plan of action.
3) 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.	3) Work Area Recovery test - stage 1 was completed 27.01.17. This was successful. The exercise tested several elements of the CSC Business Continuity plan, and involved Adult's and Children's services departments. This exercise tested "loss of access to County Hall" not loss of infrastructure at County Hall. The next stage is to assess how other services could use the site, completing invocation documentation, and look at an exercise in the summer to look at the scenario "loss of infrastructure at County Hall". A paper has now gone to the Executive Director of Community and Environmental Services; as a result the Resilience Team have been asked to produce a debrief report for CLT on the "loss of ICT" and the target for this is early July 2017. CLT have had a number of briefings from the Resilience Team as well as an exercise on the impact of pandemic flu. Recently they agreed the Corporate Business Continuity plan. The target date has been amended to the 31/10/17 to take into account resource requirements within ICT.

Tasks to mitigate the risk	Progress update
4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities. Ensure ICT have incorporated the results of the BIA and the outcome of this work (ICT Continuity) is communicated to the business via the Resilience representatives. Robust ICT Continuity arrangements are required to ensure Business Continuity plans are effective and realistic.	4) This was completed in 2015 and 93% of BIAs were returned. The Resilience Board has confirmed the critical activities as a result of this process. Resilience representatives completed a session on the risks to critical activities some of which are highly dependent on ICT. Significant risks to critical activities were noted. We are preparing for the next review of BIAs which is September-October 2017. BIA results have been reviewed by ICT, however this work has been placed on hold by ICT awaiting infrastructure project development.
5) 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.	5) New training courses were launched last year in both Emergency Planning and Business Continuity and have been well received. These courses will be added to Learning hub. A survey is being completed across the organisation to benchmark levels of awareness and understanding and this will be analysed in collaboration with Comms and will then be used to plan initiatives. The online BC e-learning is available. We are reviewing what alternatives we could use and will look to relaunch e-learning across the organisation later in the year. Training and exercising has begun but a full programme of training and exercising needs to be developed. NCC Corporate exercise with Resilience representatives was completed December 2016.
6) Implement the BC Framework Overall Risk Treatment: Reduce	Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, those actions that are red are reviewed as a priority. We will be developing this further by completing an annual departmental position using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers.

Appendix A

Risk Number	RM017	**Date of update**	25 May 2017
Risk Name	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)		
Risk Owner	Tom McCabe	**Date entered on risk register**	26 November 2015

Risk Description

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

Original			**Current**			**Tolerance Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	**9**	4	3	**12**	2	2	**4**	Mar-18	**Red**

Tasks to mitigate the risk

The total project budget agreed by Full Council (November 2015) is £179.5m.
1) Put in place a project Board and associated governance mechanisms . Monthly reporting to be provided to the Board (Chaired by Tom McCabe).
2) Develop a project team to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which includes a commercial project manager.
3) Main clearance works, archaeological investigation and utility diversions to start on 4 January 2016. This enabled main construction to start as planned in March 2016 with the aim to keep programme as short as possible.
4) Assemble project controls and client team to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project.
5) Cost reduction opportunity, risk and programme management meetings to be held throughout the duration of the construction.
6) Provide assurance of budget management governance through audits.
7) Seek contract/legal advice on key contract cost risks as necessary.
Overall risk treatment: reduce

Progress update

Progress update
1) The project Board is in place and monthly reporting on progress, cost and risk is being provided to the Board. 2) The project team is developed and includes client construction and commercial project managers who will provide scrutiny throughout the works. The contract is incentivised to focus the whole delivery team (client & contractor) to stay within the agreed budget. 3) Main clearance works, archaeology and early utility diversions have been delivered on programme (with the risks of environmental and archaeology constraints restricting progress now passed). However, whilst progress is good, there remained some pressures on programme, with Network Rail approvals taking longer than planned for the Rackheath Bridge – and this has created a significant delay to the project delivery programme at the eastern end of the scheme, impacting on planned opening of December 2017. Poor weather in June 16 also slowed progress, but whilst this has largely been recovered, there is still an associated budget impact. The impacts on budget (including land costs) are being continually reviewed and monitored and reported, but there is an ongoing risk to the overall budget. 4) Project administration controls and client commercial team are in place to ensure sufficient systems and staffing to monitor costs and contract information throughout delivery of project. This includes reviewing allowable costs and checking all payments and invoicing. Contract administration is managed through CEMAR software package. 5) Entire team are focussed on reducing costs and this is reviewed regularly, particularly in relation to any necessary contract changes and programme management. A Special Projects Support Manager has been assigned to the NDR project to provide additional capacity on our commercial side – further capacity may be required. 6) A governance (delegated purchasing of land) audit and a contract variations audit to be carried out in the first half of 2017/18. Audit scope established and agreed to complete July 17. 7) Specialist contract advice has been requested to deal with specific project issues.

Appendix A

Risk Number	RM018	**Date of update**	31 May 2017
Risk Name	Potential failure to move out of intervention.		
Risk Owner	Matt Dunkley	**Date entered on risk register**	01 December 2013

Risk Description

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

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-18	**Green**

Tasks to mitigate the risk

Quarterly monitoring visits are conducted by Ofsted.
Quarterly stocktake meetings are undertaken by Essex, commissioned by the Department for Education.
Responsive action plans are designed and delivered following each Ofsted monitoring visit/Essex stocktake.
Our Improvement Plan has been produced.
An Improvement Board has been established to drive and monitor improvement activity. This Board is Chaired by the Managing Director and has a senior level, multi-agency membership.

Progress update

Feedback from the March 2017 monitoring visit was positive with Ofsted identifying progress and expressing greater levels of confidence in key areas of previous concern.
Feedback from the March 2017 Essex stocktake meeting was also positive with progress noted across CS and the wider NCC.
The Improvement Board is well established and is ensuring the requisite pace and focus is maintained.

Appendix A

Risk Number	RM019	**Date of update**	24 May 2017
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget.		
Risk Owner	James Bullion	**Date entered on risk register**	24 February 2016

Risk Description

A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)

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

Tasks to mitigate the risk

1) Ensure effective governance is in place
2) Set up a project team to manage the project.
3) Determine go live dates for Adults Services, Children's Services, and Finance.
4) Deliver implementation of the new system
5) Complete User Acceptance and Data Migration Testing
6) Deliver change and training

Progress update

1a) Clear governance is in place. The Project Sponsors are Janice Dane (Adults), Don Evans (Children's) and John Baldwin (Finance). This is overseen by CLT.
1b) There are weekly Joint Leadership Advisory Group (JLAG) sessions with the Project Sponsors and the Project Team; a monthly update provided to Adults SMT and regular updates to Adults Committee and to CLT.
2) A core Project Team has been up and running since January 2016 (with strong practitioner involvement) and the team is now almost fully recruited to. The two Adult Social Services Subject Matter Experts, the Change Managers and the Training Manager are now in post. A network of 110 champions has been established in Adult Social Services and briefing sessions have taken place. The original user reference group continues to advise the project on social care practice affecting data mapping and system configuration.
3) Adults and Finance are planned to go live on 20 November 2017 and Children's and Finance in April 2018.
4) Delivery of implementation is proceeding in line with the plan. New draft process models and form/plan designs for Adult Social Services (ASS) have been developed, consulted upon and approved. Finance system and case management system configuration workshops with the supplier have been completed.
5) The first of four rounds of User acceptance and data migration testing has been completed. Generally the first round completed successfully. User Acceptance Testing (UAT) 2 started on 15 May.
6)Training preparation is well under way and a training programme is in place.

Appendix A

Risk Number	RM020a	**Date of update**	24 May 2017
Risk Name	Failure to meet the long term needs of Norfolk citizens		
Risk Owner	James Bullion	**Date entered on risk register**	11 October 2012

Risk Description

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

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

Tasks to mitigate the risk

1) 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.

Progress update

1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets.
2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning. Critical enabler is embedding strengths-based practice.
3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP.
3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care.

Appendix A

Risk Number	RM020b	**Date of update**	24 May 2017
Risk Name	Failure to meet the needs of Norfolk citizens		
Risk Owner	James Bullion	**Date entered on risk register**	01 April 2011

Risk Description

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

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	4	**8**	Mar-18	**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.

Progress update

1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets.
2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning. Critical enabler is embedding strengths-based practice.
3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP.
3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care.

Appendix A

Risk Number	RM021	**Date of update**	25 April 2017
Risk Name	Failure of Estate Management		
Risk Owner	Simon George	**Date entered on risk register**	21 June 2016

Risk Description

There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.

Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	**12**	3	2	**6**	2	2	**4**	Mar-18	**Amber**

Tasks to mitigate the risk

1) County Farms Performance Review Meeting to be established and attended by officers.
2) Recommendations from the County Farms audit report to be implemented with progress to be noted at the County Farms Performance Review Meetings.
3) Follow-up audit to be established and reported to the January 2017 Audit Committee.
4) Reconstitute the County Farms Review Meeting.
5) Procure a new property data base for the management of the estate.

Progress update

1) County Farms Performance Review Meeting established and attended.
2) Recommendations have been agreed with officers and Members.
2) Annual Report and Business Plan are being formulated on the back of the report.
3) The Audit Report prepared by BDO (2nd Audit Report) has been put to Audit Committee in January 2017. A further follow up audit is being planned for the current financial year.
4) The County Farms Performance Review Meeting will be reconstituted now that a permanent Head of Property has been appointed.
5) County Farms Team – a new property data base is being procured for the management of the estate.

Appendix A

Risk Number	RM022	**Date of update**	26 April 2017
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff.		
Risk Owner	Wendy Thomson	**Date entered on risk register**	26 July 2016

Risk Description

There are 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 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**	4	3	**12**	3	3	**9**	Oct-17	**Red**

Tasks to mitigate the risk

1) Norfolk County Council should continue to monitor the post-Referendum environment and implications via a post Brexit officer Task & Finish Group, to consider responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact).
2) Engage with the LGA Brexit Sounding Board to keep abreast of local government thinking and to influence post Brexit policy. Establish links with academia to enhance our understanding of what Brexit would mean in practice.
3) Develop principals and framework for regional investment post Brexit to ensure the level of current funding is protected in post EU investment policy, including ask 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) Meetings to take place with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met.

Progress update

Progress update
1) CLT decided no need for T&F Group yet; Vince Muspratt to continue to be the officer responsible as no major changes anticipated until negotiations start. 2) NCC is represented on the LGA national Brexit Sounding Board by Acting AD of EDS. Representative attending next meeting 18/5/17. On the 30th March the Government released a White Paper on the Great Repeal Bill. The bill will: repeal the European Communities Act 1972; bring all EU laws onto the UK books; create powers to make secondary legislation. The bill will be introduced in the next parliamentary session (after the general election). The Council will monitor progress of the bill and impact on legislation relevant to councils. 3) EU programmes (which the council is responsible for) have been implementing actions to bring forward project applications, to ensure they qualify for the government commitment to honour contracts issued before we leave the EU. E.g. the France Channel England programme committee has approved a move to a single stage application process. We are developing an influencing strategy to ensure the principles and framework for post Brexit regional investment agreed by members is implemented. 4) No further action required. 5) Internal Project Board is aware of NCC liabilities; seeking written confirmation from DCLG that they will meet these.

Appendix B – Risk Reconciliation Report

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

Current score changes:

There are two score changes to report:

RM002 – The potential risk of failure to manage significant reductions in local and national income streams. This risk has been reduced from 15 to 12 (due to the risk impact having been reduced from 5 to 4) to take into account the acceptance of the Council's Efficiency Plan by the Department for Communities and Local Government in November 2016. This will result in a multi-year settlement and will provide more certainty over the level of future government funding.

RM021 - Failure of Estate Management. This risk has been reduced from 12 to 6 following the County Farms Performance Review meetings being established, and recommendations from the County Farms audit report being agreed with officers and Members.

Target Score Changes:

There is one target score change to report:

RM014a - The amount spent on home to school transport at significant variance to predicted best estimates: This target score has been reduced from 6 to 4, with a reduction in the target impact score from 3 to 2 in April 2017. This comes from the increased budget for home to school transport agreed through the recent budget setting process, meaning that for the current financial year, home to school transport is forecast to achieve a balanced budget. It is also a result of the progress that has been made with the Hackney Community Transport initiative in 2017, and expected future progress with this.

Prospect score changes:

There is one prospects score change to report:

RM014a - The amount spent on home to school transport at significant variance to predicted best estimates. The prospects of meeting the target score by the target date was moved from Red to Amber in February 2017. This follows the signing up to the Hackney Community Transport (HCT) initiative and the increased budget agreed through the recent budget setting process.

Other Significant Changes:

RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff. There have been changes made to the risk description, tasks, and mitigation progress of this risk, with the evolving developments regarding the process of leaving the European Union.

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

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

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.

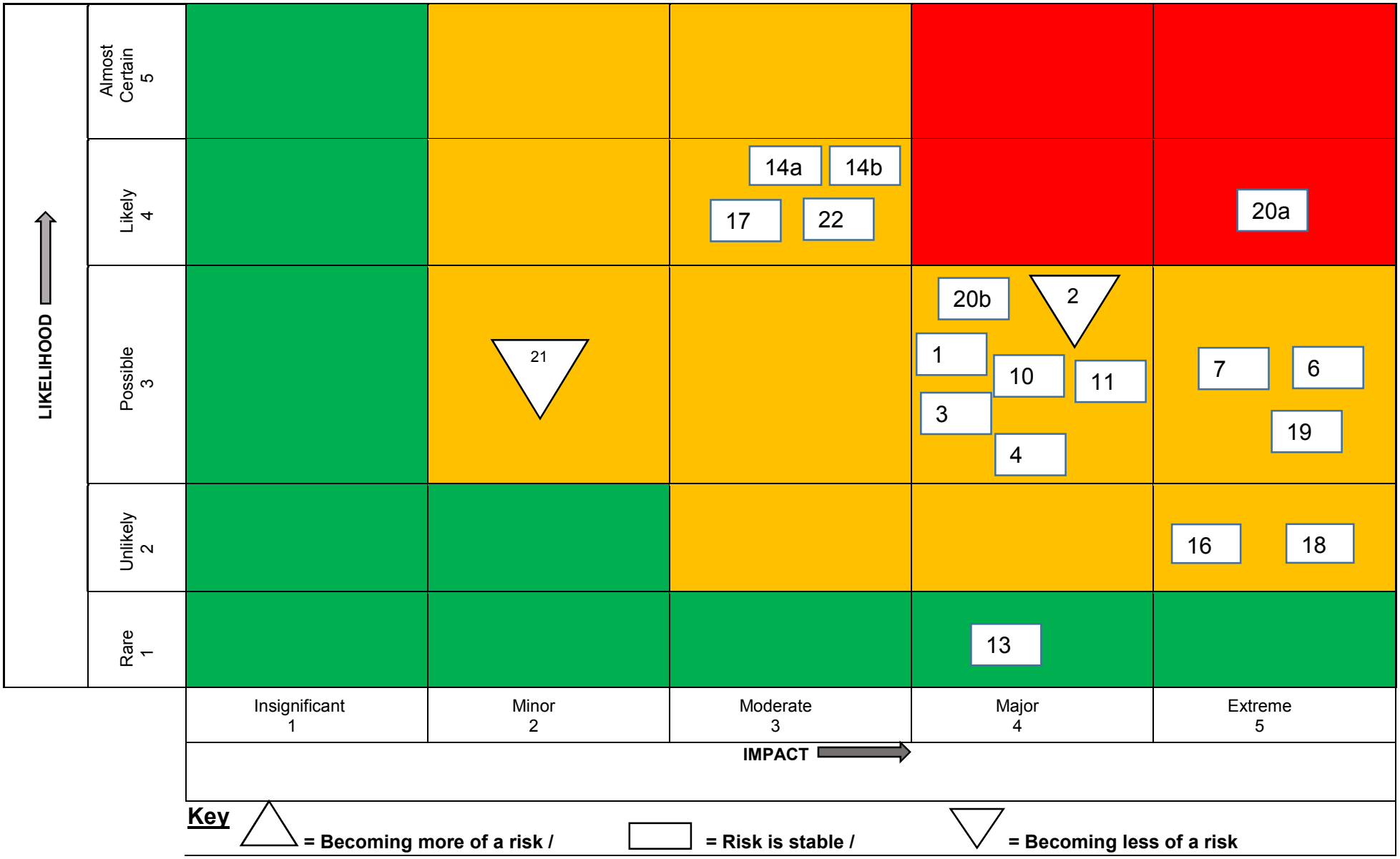
All actions, whether from this list or not, will be followed up and reported back to the committee.

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.	14a	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 embed Business Continuity into the organisation.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m).
		18	Potential failure to meet the needs of children in Norfolk.
7	Potential risk of organisational failure due to data quality issues.	19	Failure to deliver a new fit for purpose social care system on time and to budget.
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.	20a	Failure to meet the long term needs of Norfolk citizens.
		20b	Failure to meet the needs of Norfolk citizens.
		21	Failure of Estate Management.
		22	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

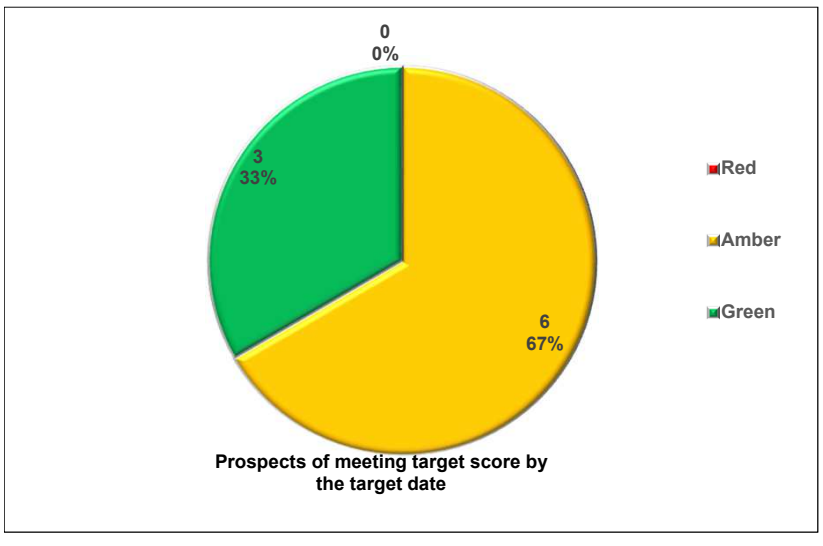
Corporate Strategic Risks - Heat Map


LIKELIHOOD
Almost Certain 5
Likely 4
Possible 3
Unlikely 2
Rare 1
14a
14b
17
22
20a
20b
2
21
1
10
11
3
4
7
6
19
16
18
13
Insignificant 1
Minor 2
Moderate 3
Major 4
Extreme 5
IMPACT
Key
= Becoming more of a risk /
= Risk is stable /
= Becoming less of a risk

Appendix E - Norfolk County Council, Finance and Commercial Services Risk Summary, June 2017

Risk Register Summary Name	**Finance and Commercial Services**	**Red**	⇩	**Worsening**
Prepared by	**Thomas Osborne**	**Amber**	⇔	**Static**
Date updated	**May 2017**	**Green**	⇧	**Improving**
Next update due	**July 2017**	**Met**		

Area	Corp. / Dept.	Risk Number	Risk Name	Risk Description	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Prospects of meeting Target Risk Score by Target Date	Direction of travel from previous review	Risk Owner
Finance	C	RM14265	The potential risk of failure to manage significant reductions in local and national income streams	This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2016/17- 2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.	3	4	12	3	4	12	Amber	⇔	Simon George
Finance	C	RM14279	The potential risk of failure to deliver effective and robust contract management for commissioned services.	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.	3	4	12	2	3	6	Amber	⇔	Simon George
Finance	C	RM14281	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	Loss of core / key ICT systems, communications or utilities for a significant period - as a result of physical failure, fire or flood, supplier failure, misconfiguration or loss of PSN accreditation - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.	3	4	12	1	3	3	Amber	⇔	Simon George
Corporate Property Team	C	RM14282	Failure of Estate Management	There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.	3	2	6	2	2	4	Amber	⇧	Simon George
Finance	D	RM14246	Withdrawal of Grant Funding from Central Government and the European Union.	There is a risk that grant funding from central government could be withdrawn if conditions are not met by Norfolk County Council within the timescales set. Given the outcome of the EU Referendum, there is also uncertainty around European funding going forward, which should also be considered. Cause: Conditions set out by central government / the European Union are changed / tightened. Event: Conditions set out by central government are not met within the timescale set. Grants are withdrawn. Effect: There is less money provided from central government and the European Union to spend on service provision.	3	3	9	1	4	4	Amber	⇔	Simon George
Finance	D	RM14255	Fulfilling Section 151 Responsibilities	There is a risk that Section 151 responsibilities are not fulfilled. These include; 1) Financial systems ie. Oracle are not functioning correctly. 2) The skills and resilience to support Section 151 responsibilities not being in place. Cause: Statutory financial obligations are not met. Event: Failure to deliver stautory responsibilities such as setting a legal budget; producing the statement of accounts; complying with government reporting requirements; providing appropriate financial advice to Councillors. Effect: Financial losses arise and/or the Council has a poor reputational standing. In extreme circumstances, the Government can intervene and direct how the Council's finances are managed.	1	5	5	1	5	5	Green	⇔	Simon George
Corporate Property Team	D	RM14200	Failure to meet NCC carbon reduction target	There is a risk of a failure to address energy efficiency as part of operational practice, leading to increased energy and tax costs, against a background of a flexible buildings portfolio. The risks reside around the principal impacts associated with the use of buildings, transport and street lighting in support of service delivery. Reporting responsibility resides with the new the new Corporate Property Team who oversee the delivery of statutory reporting; impact is organisation-wide.	3	4	12	2	3	6	Amber	⇔	Jeannine de Sousa
Finance	D	RM14268	Ability and capacity of ICT to support change whilst delivering business as usual	There is a risk that Finance will not be able to adequately support a change programme and ICT requirements whilst delivering business as usual.	4	3	12	3	2	6	Green	⇔	Simon George
Finance	D	RM14269	Payment performance not improving in line with expectations from NCC service departments and external businesses.	There is a risk that Finance will not deliver to payment performance expectations of NCC service departments and external businesses.	2	3	6	2	3	6	Green	⇔	Simon George



NB: Pensions risks are reported separately to the Pensions Committee and Pensions Oversight Board

Audit Committee

Item No……

Report title:	**Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)**
Date of meeting:	**15 June 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

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 this contract.

Executive summary

The purpose of this report is to present the revised Internal Audit Terms of Reference and the Code of Ethics following a review, in accordance with CIPFA's and the IIA's UK Public Sector Internal Audit Standards. The review of the Terms of Reference provided an opportunity to incorporate the new requirements from the International Standards for the Professional Practice of Internal Auditing (Standards) which came into effect January 2017.

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 the 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 as a whole, the Audit Authority mandate should be incorporated. This contributes to the independence of the Authority. Part II of the Internal Audit Terms of Reference refers to the Interreg VA France Channel England Programme (FCE) Audit Authority.

Minor changes, as underlined, were made to the Internal Audit Terms of Reference this year as shown at **Appendix A**. These include recommendations from the recent review of compliance with the Public Sector Internal Audit Standards. The Terms of Reference meet the Standard. (See section 5 - Background).

The inclusion of the FCE Audit Terms of Reference as a part II to the document was effected in 2015 and already part of the Audit Terms of Reference approved by the Audit Committee in January 2016.

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. No significant changes are considered necessary. This continues to be based on best practice, 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, approve the amended Internal Audit Terms of Reference 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 approve the amended Terms of Reference 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 and Code of Ethics are presented at **Appendix A** and **Appendix B.**

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 newly increased scope of the audit function 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 January 2016 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 of 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 and Code of Ethics have been drafted in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

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:

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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

IN TRAN
communication for all

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

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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
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11. Quality Assurance and Improvement Programme
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13. Definitions

FCE Audit Authority

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

APPENDIX A

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

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 as a whole, 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, 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 Council 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 of 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 In order 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 Councils 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, 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), who in turn reports to the Managing Director.

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 <u>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.</u>

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.

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 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. 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. 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 and the Council's Whistleblowing Policy. 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 4 Governance, Risk Management and Internal Control), 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 details 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 year 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 was last reviewed in Spring 2017 and will be presented for endorsement by the Audit Committee at the September 2017 meeting. The Strategy sets out the responsibilities of the various parties. These include, amongst other things, that the promotion of and revision to the Strategy lies with 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 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 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 Head of Internal Audit 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

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

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

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 Department for Communities and Local Government (DCLG). 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 Communities and Local Government (DCLG) 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.

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 Department for 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 FCE National Authorities, via the Audit Consultative Group, 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 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 Affairs (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

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

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

Chairman of the Audit Committee ……..

Date…….

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

APPENDIX B

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,

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.

Audit Committee

Item No……

Report title:	**Norfolk Audit Services Report for the six months ending 31 March 2017**
Date of meeting:	**15 June 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution at part 4.1 (please click on the underlined text to link to the webpage)

Executive summary

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

Excellence in Education - We have used our experience and skills to drive up the standards of financial and risk management in a total of 15 Norfolk schools within the six months ending 31 March 2017; through a mix of:

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

Real Jobs – No specific jobs in this period

Improved Infrastructure – We audited Transport Infrastructure Assets (TIA) (Phase 1)

Supporting Vulnerable People – We audited Schools with concerns, Better Care Fund Governance Arrangements and the Equality Act on this topic

The Audit Committee is recommended to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'
- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme
- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.19)
- France Channel England FCE Update (2.22)
- External matters of Note (2.27)

2.2 **Work to Support the opinion**

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

- Managing vacancies (recruitment for Investigative Auditor and Internal Audit Manager roles)
- Managing productivity rates (currently additional time is being spent training two new auditors)
- Un-planned investigatory and preliminary assessments of allegations work in the period. During the period we completed the responses to all the remaining complaints which internal audit was managing.

2.5 The total of Audits for Opinion work exceeded the annual target. A list of final reports for the last period is attached as **Appendix A**. The progress with delivering the audit plan, including totals up to the end of the year is shown in Table 1 below.

Table 1: Final Audit Reports

Report type	**Q1**	**Q2**	**Q3**	**Q4**	**Total to 31/03/2017**	**Annual Target**
Final audit reports (non-schools)	9*	10*	8*	2*	29	22
Final audit reports (schools – compliance/themed Audits)	0	0	0	0	0	2
Management Letters	1	4*	3	3	11	10
Total Audits for opinion work	**10**	**14**	**11**	**5**	**40**	**34**
Traded Schools (including traded audits and healthchecks)	10*	6	7	8	31	34
Certified grant claims	2	11	4	1	18	24
Follow-up report	0	0	0	0	0	0
Pension Audits	3	2	2	0	7	6

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

2.6 There has been an increase in the take up of the Traded Schools Audits. 31 schools have requested and received a traded audit for 2016/17 financial year.

2.7 There were no formal investigations in the six month period.

2.8 Work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working':

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

Whistleblowing

2.9 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. Investigations are delegated to a Senior Officer in the relevant department or to Internal Audit for financial concerns.

2.10 There are three whistleblowing referrals in progress and one completed since the transfer of responsibility.

Anti-Fraud and Corruption

2.11 The six monthly update will be included in the September 2017 committee. NAS has appointed an Investigative Auditor who will commence employment on 5 June 2017, this will allow him the opportunity to understand the needs of NCC and to update the Anti-fraud action plan to ensure that it reflects the way he will take this role forward.
His first projects will be to review and update the following:

- The Council's Anti-Fraud and Corruption Strategy
- The e-learning packages research for the business case for mandatory completion for all employees
- Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)

External Review to meet PSIAS

2.12 It is a requirement that very five years an independent review of our compliance with the Public Sector Internal Audit Standards is undertaken. CIPFA Services have been commissioned to undertake an external review of our compliance with the Public Sector Internal Audit Standards. This review was undertaken early May 2017. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these.

2.13 A self review of the quality of audit files was undertaken during quarter 4 as part of our ongoing quality assurance improvement plan. Minor

strengthening of the quality of files was identified and action plans have been put into place to support this. The results of this self review have been shared with the Executive Director of Finance and Commercial Services and the team for action.

2.14 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.

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

2.16 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 19 responses in the 6 months ending 31 March 2017, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.

2.17 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily (see 2.20 below).

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

2.19 **Other relevant information**

Highways Network Asset

2.20 Reports to previous Audit Committees have flagged up a major proposed change to the way that the Councils would have to account for their "Highways Network Asset" which would have resulted in a material increase in the value of net assets in the Council's balance sheet. However, at its meeting on March 8th, the CIPFA/LASAAC Local Authority Accounting Code Board decided NOT to proceed with the introduction of the Highways Network Asset Code. The Board decided that in the absence of support for key elements of the valuation which were to be provided centrally, the benefits would be outweighed by the costs of implementation for local authorities. The Board will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities. As a result, the internal audit work planned for this specific area can be removed from the plan for the foreseeable future.

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

2.22 France (Channel) England (FCE) update –

2.23 The team has continued progressing the setting up of the Audit Authority. In particular, a supplier has now been selected for the delivery of audit work

on the French territory and the provision of European Commission (EC) specific legal advice.

2.24 In addition to this, following the issue of our final report and unqualified opinion to DCLG, in November 2016, the Managing Authority and Certifying Authority have been formally designated by the EC.

2.25 Finally, the Consultative Audit Group met in January 2017 and endorsed the refreshed Audit Strategy for the next 3 years. The Audit Strategy includes a programme of internal control audits, which will start in May 2017.

2.26 The FCE team staff continues to attend relevant training events organised by the European Commission or Member States in order to build capacity and knowledge at the required levels.

2.27 External Matters of Note

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

1. Department Overview 2015-16: Department for Work and Pensions – 2 December 2017
2. Briefing on EU-UK finances – 13 December 2017
3. Financial sustainability of schools – 14 December 2017
4. National Audit Office: Our Strategy 2017-18 to 2019-20 – 15 December 2017
5. Protecting consumers from scams, unfair trading and unsafe goods – 15 December 2017
6. The Comptroller and Auditor General's Report on the Department for Education's financial statements 2015-16 – 20 December 2016
7. Capital Funding for schools – 22 February 2017
8. Investigation into the Department for International Development's approach to tackling fraud – 9 February 2017
9. Health and Social Care integration – 8 February 2017
10. Investigation into Police and Firefighters Pensions Scheme Commutation factors – 1 February 2017
11. Digital Transformation in Government – 30 March 2017
12. Round-up for Audit Committees – 20 March 2017

2.29 There are no other external matters to note this period.

3. Financial Implications

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

3.2. Norfolk Audit Services has delivered approved savings in 2016-17 by adhering to the planned budget and preparing for ongoing savings as required.

3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2016-17 has been set to deliver 100% of audit work is within budget. At present 46% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. Other factors that have contributed to completion of work being over budget these past six months included staff changes. In addition we delivered a number of complex audits that required more time than planned. Audit budgets will be actively managed to ensure all future audit work is kept within budget.

3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance 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 has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations (England) 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.

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

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Six months ending 31 March 2017

There were 38 final reports, 11 non schools, 8 full traded school audits, 7 traded school health checks, 7 management Letters. In addition 5 grants were certified during the period.

Final Reports

Adults Social Services

1. Quality Assurance Team
2. Better Care Fund- Governance Arrangements
3. Home Care Providers National Minimum Wage (Phase 1)

Children's Services

4. Schools with concern

Communities and Environment

5. Customer Services: Customer Relationship Management System

Finance

6. County Farms
7. Budget Setting / Savings
8. Anti-Fraud Cash Spot Checks (Unannounced visits)
9. Teachers Pension Return
10. Payroll- Starters and Leavers

Pensions

11. Data Quality- record keeping and record management

Traded Audits

Schools (Traded – full audit)

12. Highgate Infant School
13. Mousehold Infant and Nursery School
14. Kings Lynn Nursery School
15. Hethersett Woodside Infant and Nursery School
16. Magdalen Gates Primary School
17. Browick Road Primary School
18. Wicklewood Primary School
19. Falcon Junior School

School Traded Healthchecks

20. Mulbarton Junior School
21. Mulbarton Community Infant School
22. Earsham CE VA Primary School
23. Sparhawk Infant School & Nursery

24. Pulham CE Primary School
25. Stibbard All Saints CE VA Primary School
26. Little Plumstead Primary School

Management Letters

Adult Social Services

27. Implementation of Care Act 2014 statutory obligations

Community & Environmental Services

28. TIA (Transport Infrastructure Assets) Phase 1
29. Flood & Water Management

Finance & Commercial Services

30. Anti Fraud - Segregation of duties
31. Pay and Display

Resources

32. Equality Act

Pensions

33. Compliance with CIPFA code of practice on public sector pensions finance knowledge and skills

Certified Grants

34. Norse (p/e Sept 2016)
35. PbR submission- Jan 2017
36. PbR submission- March 2017
37. Three rivers cycleway
38. BID-REX

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 61.1% for the 2016-17 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

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

Notes for section 4

4.1 Crime and Disorder Act 1998

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

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

4.2 Sustainability

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

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

Notes for Section 5

5.1 Audit Opinions

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

5.2 The difference we are making

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

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

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

5.2.5 Feedback received was as follows:

Type of work	**Questionnaires issued**	**Questionnaires received**
Standard audit	10	3
Grants	0	0
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	6	0

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

Audit Committee

Item No……

Report title:	**Norfolk Audit Services Annual Internal Audit Report 2016-17**
Date of meeting:	**15 June 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution at part 4.1 (please click underlined text for links to the webpage).

Executive summary

Best practice defines internal audit's mission as, 'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'.

Norfolk Audit Services fulfils the internal audit function for the Council as required by its Terms of Reference and its Strategy agreed at the January 2016 Committee and the relevant regulations. Our Terms of Reference has been revised to include updates from the Public Sector Internal Audit Standards that became effective from April 2017 and is included separately on this agenda for approval. Internal Audit's work has made a significant contribution to the Council's priorities, being:

Excellence in Education

- Through a mix of risk based, funded and traded audits throughout the year we have used our experience and skills to drive up the standards of financial and risk management in 31 Norfolk schools and early years' settings. In addition to this two thematic audits (pupil premium and information security and data protection) were performed across 18 schools.

Real Jobs

- fully supporting by undertaking the Audit Authority role the 338m Euro France Channel England Interreg VA Programme. We have also audited the 16-19 Funding

Improved Infrastructure

- providing the audit certification for the Council's Better Broadband for Norfolk (BBfN) which is bringing faster Broadband to far more people.
- Auditing Cyber Security arrangements

Supporting Vulnerable People

- auditing contract monitoring of non-NCC Children's homes, pupil premium audit, better care fund governance arrangements, and certifying the Council's Troubled Families Programme returns throughout the year

The Audit Committee is recommended to:

Consider and comment on these key messages from the Annual Report (Appendix A):

- The overall opinion on the effectiveness of risk management and internal control for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 2 of the report)
- The internal audit function has fulfilled its Terms of Reference, Strategy and provided assurance and added value through its delivery of the Committee's approved revised Internal Audit Plan for 2016-17, including traded schools audits and grant certifications and unplanned audits (part 4 of the report)
- Work is continuing to manage performance and the cost of audit assignments (part 6 of the report)
- The work of Norfolk Audit Services for the year (part 7 of the report) and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud
- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 8 of the report)
- The Internal Audit Function continues to comply with the Accounts and Audit Regulations 2015 and recognised standards including the United Kingdom Public Sector Internal Audit Standard (UKPSIAS) (part 8 of the report). We commissioned an independent review from CIPFA of our compliance with the PSIAS (part 8 of the report). The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these. One change is a statement on the independence of internal audit, covered at part 8.6 of the report

1. Proposal (or options)

1.1 The key messages and recommendation are covered in the Executive Summary above.

2. Evidence

2.1 The Chief Internal Auditor's Annual Internal Audit report 2016-17 is presented at **Appendix A**.

2.2 The internal Audit Team has fulfilled its Terms of Reference, Strategy and fully supported the Council's Audit Committee and has had no exceptions reported from the External Auditor.

2.3 The Internal Audit work for the Norfolk Pension Fund is reported separately to the Pensions Committee.

3. Financial Implications

Internal Audit's work provides assurance on the systems and internal controls that manage £1.383bn of Gross Revenue expenditure and £362m of Capital Programme Expenditure.

Norfolk Audit Services has delivered audit services during 2016-17 by adhering to the planned budget and preparing the 2017-18 audit plan in line with the planned budget.

All standard audits were allocated a budget (£) which is formally monitored at draft and final report stages. For audits at final report stage, 46% (67% 2015-16) were delivered within the agreed cash budget. There were a number of contributing factors to this reduction in the number of audits not being delivered within budget which included staff changes (3 new Auditors), use of temporary staff and a professional vacancy for half of the year. In additional we delivered a number of complex audits that required more time than planned. Work continues to be developed to strengthen the meeting of this KPI which is set at 100%.

4. Issues, risks and innovation

4.1 During 2016-17 the Internal Audit team undertook significant unplanned work (in addition to planned work) relating to the Council's County Farms service, demand led budgets, highways routine maintenance work and preparations for the Information Commissioners visit and audits supporting this.

4.3 Staff turnover during the year has been managed and additional temporary contracted audit resources were secured for part of the year. However the use of temporary contracted resource did add to the management overhead. We successfully recruited to our new Investigative Auditor post which commences in early June 2017.

4.4 There are no implications with respect to:

- Other resource implications (staff, property)
- Legal implications
- Risks
- Equality
- Human rights implications
- Environmental implications
- Health and safety issues.

5. Background

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

Background papers

- 2016-17 Audit Committee Audit Plan (See Agenda, Page 114)
- 2016-17 Revised Internal Audit Plan (See Page 275)

3 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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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

Annual Internal Audit Report
2016-17

Chief Internal Auditor
Norfolk Audit Services

Norfolk Audit Services

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1 The Council's Priorities

2 Introduction and Audit Opinion

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4 Our Outputs – Internal Audit work

5 Value for Money Assessment

6 Developments in the service

7 Responsibilities in relation to Fraud and Corruption

8 Other information

Appendix 1 – Internal Audit Work Summary 2016-17

Appendix 2 – Planned developments results, NAS KPI's

Appendix 3 – Technical Notes

1. The Council's Priorities

1.1 Best practice defines internal audit's mission as, 'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'. Internal Audit's work has made a significant contribution to the Council's priorities, being:

Excellence in Education

- Auditing Children's Services pupil premium (thematic audit) during quarter three and four
- While value for money in schools is judged by educational attainment, good financial management and governance of schools is a foundation to ensuring children and young people's right to an excellent education. We have used our experience and skills to drive up the standards of financial and risk management in 31 Norfolk schools and early years' settings through our traded audits and 18 schools through our thematic audits (pupil premium and information security and data protection).

Real Jobs

- fully supporting by undertaking the Audit Authority role the 338m Euro France Channel England Interreg VA Programme. The Technical Assistance funding for this role will bring in significant external funding into the Council over the next eight years
- auditing the 16-19 Funding for learning during quarter four

Improved Infrastructure

- providing the audit certification for the Council's Better Broadband for Norfolk (BBfN) which is bringing faster Broadband to far more people. Our certification work and suggestions to make it more efficient have been commended by the Government's BDUK unit
- auditing ICT Cyber Security arrangements in quarter four
- auditing the CRC energy efficiency scheme during the first quarter
- auditing property security during quarter three

Supporting Vulnerable People

- contract monitoring of non-NCC Children's homes during quarter two
- certifying the Council's Troubled Families Programme returns throughout the year
- role of quality assurance (social care, Children's Services) during quarter three
- Better Care Fund Governance arrangements during quarter two

2 Introduction and Audit Opinion

2.1 This annual internal audit report helps the Audit Committee to assess the performance of Norfolk Audit Services (NAS) and informs Executive Directors, clients and staff of how we delivered our mission, Terms of Reference, Strategy and our work and how we add value. This report also supports the Council's Annual Governance Statement 2016-17 with an assurance on the Council's system of internal control, which includes the arrangements for the management of risk. This report should be read in conjunction with the Annual Risk Management report for 2016-17, reported to the June 2017 Audit Committee. This report brings together and adds to, the results reported quarterly to the Audit Committee and includes:

- An acceptable opinion - (see part 2.3)
- Key Messages – including an external review of our compliance with PSIAS (see part 3)
- Our outputs - the work we carried out, taking the service forward, performance and the difference we made in 2016-17 (see part 4)
- The External Auditor's value for Money Assessment (part 5)
- Developments in the Service (see part 6)
- Responsibilities in relation to fraud and corruption (see part 7)
- Other relevant information (see part 8 onwards).

2.2 Audit Opinion

2.3 The Executive Director of Finance and Commercial Services and the Audit Committee can be assured that the adequacy and effectiveness of the system of internal control including risk management for the Council is 'Acceptable' and is therefore considered 'sound'. The Terms of Reference, Strategy were fulfilled and sufficient audits were performed and reported during 2016-17 to support this opinion. Details of our performance appear in part 4 and Appendices 1 and 2.

2.4 The Council's system of internal audit during 2016-17 was sound, adequate and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. Details of the regulations and the approach taken are provided in Appendix 3 (at TN5 and TN6). The review of compliance with the PSIAS identified, 'no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. The section takes a risk approach to its audit work but the focus is on operational risks rather than more strategic risks and risk identification could be more thoughtful.'

2.5 Our work considers the Council's Risk Management arrangements which are reported to the Audit Committee by the Risk Management Officer and the Chief Internal Auditor. The Council's Risk Management arrangements are considered acceptable, as reported in the Annual Risk Management Report for 2016-17 and fall under the responsibility of the Chief Internal Auditor.

2.6 There are no key governance issues that need to be addressed, against the background of this annual report. The Annual Governance Statement will be published by 30 June 2017 in draft and will be presented to this Committee in September 2017.

3 Key Messages

3.1 The key messages from the internal audit work in 2016-17 are:

- The internal audit team have focussed on their mission, as described by relevant standards (see paragraph 1,1), during the year. The overall opinion on the effectiveness of risk management and internal control for 2016-17 is 'Acceptable' and therefore considered 'Sound' (part 2 of report)

- The team has sufficiently delivered the audit plan for 2016-17 to support the annual audit opinion. The original audit plan included 709 opinion days and the September refresh of the audit plan against resources resulted in no change to those audit opinion days.

- The internal Audit Team has fulfilled its Terms of Reference (see Agenda, page 146), Strategy (see Agenda, page 114) and fully supported the Council's Audit Committee and has had no exceptions reported from the External Auditor.

- Resources were significantly impacted and managed during the year by the management of vacancies through our contractor or temporary staff. We also appointed 3 new Auditors who have all attended the CIPFA introduction to Audit Training. We have appointed a permanent full time Investigative Auditor at professional level (commences June 2017) and have approval to appoint a new Principal Client Manager post to strengthen and enhance strategic analytical and core business skills and to lead on the development of these skills within our current team. This is all contained within our current agreed budget.

- The team has met the required savings during the year by operating within the approved budget, team structure, organisational developments and put in place further efficiencies. Cost control is operating through cash budgets for audits during the year.

- We commissioned an independent review from CIPFA of our compliance with the PSIAS (part 8 of the report) and the review was performed early May 2017. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some

recommendations to further strengthen some areas were made and we are in the process of considering and implementing these. NAS have a quality assurance improvement programme and this was adhered to during 2016-17 and the results of our assurance work were shared with the Executive Director of Finance and Commercial Services and have been reported to this committee.

- There are adequate Anti-Fraud and Corruption controls in place and an update on Anti-Fraud and Corruption has been reported to the Audit Committee during the year.

- Our work assists the Committee to reasonably assess the risk that the financial statements are not materially mis-stated due to fraud (part 7 of the report)

- Work is continuing to manage performance and the cost of the audit assignments (part 6 of the report)

- The Annual Governance Statement for 2016-17 will make reference to this report and will be reported to this Committee in September 2017 for its approval (part 8 of the report)

- Our work has contributed to raising £91,933 of external income through grant certifications, FCE Audit Authority, traded schools audits and external clients

- The Internal Audit Service continues to be developed to support the Council's Priorities. Our audit plan is aligned to these priorities and the corporate risk register. We have a well-developed mixed economy delivery model which enables us to draw on wider resources and be more resilient to meeting unplanned needs.

4 Our Outputs - Internal Audit

4.1 The Internal Audit Terms of Reference and Strategy (see 3.1), agreed at the Audit Committee in January 2015 have been fulfilled during 2016-17. The Internal Audit Terms of Reference and Strategy were due to be refreshed and agreed at the Audit Committee in January 2017, however that work was put on hold until the new PSIAS came into force with effect April 2017. This refresh has now happened and the revised Internal Audit Terms of Reference and Strategy is presented as a separate item on this agenda.

4.2 The internal audit work was performed through the delivery of the Annual Internal Audit Plan 2016-17. The Audit Committee approved the first half at the start of the audit year on 28 January 2016 and the second half on 22 September 2016 (see Agenda, page 275).

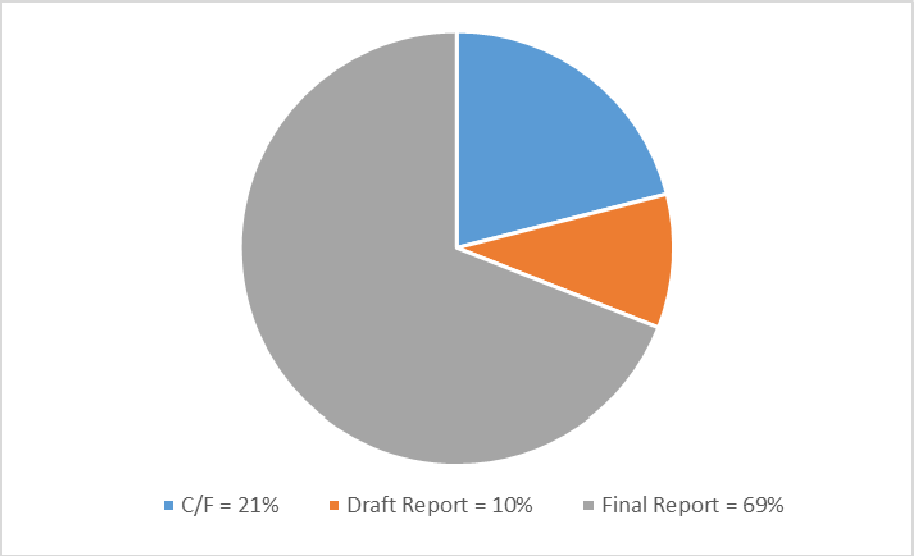
4.3 During the year it was appropriate to add some topics to the plan and to remove others. The details of these changes were reported to the Audit Committee as part of the quarterly updates. We reported a revised audit plan during our September 2016 Committee reporting, however the overall opinion days remained

unchanged. The main changes were the topics of coverage which were determined and agreed on a risk assessed basis. Based on the revised audit plan for 2016-17, the target for final and draft reports for the audit at year end were 30 and 7 respectively. The actual number of reports issued were 40 and 10 respectively (**Figure 2** below)

4.4 A summary of the work for 2016-17 is attached as **Appendix 1**.

4.5 The majority (79%) of the audit plan was delivered at either final or draft report at the end of the audit year. This includes our work on non schools, funded schools, traded schools and grants The proportion of reports that were either final, draft or work in progress is shown in the pie chart at **Figure 1** below.

Figure 1: Outputs in 2016-17 by share; Finals, Drafts and Carried Forward (C/F)



4.6 For the Non-school audits, including those carried forward from 2015-16, 65% of expected draft and final reports were complete at year end. The remaining audits were 'work in progress' at year end. Of those work in progress audits a significant number of them were started late in the year as planned. The 28 (21%) work in progress audits were carried forward into the current audit year. At the start of May 2017, seven more reports had been issued as draft and one as final and work was continuing on the audits in progress. It is expected that all carried forward 2016-17 audits will be completed by 30 September 2017.

- The increase in the number of carried forward audits as work in progress is due to resources being impacted and managed during the year by the management of vacancies through our contractor or temporary staff. Also the complexity of some audits has led to them being lengthier pieces of work.

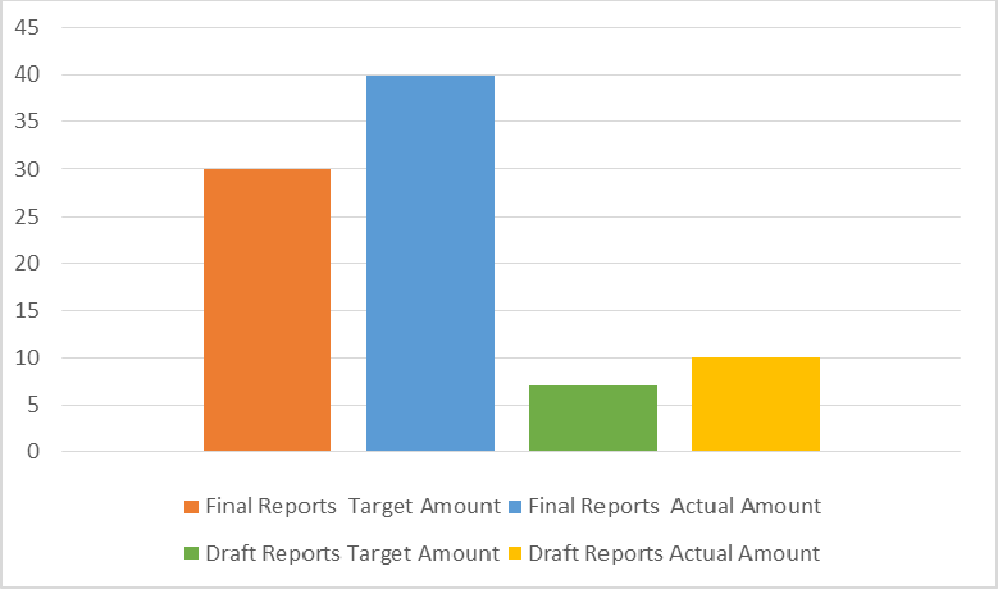
4.7 We completed and reported on 97% of the planned schools audits. The two carried forward schools audits have now been completed.

4.8 We delivered 31 traded school audits during the year which is only one less than delivered last year. The traded service is now well embedded but still needs termly proactive promotion to those schools next due an audit.

4.9 All of the grant certification work was completed during the year with 16 out of 17 grants issued as final (94%). The work has been completed on the final claim and is awaiting sign off.

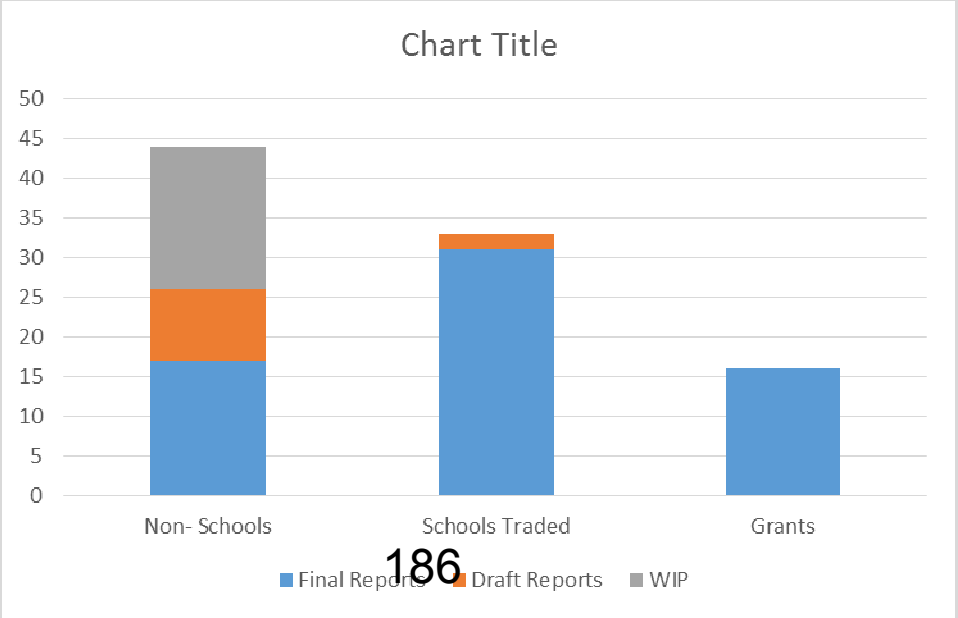
4.10 Based on the revised days for 2016-17, the target for final and draft reports for the audit at year end were 30 and 7 respectively. The actual number of reports issued were 40 and 10 respectively as shown in **Figure 2** below.

Figure 2: Final and Draft reports issued 2016-17 against target



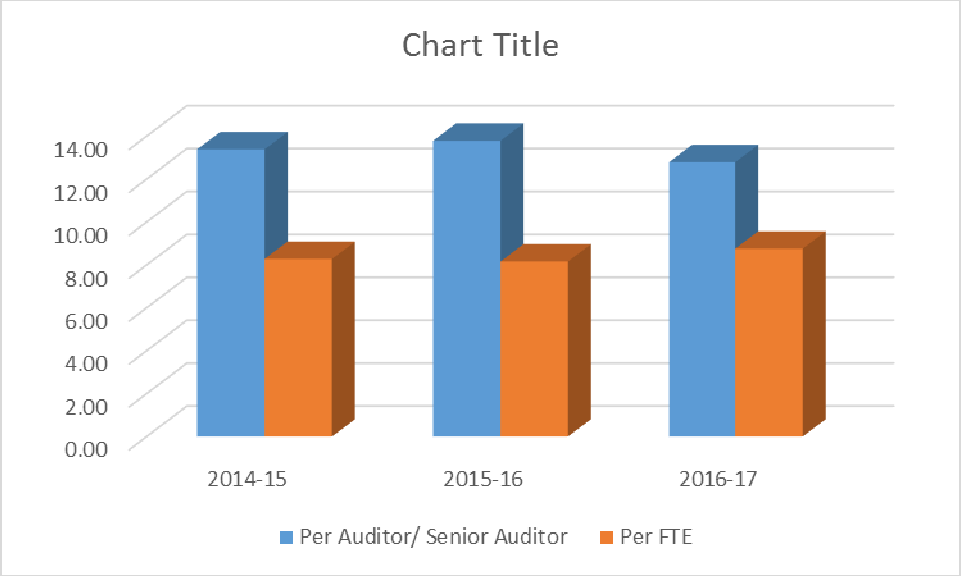
4.11 The overall share of completed work between all the categories is shown in **Figure 3** below.

Figure 3: Completion of work by category 2016-17



4.10 To compare the performance between the two years the indicator of the number of reports per full time equivalent auditor in the team was calculated. The results, shown at **Figure 4** below, demonstrate that the performance was comparable between the two years.

Figure 4: Reports per FTE 2014-15, 2015-16 and 2016-17



4.11 In addition to the work set out in the Internal Audit Strategy the team completed other adhoc work as follows:

- Advice reports for Executive Director of Finance and Commercial Services
- Closer monitoring and reporting of progress on actions taken to address Corporate High Priority Findings identified by detailed audit work
- Preliminary assessments for potential investigations of allegations regarding potential financial or internal control matters and undertaking and reporting on investigative lines of enquiries for a significant number of County Farms complaints
- The Internal Audit Team have embraced the Council's 'New Ways of Working', which have been implemented and measured through staff appraisals.

4.12 For 2016-17 benchmarking we had planned to participate in the Home Counties Chief internal Auditors CCAN benchmarking toolkit, which would have provided benchmarking over key data sets, but with the benefit of more Authorities undertaking the benchmarking allowing for fuller comparison of results. However,

this benchmarking did not take place. We are currently obtaining an understanding of when and how this may happen. We no longer participate in the CIPFA Audit benchmarking as only two County Councils participated in the exercise for 2016. Low participation has an impact on the usefulness of comparative information so it was considered not to be a cost effective form of benchmarking at this point in time. Any update on this will be reported to the Audit Committee during our quarterly reporting. Previous benchmarking of the internal audit function has shown that we perform well and that we provide value for money.

4.13 During the year we have continued to work with colleagues in the Corporate Programme Office (CPO) and provide advice, support and challenge in order to seek assurance on the continued good governance, internal controls and risk management of services that are subject to organisational change. If any exceptions are reported or we are requested by Executive Directors we will consider if more detailed audit work is required. None was required in 2016-17. The key projects are supported and closely monitored by the relevant Finance Business Partners reporting to the Executive Director of Finance and Commercial Services.

4.14 During quarter 4 we were requested by the Executive Director of Finance and Commercial Services to undertake two unplanned audits, one for each of Children's Services and Adult Services, in respect of financial control and financial management of demand led budgets. That work is currently being completed. We also undertook unplanned work in respect of routine highways maintenance, that work is ongoing.

4.15 Throughout the year, Norfolk Audit Services has provided continued and robust support to Project Managers of European grants and ensured compliance to the rules for all our grants work (first level control audit).

4.16 Our Quarterly Reporting to the Audit Committee has included updates on the France Channel England Interreg Programme - Audit Authority preparations being satisfactory. Substantial milestones have been reached by the programme as a whole during 2016-17 and in particular the Managing Authority and Certifying Authority were formally designated, following the review of the management and control system by NAS and the recommendation made by NAS to the EC. One grant offer letter has been issued and 8 more projects have been selected.

4.17 During the year, Norfolk Audit Services has established a fit for purpose Consultative Audit Group (with representatives from both Member States), which has endorsed the Audit Strategy for the next 3 years. Delivery of audit work in 16/17 has been focused on the work required to support the designation of the MA and CA. In addition, further developments have been made to the audit framework and in particular, the supplier of audit work on the French territory has been selected. All FCE work has been delivered from within existing resources.

4.18 Following formal designation of the MA and the CA, a first claim has been prepared and will be submitted to the EC by the end of June 2017, covering the period 1 January 2014 to 31 December 2016. Technical Assistance funding of £36.6k will be claimed from the EC, as recovery of existing staff cost incurred for the work completed between 1 April 2016 and 31 March 2017.

4.19 In accordance with the Council's Whistleblowing Policy and procedures from January 2017 the Chief Internal Auditor now maintains a record of any disclosures and arranges appropriate investigation of any allegations. There have been four such disclosures made since January 2017. One has been completed and three are in progress.

5 Value for Money Assessment

5.1 Our external auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as their value for money conclusion. Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise our arrangements to:

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

5.2 The Council received an unqualified value for money assessment (including for the work of internal audit) for 2015-16. The next assessment, for 2016-17, is due in September 2017.

6 Developments in the Service

6.1 In line with continuing to develop our services, the team has a KPI dashboard which is used to monitor delivery against agreed targets. **Table 2** below shows those areas rated as either amber or red that need further development work which is being managed. Achievement of the first three KPI's within table 2 has been hindered by staff changes in year, the use of temporary staff and a vacancy for six months at professional level. The resources situation within the team have been reported to the Committee in year through our quarterly reporting.

Table 2: KPI dashboard further development areas as 31 March 2017

KPI development Area 2016 -17	Result for 2016-17
Delivery of all planned audits with (draft of final) reports	Amber
Draft reports issued within 10 days of fieldwork completion	Red
Audits delivered within £ budget	Amber

7 Responsibilities in relation to Fraud and Corruption

7.1 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 of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

7.2 Internal Audit work helps to deter crime, or increase the likelihood of detection by making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime. Internal audit's work is planned in order to cover the 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 those where they increase the risk of fraud.

7.3 The Anti Fraud and Corruption Strategy (page 75) was updated and revised in January 2014. A full refresh of this is planned early summer when our new Investigative Auditor starts in post. The updated Anti Fraud and Corruption Strategy will be presented to Audit Committee in September 2017. Two e-learning courses are available and promoted to all Members and staff of the Council. The latest Anti-Fraud and Corruption Update (See Agenda, page 104) details the communications plan which has been put in place to intensify the promotion and uptake of these courses. With the publication in October 2014 of protecting the Public Purse published by the Audit Commission, expectations continue to rise and further strengthening of controls continues. There were two formal investigations requested from Norfolk Audit Services during the year. An action plan has been agreed to continue the ongoing development of a strong anti-fraud culture within the Council. The Council meets the requirements of the International Standard on Auditing (ISA 240) as described in the notes in Appendix 2 (TN 7).

7.4 The Council had no significant cases of detected fraud during 2016-17. Detected fraud is defined as where an investigation of an allegation has assessed that, on the balance of probability, there was misconduct that led to an action by management, possibly including recovery of loss, disciplinary action or a prosecution.

8 Other relevant information

Chargeable work

8.1 Our chargeable work continues to make a positive contribution to the Council generating £91,933 in 2016-17 which adds 19% to the net expenditure budget of the function.

8.2 Internal Audit carried out chargeable work for the Norfolk Pension Fund and Eastern Inshore Fisheries and Conservation Authority (EIFCA). This work makes a contribution to reduce the net cost of internal audit to the Council and allows internal audit staff to continue to develop valuable skills and build on experience.

8.3 Internal Audit also undertakes and charges for work on the Certification of Grant Claims including many that are EC sponsored.

8.4 Work continued during 2016-17 for the setting up of the new Audit Authority to support the management of the FCE EU funded programme by Norfolk County Council. This work is funded through the aforementioned programme, and is expected to support future savings and efficiencies in the Internal Audit budget.

8.5 We have continued to promote our traded services to schools and have delivered traded audits to 31 schools through a combination of full audits and health checks.

Statement on Independence

8.6 The Chief Internal Auditor must confirm to the Audit Committee at least annually on the organisational independence of the internal audit activity. The internal audit activity is considered independent as:

- The Chief Internal Auditor has unrestricted access to and reports to the Audit Committee, including the Internal Audit Terms of Reference, the Annual Plan and resourcing, internal audit performance and takes enquiries regarding that work from the Committee. The internal audit activity is free from interference in terms of scope, performance and communicating results

- Internal Auditors sign a Code of Ethics declaration annually which informs audit planning and auditors are alert to the threats from conflicts

- Assurance engagements for functions that the Chief Internal Auditor has responsibility for, in this case Corporate Risk Management and Whistleblowing Management, are overseen by the Executive Director of Finance and Commercial Services and the Chief Legal Officer respectively and independent review will be sought to provide assurance on controls.

Quality Assurance

8.7 A Quality Strategy for Internal Audit is in place, which includes a Quality Assurance Improvement Programme. This was used to review samples of completed audit projects during the year to ensure they met quality standards. Internal Audit procedures are subject to continuous review and are updated during the year. No significant exceptions were noted from that work. In May 2017 an external review was commissioned, in accordance with the regulations and the relevant standards. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these.

8.8 Internal Audit reports progress on the audit plan and feedback from customer satisfaction questionnaires to the County Leadership Team and the Audit Committee quarterly. NAS has received overall positive feedback during the year ended 31 March 2017. An electronic Customer Satisfaction Questionnaire using Smart Survey is used for this purpose.

Engaging Specialists

8.9 During 2016-17, we have continued to engage specialists from external sources where we have not had the required expertise within the team. A Cyber Security Audit was delivered by a market specialist. This approach ensures that specialist audit areas receive high quality assurance whilst ensuring value for money.

Working with the External Auditors

8.10 The external auditors, Ernst and Young, are auditing the Council's Statement of Accounts for 2016-17. Internal Audit maintains a very good working relationship with the audit team at Ernst and Young and NAS work is planned and co-ordinated to ensure that there is:

- no duplication of work
- not an undue "audit burden" on clients at any one time during the year, and
- an efficient "joint" assurance service to the Council.

8.11 Specific pieces of work were delivered by Norfolk Audit Services in the first quarter of 2016-17. This work supports our opinion on controls but also supports the additional work needed to support the external auditors' audit methodology. Similar work has been planned for 2017-18 to support the 2016-17 financial statements.

Annual Governance Statements

8.12 In addition to the Council's own Annual Governance Statement for 2016-17, to be reported to this Committee in September 2017, NAS internal audits provided assurances on the adequacy and effectiveness of internal controls and risk management for the NCC Pensions Committee, which supported their own governance reporting.

9 Acknowledgements

9.1 I would like to thank Members of the Audit Committee, County Leadership Team, managers and staff for their co-operation and assistance during the year.

9.2 The Internal Audit team has worked with the Council's managers and staff to deliver assurance on the adequacy of the Council's internal controls and risk management. The team's work has been acknowledged as meeting required standards and savings at a time when expectations of quality both internally and externally are rising. I would like once again to acknowledge the commitment, efforts and achievements of the team over the year.

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

Appendix 1

Internal Audit Work Summary 2016-17 (2015-16)

	Approved Plan (revised plan September 2015)	Net Additions/ Cancelled/ Postponed During Quarter 3&4	Revised plan	Final Reports Issued	Percentage Final	Draft Reports Issued	Total Reports Issued (draft and final)	Percentage Delivery of the revised 2016-17 (and c/f 2015-16) draft and final
Audits in Approved Plan – Non Schools traded	60	(-9)	51	17	33% (44%)	9	26	**51% (60%)**
Audits c/f 2015-16 non schools traded	24	0	24	23	96%	1	24	**100%**
Total Audits – Non Schools	**84**	**-9**	**75**	**40**	**53% (51%)**	**10**	**50**	**67% (68%)**
Traded audits - 80 days were included in the strategy	34	(0)	34	31	91% (94%)	2	33	**97% (100%)**
Total excl. Grants	**118**	**-9**	**109**	**71**	**65% (68%)**	**12**	**83**	**76% (80%)**
Grant Certifications	17	0	17	16	94% (73%)	0	16	**94% (73%)**
Overall Total	**135**	**-9**	**126**	**87**	**69% (68%)**	**12**	**99**	**79% (80%**
Audits c/f 2016-17 – non schools (18 work in progress, 10 at draft report)	28							**21% (20%)**

Figures in brackets relate to 2015-16

Appendix 2

Technical Notes:

TN1 Our service

NAS provides the internal audit service of the County Council to provide assurance to the Council, the Audit Committee, the Managing Director, the Executive Director of Finance and Commercial Services the Monitoring Officer and Executive Directors. Its role is to ensure that there is evidence of compliance with the Council's objectives, controls, rules and procedures. Where such compliance does not exist, internal audit makes recommendations to ensure that proper arrangements are in place. Some audits carried out are based on the perceived risk to the Council as assessed using the internal audit risk model, corporate and departmental risk registers and others are requested by Executive Directors or the Audit Committee. The scope of NAS's work also extends to partnership arrangements.

The Internal Audit team has provided an effective, efficient and economic service during the year, supporting the Audit Committee, the County Leadership Team (CLT) and their Services. The team has championed the strengthening of internal control and anti-fraud arrangements and provided advice and assurance.

TN 2 Opinion Definitions

Each report has one of two possible grades, which are set out in the table below:

Opinion	Assessment of internal control	Action required from the recipient – as agreed with the auditors
Acceptable	Few or no weaknesses, mostly insignificant	Remedial action required as risk assessed and agreed
Key issues that need to be addressed	A number of weaknesses, mostly significant or one or more major weaknesses	Remedial action required as risk assessed and agreed

TN 3 Corporate High Priority Findings reporting

As part of a drive to increase transparency and accountability, we have a process to follow up and report on corporately significant High Priority Audit Findings (HPF). This includes reporting to CLT on all outstanding audit recommendations made as a result of "corporate high priority" findings from detailed audit reports, together with their completion target date and an update on current status (Green – Amber – Red rating). Completed recommendations are reported separately and approved for removal by CLT. There was no Audit Committee in April 2017.

TN 4 Internal Audit Work

The work of NAS covers all areas of the Council's activities and continues to evolve and improve. Audits are generally carried out based on the perceived risk to the Council as assessed using the NAS risk model, the corporate and departmental risk registers or, they may be requested by Executive Directors or the Audit Committee. Internal Audit uses every opportunity to promote best practice as identified through professional networks and from our audit findings.

TN 5 Review of the Effectiveness of Systems of Internal Control

The Accounts and Audit (England) Regulations 2015 (previously the Accounts and Audit Regulations 2011) require that:

- An adequate and effective internal audit of accounting records and of its system of internal control, in accordance with proper practices in relation to internal control, must be undertaken
- the effectiveness of the Council's systems of internal audit be reviewed annually.

The Committee made a resolution at its meeting on 26 September 2013 regarding that review. It was resolved that;

'the effectiveness of the management processes and corporate control functions being provided by self-assessment, customer feedback and any existing external performance reviews, including periodic independent assurance on the application of the relevant internal audit standards, thus developing the approach agreed in April 2007 and January 2009'.

For 2016-17 it was continued with the same approach of self-assessment, customer feedback and external performance reviews. For that purpose the Chief Internal Auditor has reviewed compliance against the 2016 UKPSIAS and our internal quality assurance improvement programme. The self-review has concluded that the Council has an adequate and effective internal audit function and adequate and effective systems of internal control. For 2017-18 we have commissioned an independent review of our compliance with the UKPSIAS which was undertaken during May 2017.

As part of the overall Good Governance Framework, the Executive Director of Finance and Commercial Services provides an annual opinion on the adequacy and effectiveness of the system of internal control including risk management. This informs the Council's reporting of the draft Annual Governance Statement 2016-17, which is published with the draft Annual Statement of Accounts in June each year.

The Council's system of internal control and the assurance on their effectiveness is as follows:

- internal audit – the annual plan and work of internal audit*; and
- management processes of checking, reconciliations, supervisions and controls.

*The annual internal audit plan includes the Council's main systems, and different elements of each system on a rotational basis and our opinion on these is "Acceptable" (see Section 3 above). The results of internal audit work for 2016-17 have been summarised in Appendix 2 of this report.

The Chief Internal Auditor's overall audit opinion is based on work undertaken during the year. Opinion definitions are explained in the notes at Appendix 2 (at TN 2). During the 2016-17 year internal audit reported as follows:

- detailed reports to the relevant Executive Directors
- reporting to County Leadership Team on corporate high priority findings from audits (Appendix 2 - TN3)
- quarterly summary reports to County Leadership Team
- quarterly reports to the Audit Committee and
- relevant topical reports to the Audit Committee as requested.

TN 6 The Council's Financial Statements and Fraud (ISA 240)

During the year internal audit have reviewed the internal controls and risk management of the Council's main financial systems. Those systems cover the transactions, balances and assets of the Council. That work and the assurance it provides helps this Committee to reasonably assess the risk that the Council's Financial Statements are not materially misstated due to fraud.

Internal Audit has planned and delivered audits during the year, which include reasonable measures to detect fraud and to give assurance on internal controls that would prevent it. Reports on the audit findings clearly set out those findings which increase the risk of fraud and whose responsibility it is to ensure that recommendations are completed.

The Council has an Anti-Fraud and Corruption Strategy, which covers the scope of this Committee. The Strategy has been applied where appropriate throughout the year and any significant fraud investigations have been reported where they have been completed. There have been a small number of preliminary assessments of allegations for the Council during the year. The Committee are therefore aware of the process for identifying and responding to the risks of fraud generally and of the specific risks of mis-statement in the financial statements when they are asked to approve the Annual Financial Statements at the end of the year.

Actual fraud cases that have been fully investigated are reported in summary to the Audit Committee. The Chairman would be informed of any significant fraud which had implications for this Committee. The Committee is therefore aware of the arrangements in place for Executive Directors to report fraud to the Committee. The Committee has knowledge of actual or suspected fraud and the actions that Chief Officers are taking to address it when required.

The Anti-Fraud and Corruption Strategy, Whistle blowing Strategy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Committee is aware, through the reports it receives, of the arrangements Executive Directors have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour. The Council's Audit Committee has responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Audit Committee approved a revised Anti-Fraud and Corruption Strategy in January 2014 and this was still considered fit for purpose for 2016-17. The Anti-Fraud and Corruption Strategy will be refreshed during the summer 2017 by our new Investigative Auditor and will be presented to this Audit Committee in September 2017. This Committee also receives this Annual Internal Audit Report, Risk Management reports and other reports from the Audit Commission giving assurance on the adequacy and effectiveness of risk management an internal control, Anti-Fraud and Corruption measures and of the Council's governance and value for money arrangements. These assurances support the Annual Governance Statement that this Committee considers and approves. The Committee therefore oversees management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.

Audit Committee

Item No……

Report title:	**Work Programme**
Date of meeting:	**15 June 2017**
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.

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

January 2018	
NAS Quarterly Report Quarter ended 30 September 2017 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance

Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance
A Half yearly update of the Audit Committee	Executive Director of Finance
Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for 2018-19	Executive Director of Finance
Audit Committee Terms of Reference	Executive Director of Finance
Anti-Fraud and Corruption Update	Chief Legal Officer

April 2018	
NAS Quarterly Report Quarter ended 31 December 2017 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director, Finance and Commercial Services
External Auditor's Audit Plan 2018-19	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Revised Anti-Fraud and Corruption Strategy	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Internal Audit Terms of Reference and Code of Ethics	Executive Director of Finance

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.