

Audit Committee

Date: **Thursday 24 October 2019**
Time: **2pm**
Venue: **Edwards Room, County Hall, Norwich**

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

Membership:

Cllr Ian Mackie – Chairman
Cllr Judy Oliver – Vice-Chairman

Cllr Steffan Aquarone
Cllr Colin Foulger
Cllr Chris Jones
Cllr Haydn Thirtle
Cllr Karen Vincent

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

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes

To confirm the minutes of the meeting held on 29 July 2019.

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3 Members to Declare any Interests

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

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

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

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

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

Of which you are in a position of general control or management.

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

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

5 External Auditor's Annual Audit Letter and Audit Certificate 2018-19

Report by the Executive Director of Finance & Commercial Services.

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6 Norfolk Audit Services Report for the Quarter ending 30 September 2019.

Report by the Executive Director of Finance and Commercial Services

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| 7 | Risk Management
Report by the Executive Director of Finance & Commercial Services | Page 55 |
| 8 | Addressing Risks in the Care Market Report
Report by the Executive Director of Adult Social Services | To follow |
| 9 | Norfolk Audit Services – Report for the second half of the year. Internal Audit Plan 2019-20
Report by the Executive Director of Finance & Commercial Services | Page 98 |
| 10 | Counter Fraud, Bribery and Corruption Progress Report
Report by the Executive Director of Finance & Commercial Services | Page 112 |
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Report by the Executive Director of Finance & Commercial Services | Page 121 |

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Date Agenda Published: 16 October 2019



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Audit Committee
Minutes of the Meeting held on Monday 29 July 2019 at 10am in
the Conference Room, County Hall, Norwich

Present:

Cllr Ian Mackie – Chairman
Cllr Judy Oliver – Vice-Chairman
Cllr Stefan Aquarone
Cllr Chris Jones
Cllr Bev Spratt
Cllr Haydn Thirtle
Cllr Karen Vincent

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Colin Foulger (Cllr Bev Spratt substituted);

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 18 April 2019 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

Cllr Karen Vincent declared an interest in agenda item 6 (Norfolk County Council and Norfolk Pension Fund Audit Results Reports) as she was a Member of the Norfolk Pension Fund.

Cllr Haydn Thirtle declared an interest in agenda item 6 (Norfolk County Council and Norfolk Pension Fund Audit Results Reports) as he was a Member of the Norfolk Pension Fund.

Cllr Judy Oliver declared an interest in item 5 (Annual Statement of Accounts and Annual Governance Statement 2018-19) and item 6 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2019) as she was Chairman of the Norfolk Pension Fund.

4 Items of Urgent Business

- 4.1 Although not specifically an item of urgent business, the Chairman said since the last meeting, there had been a change in Government which had declared that the UK would be leaving the EU on 31 October 2019. The Chairman asked the Executive Director Finance & Commercial Services to update the Committee on the preparations being made by Norfolk County Council with regard to Brexit.

The Executive Director of Finance & Commercial Services advised that a risk around Brexit featured on the Norfolk County Council risk register (RM022 - Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council

objectives, financial resilience and affected staff ('Brexit').), setting out the areas which affected the Council and those areas which the Council could influence:

1. EU Funding Streams supporting the local economy.
2. Legal base as there were many EU laws affecting Councils.
3. Workforce issues as 7% of the Adult Social Care workforce were from the EU.
4. Place-based impact – it was unknown how Brexit would impact causing uncertainty in Council business, planning and service delivery.

The Norfolk Resilience Forum received Government information about Brexit which was then disseminated to Forum Members, including Norfolk County Council's Silver Command Team.

- 4.2 The Committee requested a report setting out the preparations Norfolk County Council had made for Brexit at its meeting on 24 October 2019.

5 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2019.

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out the External Auditor's (Ernst & Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the Year ended 31 March 2019.
- 5.2 The Committee welcomed David Riglar, Manager (Government & Public Sector, UK&I Assurance) and Mark Hodgson, Executive Director from Ernst & Young LLP to the meeting.
- 5.3 Mr Hodgson introduced the Norfolk Pension Fund Statement Audit Results Report and informed the Committee that Pensions Committee had formally signed off the draft accounts at its meeting on 9 July 2019. He added that an unqualified audit opinion had been achieved and thanked the Pensions Team for their full co-operation and the quality of the papers provided.
- 5.4 The Chairman echoed the excellent achievement and also congratulated the Pensions Team on achieving an unqualified audit opinion.
- 5.5 The Executive Director, Ernst & Young formally introduced the Norfolk County Council Audit Results Report for the year ended 31 March 2019. He thanked the officers for their co-operation and the quality of papers submitted and advised that an unqualified audit opinion would be issued.
- 5.6 The Executive Director, Ernst & Young highlighted the Value for Money Assessment of Reserves Position to 2022 setting out how the External Auditors had considered the Council's level of savings requirement to balance the General Fund budget in each of the next three years; the planned use of reserves to support the General Fund budget in each of the next three years; history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery; history of over- or under-spending on the General Fund budget, and the impact this trajectory

would have on the use of General Fund reserves; and the use of the General fund to support future dedicated schools grant deficits.

- 5.7 In response to questions from the Committee, the following points were noted:
- 5.7.1 The External Auditors confirmed that the Value for Money Assessment of Reserves Position graph was their judgement and that the exercise would be intermittently re-run to monitor the latest financial assessment. It was also confirmed that the Executive Director of Finance & Commercial Services was aware of the projection but considered there was sufficient headroom at the present time.
- 5.7.2 The audit difference of £27.7m of Norse transactions and been identified when the accounts were consolidated into the group accounts. After the accounts had been drafted, officers noticed that the transactions had not been adjusted correctly and should have been removed as inter-party transactions. Mr Riglar confirmed that this was not a material consideration when the Auditors opinion was made.
- 5.7.3 The External Auditors confirmed that the Value for Money assessment of Reserves Position to 2022 graph currently showed borrowing at £600m and was projected to rise to £850m by 2022. The VfM assessment was that borrowing was not considered to be rising at an exponential rate.
- 5.8 The Chairman, on behalf of Audit Committee, thanked the External Auditors for the thorough report. He also thanked the Executive Director of Finance & Commercial Services and the Finance and Internal Audit Teams for their efforts in achieving an unqualified audit opinion in a difficult environment.
- 5.9 The Committee considered and **noted** the matters raised in the Ernst & Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports before Ernst & Young issued their audit reports.

6 Norfolk County Council – Annual Statement of Accounts and Annual Governance Statement 2018-19.

- 6.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out the Annual Statement of Accounts and Annual Governance Statement 2018-19.
- 6.2 The following points were noted in response to questions from the Committee:
- 6.2.1 An assumption had been made about the amount of money which may be received for the Better Care Fund in 2020/21 which, it was hoped, following a positive indication from the Government, would continue.
- 6.2.2 Members asked for a breakdown of the exit packages for those staff who had left the council and whether the figures included salary in lieu of notice, pay-offs, pension strain, etc. The Executive Director of Finance & Commercial Services responded that the pension strain had been included in the figures and that the exit package costs included all costs. The Assistant Director Finance would provide details of the headcount figures for those staff that received less than £50,000 per annum.

6.2.3 The Assistant Director Finance would provide the details of the reduction in rental income from investments, but explained this was likely to have been caused by a reduction in income from the airport industrial estate.

6.3 The Committee considered the report and **RESOLVED** to:

- **Note** that, following annual reviews, the systems of internal control and internal audit were considered adequate and effective;
- **Approve** the Annual Governance Statement.
- **Approve** the Council's 2018-19 Statement of Accounts.

7 Audit Letters of Representation 2018-19

7.1 The Committee received the report by the Executive Director of Finance and Commercial Services introducing the letters of representation of Norfolk County Council and Norfolk Pension Fund for 2018-19. The letters of representation covered matters material to the financial statements and possible non-compliance with laws and regulations.

7.2 In presenting the report, the Corporate Accounting Manager advised that, since the agenda had been published, the External Auditors had requested additional paragraphs in the Letters of Representation to be signed by the Executive Director of Finance and Commercial Services and the Chairman of Audit Committee. Copies of the revisions are attached at Appendix A.

7.3 In response to a question about the return of investments particularly in the reduction of fossil fuels, the Vice-Chairman, Cllr Judy Oliver, as Chairman of the Pensions Committee, advised that the topic would need to be raised at the next Pension Committee meeting, together with expert advice on how to ensure the best return was achieved on investments.

7.4 The Committee considered the report and **RESOLVED** to:

- **Endorse** the letters of representation in respect of the Pension Fund and of Norfolk County Council, and
- **Authorise** the Chairman of the Audit Committee and Executive Director of Finance and Commercial Services to sign the letters on behalf of the Council.

The meeting adjourned at 10.45 and reconvened at 10.55 during which time the Chairman and Executive Director of Finance & Commercial Services signed the Letters of Representation and the Statement of Responsibilities in the Norfolk County Council Statement of Accounts 2018-19.

8 Anti-Fraud, Bribery and Corruption Progress Report.

8.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Chief Legal Officer introducing the NAS Anti-Fraud, Bribery and Corruption Audit Committee Progress Report (including Whistleblowing).

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

- 8.2.1 Incidents of fraud were very rare. All employees signed up to the code of conduct and were required to complete mandatory e-learning training including fraud awareness, detection and whistleblowing when they started working at Norfolk County Council. Regular spot checks would also be carried out by line managers for staff working in areas of potential fraud.
- 8.2.2 The Internal Audit team worked with management to investigate fraud when it had been identified. The Chief Internal Auditor confirmed that the controls and processes were established to take the appropriate action in the event of fraud and also to recover any losses if any fraud had been committed.
- 8.2.3 Norfolk County Council Information Management Team was aware of the potential for phishing/spam attacks and had system controls and procedures in place to deal with any occurrences, with the majority of unrecognised emails being sent directly to individuals' "junk mail folder" within Outlook. An established e-learning training programme was rolled out to staff who were required to undertake the information security and data protection e-learning courses every two years. A refreshed version was imminent. Regular emails were circulated to all staff reminding them not to open or click on links in emails received from unknown sources.
- 8.2.4 Full Council, at its meeting on 7 May 2019 had agreed that all office-based staff should be mandated to undertake the e-learning course on Fraud, Bribery and Corruption and a working group consisting of the Investigative Auditor, Senior Auditor and Workforce Development Manager, had been established to implement that decision.
- 8.2.5 The Executive Director of Finance & Commercial Services advised that tracking an individual employee status after a whistleblowing complaint to identify how many staff been promoted, demoted or who still worked at Norfolk County Council was not carried out, as it was considered an individual had been brave to blow the whistle in the first place. Some Members felt it would be reassuring to know that those whistleblowing individuals were not being victimised. The Executive Director of Finance & Commercial Services would speak with HR colleagues to ascertain what information could be provided and circulate the response.
- 8.2.6 The details about the new referral made in the current financial year in residential care was an ongoing case and could not be discussed until the investigation had been completed.
- 8.2.7 The Vice-Chairman highlighted that a whistleblowing policy should not necessarily be seen as a negative connotation as such a policy could also encourage staff to identify where and how services could be improved.
- 8.2.8 A suggestion was made that Norfolk County Council could adopt a policy similar to some banks which were now demanding a named payee on an account as well as the sort-code and bank account number. Members agreed that this could be looked into as it could provide an extra level of security and assurance.
- 8.3 The Committee considered the report and **RESOLVED** to **agree**:

- The key messages featured in the update.
- The content of the Anti-Fraud, Bribery and Corruption and Whistleblowing Audit Committee Progress Report (Appendix A) and that the progress was satisfactory, and arrangements were effective.
- The updated activity plan at Appendix B of the report.
- The CIFAS Fraudscape report at Appendix C of the report.

9 Norfolk Audit Services Report for the Quarter ending 30 June 2019

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress with the delivery of the internal audit work and advised on the overall opinion on the effectiveness of risk management and internal control, by setting out the work to support the opinion and any matters of note.
- 9.2 In response to questions from the Committee, the following points were noted:
- 9.2.1 Under the new governance arrangements, the Risk Management Officer had been asked to refresh the Corporate Risk Register which would be presented to Cabinet at its meeting on 2 September 2019, after which it would be reported to Audit Committee.
- 9.2.2 Some Members expressed concern that the Risk Management Report would be considered by Cabinet before the Audit Committee as under the old governance arrangements, the Risk Management Report was presented to Policy & Resources after it had been considered by Audit Committee. The Executive Director of Finance & Commercial Services advised that under the previous governance arrangements, Audit Committee had scrutinised Risk Management Reports after they had been considered by Policy & Resources Committee. The Committee was reminded that Cabinet held responsibility for the Corporate Risk Register which was scrutinised by Audit Committee to ensure the system was effective.
- 9.2.3 Cllr Karen Vincent, as Chairman of the Corporate Select Committee advised that the Corporate Select Committee had considered a Risk Management report at its recent meeting, including the risks around the HR Finance Management Replacement System.
- 9.3 The Committee considered the report and **RESOLVED** to **agree**:
- The key messages featured in the report.
 - That the Chief Internal Auditor review procedure meets Public Sector Internal Audit (PSIA) Standards.

10 Work Programme

- 10.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.

- 10.2 The Committee considered and **noted** the report and agreed to receive a report on the overall preparations of Brexit at its October meeting.

The meeting ended at 11.20 am.

Chairman



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A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. That we believe that the effect of the unadjusted audit difference, summarised in the Audit Results Report, accumulated during the current audit and pertaining to the latest period presented is immaterial to the financial statements taken as a whole. The reason for not adjusting is as follows:
 - a. £4.8 million adjustment to the net pension liability: This late audit difference addendum adjustment concerns updated IAS19 reporting following a re-run of actuarial reports to reflect the final pension fund asset position at 31 March 2019. This does not affect the Council's general fund reserve balance, and no adjustment has been made for the change due to its immateriality in the context of the accounts.

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

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

P. Expenditure Funding Analysis

1. We confirm that the financial statements reflect the operating segments reported internally to the Council.

Yours faithfully

Simon George, Executive Director of Finance and Commercial Services

I confirm that this letter has been discussed and agreed by the Audit Committee of Norfolk County Council on 29 July 2019

Cllr Ian Mackie

Chairman of Norfolk County Council Audit Committee

D3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

D4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

E1. As described in Note 6 to the financial statements, there has been one event subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto. The subsequent event relates to the Transition Arrangements Age Discrimination Legal case (McCloud) and the UK Government's application for leave to appeal to the Supreme Court was refused. The refusal of the application to appeal enabled the Government Actuary Department (GAD) to develop an estimation technique and this has been made available by GAD. The Fund's actuary has adjusted GAD's estimate to better reflect the Norfolk Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to total liabilities (i.e. the increase in active members' liabilities expressed in terms of total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £10M. The estimated increase in liabilities is reflected in note 20 to the financial statements.

F. Other information

F1. We acknowledge our responsibility for the preparation of the other information. The other information comprises The Norfolk Pension Fund Annual Report and Accounts 2018/2019.

F2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

G1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

H1. We confirm that all investments in derivative financial instruments have been made after due consideration by the [members of the management of the Fund] of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

Report to Audit Committee

Item No. 5

Report title:	External Auditor's Annual Audit Letter and Audit Certificate 2018-19
Date of meeting:	24 October 2019
Responsible Cabinet Member:	Not Applicable
Responsible Director:	Executive Director, Finance and Commercial Services
Is this a key decision?	No

Executive Summary

The purpose of this report is to introduce the External Auditor's Annual Audit Letter and Certificate 2018-19, which are attached as **Appendix A and Appendix B**. These documents are certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee will receive a separate letter for their approval. The closure of the audit; the final audit certificate, notice of conclusion of audit and the annual audit letter are now available alongside the statement of accounts and the annual governance statement on our website: <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/statement-of-accounts>

Actions required:

To consider the External Auditor's Audit Letter and Certificate for 2018-19.

1. Background and Purpose

- 1.1. This Annual Audit letter (Appendix A) and Certificate (Appendix B) are certain communications that EY must provide to the Audit Committee of the audited client. This letter complements the External Auditor's Annual Results Report for 2018-19 reported to this Committee in July 2019.

2. Proposals

- 2.1. To consider and agree the External Auditor's Audit Letter and Certificate for 2018-19.

3. Impact of the Proposal

- 3.1. This report provides assurance to members and fulfils the relevant terms of reference of this committee.

4. Evidence and Reasons for Decision

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

Entity	Auditor
Norfolk County Council	EY
Norfolk Pension Fund	EY
Norse Group	PwC
Independence Matters	EY
<i>Not consolidated on basis of materiality:</i>	
<i>Hethel Innovation Limited</i>	
<i>Great Yarmouth Development Co. Ltd</i>	
<i>Norfolk Energy Futures Ltd</i>	
<i>Norfolk Safety CIC</i>	

5. Alternative Options

5.1. None.

6. Other Implications: None

7. Risk Implications/Assessment

7.1. None

8. Select Committee comments

8.1. None.

9. Recommendation

9.1. See required actions in the executive summary above.

10. Background Papers

10.1. None

Officer Contact

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

Officer name : Adrian Thompson

Tel No. : 01603 222784

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



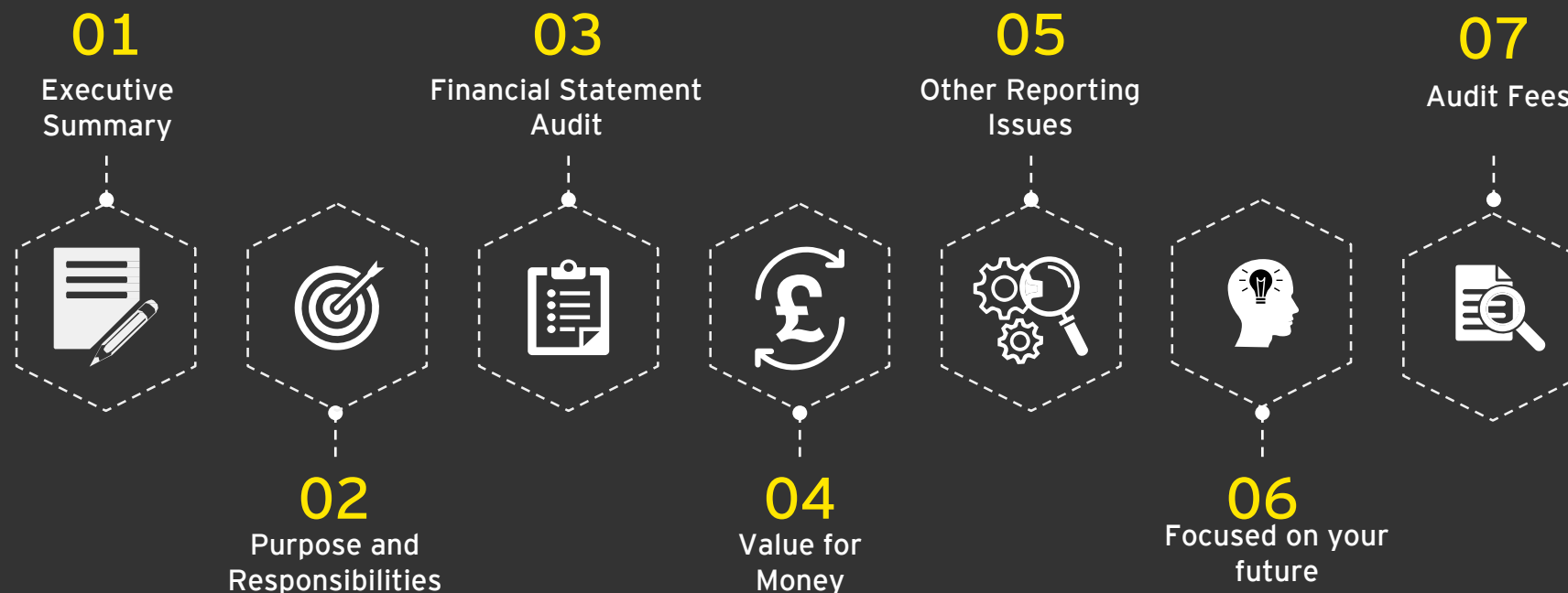
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Norfolk County Council

Annual Audit Letter for the year
ended 31 March 2019

9 September 2019

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

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

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to Norfolk County Council following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended. Our Audit opinion was issued on 31 July 2019 for Norfolk County Council (group) and on 31 July 2019 for Norfolk Pension Fund.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the Statement of Accounts was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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

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



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 24 July 2019 for Norfolk County Council and on 19 July 2019 for Norfolk Pension Fund.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 9 September 2019.

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

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 29 July 2019 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented to the 31 January 2019 Audit Committee and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the Council

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

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



03

Financial Statement Audit



Financial Statement Audit – Norfolk County Council

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2019.

Our detailed findings were reported to the 29 July 2019 Audit Committee.

Misstatement due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

What did we do?

We carried out the following procedures:

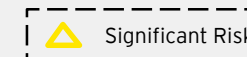
- ▶ Identified fraud risks during the planning stages.
- ▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks.
- ▶ Obtained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

As reported in our Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

The results of our work on these specific risks are set out on the following pages.

We have not identified any new areas at risk of manipulation.



Significant risk

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

What is the risk?

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

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What did we do and what judgements did we focus on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

We have performed the following procedures to address the risk:

- ▶ Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature.
- ▶ Data analytics journal entry testing - As part of our testing of journals we included specific tests to search for unusual activity that:
 - ▶ Moves expenditure from the CIES to PPE on the balance sheet.
 - ▶ Reduces expenditure and creditors.

What are our conclusions?

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value;
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified; and
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Significant risk

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

What is the risk?

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

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

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:

- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Capital Grants
- Depreciation, impairments and revaluation losses
- Minimum revenue provision

What did we do and what judgements did we focus on?

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance. This line is shown in the Movement in Reserves Statement. As the Regulations are varied and complex there is an inherent risk that management use this line to manipulate the General Fund balance. We identified the following areas as having a higher risk of management override:

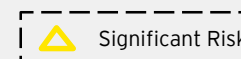
- Revenue items incorrectly identified as Revenue Expenditure Funded from Capital Under Statute,(REFCUS) thus funded from capital.
- Removal of capital grants from the General Fund through the MiRS. These are material amounts and could be incorrectly applied to fund revenue items.
- Depreciation, impairment and revaluation losses. Charged to the surplus or deficit on the provision of services and then adjusted through the MiRS to unusable reserves.

To address this risk we:

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

What are our conclusions?

- Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- Entries in the Movement in Reserves Statement were reconciled to other balances within the financial statements; and
- No issues were identified with the Authority's application of the minimum revenue provision policy.



Area of Audit Focus

Conversion of schools to Academies

As set out in our Audit Plan, a number of schools have continued to convert to academy status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Authority's accounts are considered to be lower risk due to their size and nature.

To address this risk we:

- ▶ Reviewed the arrangements for identifying the school assets, liabilities and balances for transfers; and
- ▶ Reviewed how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.

Our conclusions are:

- ▶ Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions; and
- ▶ Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.

Area of Audit Focus

Accounting for Property, Plant & Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Council engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk Property, Plant and Equipment may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

- ▶ Considered the work performed by the Authority's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base was not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries had been correctly processed in the financial statements.

Our conclusions are:

- ▶ We did not identify any issues with the Authority's valuer, their scoping of work, professional capabilities or results of their valuation procedures;
- ▶ Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly;
- ▶ Our testing of assets not subject to valuation in 2018/19 confirmed that the remaining asset base was not materially misstated at 31 March 2019; and
- ▶ No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

Financial Statement Audit(Cont'd) - Norfolk County Council

Area of Audit Focus

Pensions valuations and disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund. Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

- ▶ Liaised with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Our conclusions are:

We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.

A national issue resulted in a relatively late change to the pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings concerning age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling, and the Lloyds Bank High Court case, where the judge has ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females.

This resulted in increase to the pension fund liability of £24.5 million (Local Government Pension Scheme - £10.2 million, Firefighters Pension Scheme £14.3 million), with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.

A further £11.4 million adjustment was made to the net pension liability as the actual Norfolk Pension Fund asset valuation at the 31 March 2019 was lower than the Actuary's estimate. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements. The adjustment represents the Authority's share on the decrease in pension assets.

Financial Statement Audit(Cont'd) - Norfolk County Council



Other Areas of Audit Focus - New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- IFRS 9 - Financial instruments;
- IFRS 15 - Revenue from contracts; and
- IFRS 16 - Leases.

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures identified some disclosure adjustments. We have not identified any other audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 - Leases	<p>IFRS 16 replaces IAS 17 Leases and its related interpretations. It will now apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.</p> <p>IFRS16 will apply to the Norse Group in 2019/20, a year ahead of the application date for Local Government. The Council will therefore need to consider the consolidation adjustments required for the Council's 2019/20 financial statements.</p>

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
 - new definitions of assets, liabilities, income and expenses
 - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
 - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business

Significant risk

Investment income and asset valuations - Investment Journals*

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- Investment income and asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- Tested journals at year-end to ensure there are no unexpected or unusual postings;
- Undertook a review of reconciliations to the fund manager and custodian reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we acquired directly from the custodian or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted investment income we will agreed the reconciliation between fund managers and custodians back to the source reports.

What are our conclusions?

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

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

We have not identified any instances of inappropriate judgements being applied.

Financial Statement Audit (cont'd) - Norfolk Pension Fund

Other area of audit focus

Valuation of Complex Investments

What is the risk?

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 publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The total fund investment assets at 31 March 2019 are £3.84 billion, of which Private Equity Investments (Unquoted) is £232 million (6.0% of total investments).

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

What did we do and what management judgements did we focus on?

Our audit approach has included the following procedures:

- 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;
- Comparing the investment value included in the financial statements to direct confirmations from the Fund Managers.
- Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight weaknesses in the funds valuation;
- Obtain copies of the ISAE3402 reports over internal control for any control exceptions raised in relation to the valuation of investments; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

What are our conclusions?

As the Custodian provides the estimated value of the unquoted investments based on information at December 2018 for pooled investment vehicles there will always be a possibility that the fund manager will provide a different valuation as at 31 March 2019.

The Fund Manager has now provided (mid July 2019) the 31 March 2019 investment valuations for this fund. The fund value has increased by £10.2 million.

This amount is not material and officers are proposing not to adjust the financial statements in relation to it. They are proposing to update the Post Balance Sheet Note to provide disclosure information.

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality:	
Norfolk County Council	We determined planning materiality to be £25.7 million (for the group this was £30.2 million), which is 1.8% of gross expenditure on net cost of services plus financing and investment expenditure as reported in the accounts.
Norfolk Pension Fund	We determined planning materiality to be £38.3 million which is 1% of Net Assets.
Reporting threshold:	
Norfolk County Council	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1 million.
Norfolk Pension Fund	The threshold for reporting audit differences is £1.9 million.

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

- Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.
- Fire Pension Scheme - We have adopted a smaller materiality of 1.8% of benefits payable to reflect the differing nature of the Pension Scheme.
- Members' allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

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



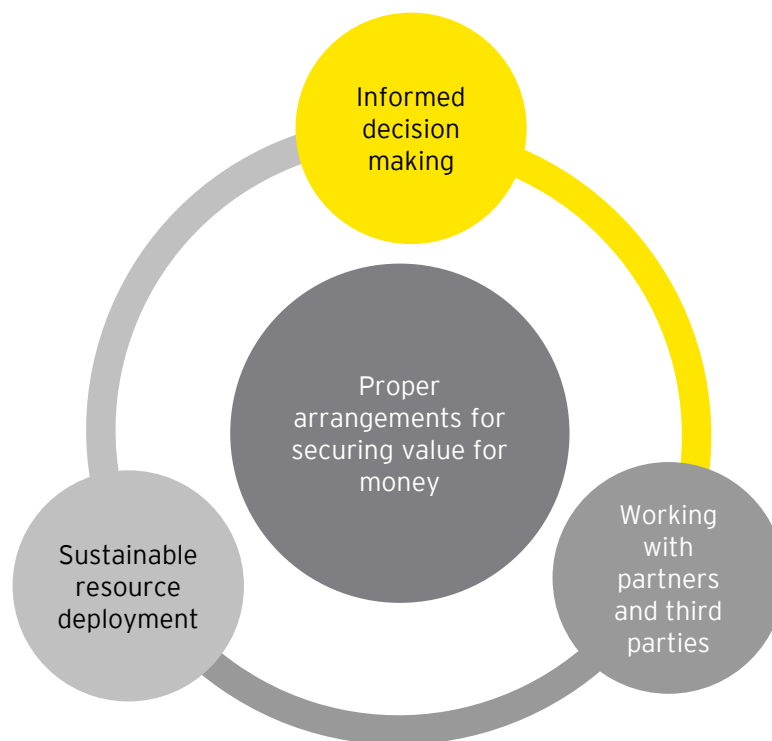
04 Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

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

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



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

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

Significant Risk	Conclusion
<p>To date the Council has responded well to the financial pressure resulting from the continuing economic downturn.</p> <p>However, substantial savings are required over the period 2018 to 2022 to balance the budget:</p> <ul style="list-style-type: none"> ▶ 2018/19 = £29.999 million (identified savings) ▶ 2019/20 = £50.322 million (identified savings + budget gap) ▶ 2020/21 = £82.503 million (identified savings + budget gap) ▶ 2021/22 = £10.400 million (identified savings + budget gap) <p>(Source: Norfolk County Council Budget Book 2018-22)</p> <p>The most recent financial forecast (Period 6 figures) for the year ended 31 March 2019 projects an overspend of £4.496 million.</p> <p>(Source: Norfolk County Council P&R agenda and reports 28th November 2018)</p> <p>It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years.</p> <p>Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls.</p> <p>(VFM arrangements affected : Taking informed decisions and Deploying resources in a sustainable manner)</p>	<p>The scale of savings and service transformation to be delivered by the Authority over the medium term are significant. The Authority reported a small surplus in 2018/19 and is maintaining its current level of un-earmarked general fund reserves, £19.6 million, above the prudential minimum of £19.3 million set and approved by Full Council. These provide the Authority with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Authority's financial standing. The Authority plans to increase the level of un-earmarked general fund reserves to £26.5 million by 31 March 2022.</p> <p>The Authority also has in place substantial levels of earmarked reserves (£73.3 million at 31 March 2019, excluding school reserves). These have been established for a number of purposes but the existence of these reserves provides further evidence of the Authority's prudent approach to financial management.</p> <p>The Authority achieved c85% of required savings in 2018/19 and to date the Authority has identified the savings required for 2019/20 of £21.3 million. However, the Authority faces significant pressure and uncertainty concerning legislative and policy changes, increasing demand for services, Business Rates Localisation, and uncertainty concerning future funding levels.</p> <p>This is particularly prevalent in two areas:</p> <ul style="list-style-type: none"> ▶ Children's services, where the Authority continue to experience high and increasing levels of need across numerous service areas including children with special educational needs and children at risk of harm. This resulted in a £13.2 million overspend in 2018/19. The Council are responding by considering management arrangements, the service strategy, and recognising the need for further funding and a re-profiling of savings. ▶ Dedicated Schools Grant, where funded services were £2.8 million overspent in 2018/19, the cumulative year-on-year overspend is now £10.8 million. There continues to be significant pressure on the High Needs Block due to ongoing increases in demand and challenges of sufficiency. The Authority have a transformation plan to reduce annual overspends prior to returning the cumulative position to a balanced position. However, this is expected to take many years and will be dependent upon future decisions by central government regarding Dedicated Schools Grant funding. <p>Whilst the Authority has continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Authority's history of delivering savings plans has not identified any significant matters that we wish to report to you.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

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

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have completed this work ahead of the 13 September 2019 deadline and have no matters to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

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

Report in the Public Interest

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

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

Written Recommendations

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

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



Other Reporting Issues (cont'd)

Objections Received

We have received correspondence from three members of the public. We treated the correspondence as information provided to the auditor as part of the audit and have no matters to report as a result.

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 29 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

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

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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



06

Focused on your future



Focused on your future

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

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p> <p>We have reported the Council's progress and the need to consider group reporting implications on page 14.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken agreed upon procedures in relation to Teachers' Pension Return return for 2017/18. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

Description	Final Fee 2018/19 £'s	Planned Fee 2018/19 £'s	Scale Fee 2018/19 £'s	Final Fee 2017/18 £'s
Norfolk County Council Total Audit Fee - Code work	102,100 (Note1)	98,361	98,361	134,347
Norfolk County Council Total Audit Fee - Certification of claims and returns (Teachers Pensions)		(Note 3)		8,500
Norfolk Pension Fund Total Audit Fee - Code work	26,366 (Note 2)	23,166	20,866	29,399

Note 1 - As set out in our Audit Plan (31 January 2019), the scope of our work has increased in 2018/19 to include:

- audit work on the implementation of two new accounting standards (IFRS9 and IFRS15) - £805
- additional work to review the Authority's revised Minimum Revenue Provision policy - £2,322

In addition, increased audit procedures were required to address the additional audit findings concerning IAS19 as reported on page 12 of this letter - £612

Note 2 - As reported in our Audit Plan dated 21 January 2019 and our Audit Results Report dated 19 July 2019, we plan to charge an additional fee in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies. In our Audit Plan we estimated this additional fee to be £2,300, the final fee for this additional work is £5,500.

All scale fee variations will be subject to agreement with the Public Sector Audit Appointments Ltd.

Note 3 - As set out above, we undertook agreed upon procedures for the Teachers' Pension Return for 2017/18. We have not yet been engaged to undertake this work for 2018/19 but will provide an update on this as required.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Norfolk County Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the pension fund's financial statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Issue of value for money conclusion on Norfolk County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion, in all significant respects, Norfolk County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Certificate

In our report dated 31 July 2019, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Norfolk County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Hodgson

Ernst & Young LLP

Date: *9* September 2019

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

The maintenance and integrity of the Norfolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report to Audit Committee

Item No. 6

Report title:	Norfolk Audit Services Report for the Quarter ending 30 September 2019
Date of meeting:	24 October 2019
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
Executive Summary <p>The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.</p> <p>The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.</p> <p>The Council has an approved Business Plan, 'Together for Norfolk' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in supporting Service Plans.</p> Actions Required <p>To consider and agree:</p> <ul style="list-style-type: none">• the key messages featured in this quarterly report and advise if further information is required.	

1. Background and Purpose

- 1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015. The allocation of audit time was based on a risk assessment and this is continuously reviewed throughout the year.
- 1.2 This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

- 2.1 The Audit Committee are required to consider and agree:
 - the key messages below

- that the work and assurance meet their requirements and advise if further information is required

2.2 The key messages are that: -

- This quarterly NAS report confirms the overall opinion on internal controls and risk management remains acceptable.

(N.B.: - three descriptors can be used for our overall annual opinion: acceptable - green, key issues to be addressed – amber and key issues to be addressed – red)

- Overall, the delivery of the audits for 2019-20 Audit Plan and the audits brought forward from 2018-19 Audit Plan are on track to enable us to provide an overall annual opinion on internal controls. However; the targets that we set for the status of audit work (draft report, final report and WIP) for the first half of the year for 2019/20 opinion work have not been achieved. This is due to the loss of an auditor, audit work from the first half of the year moving to the second half of the year and the amount of 2018/19 carried forward work needing completion. During the second half of the year, our external contractor will be assisting us with the completion of our opinion work; therefore, enough audit work will be completed to provide an overall annual opinion.
- A robust action plan has been agreed for the recommendations made in the Transforming Care Programme audit and those will be followed up in this audit year.
- The progress with resolving the three corporate High Priority findings is acceptable.
- There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme.
- The required grant certifications in the first half of the year for 2019/20 have been completed.
- Progress with completing traded school audits slowed down during quarter 2 due to the summer holiday period. In total circa 30 traded audits will be completed this year in response to the reminder letters sent in May 2019 to those schools who had not had a traded audit for either eight, nine or ten years. Four were fully completed in quarter 1. Six took place in quarter 2 and are currently work in progress with reports being drafted or finalised. The remaining traded audits are scheduled to take place throughout quarters 3 and 4.
- Quarter 2 final reports are shown at **Appendix A**. The Audit Plan's coverage of categories of risk are illustrated in a chart at **Appendix B**. Technical notes are at **Appendix C** for reference.
- Internal audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS).

3. Impact of the Proposal

- 3.1 The Accounts and Audit Regulations 2015 require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).
- 3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's Business plan, 'Together for Norfolk'.
- 3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.
- 3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

- 4.1. Not applicable.

5. Alternative Options

- 5.1. There are no alternative options.

6. Financial Implications

- 6.1. The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

- 7.1. **Staff:**
There are no staff implications.
- 7.2. **Property:**
There are no property implications
- 7.3. **IT:**
There are no IT implications

8. Other Implications

- 8.1. **Legal Implications:**
There are no specific legal implications to consider within this report
- 8.2. **Human Rights implications**

There are no specific human rights implications to consider within this report

8.3. Equality Impact Assessment (EqIA) (this must be included)

No implications

8.4. Health and Safety implications (where appropriate)

There are no health and safety implications

8.5. Sustainability implications (where appropriate)

There are no sustainability implications

8.6. Any other implications

There are no other implications

9. Risk Implications/Assessment

9.1. Not applicable

10. Select Committee comments

10.1. Not applicable

11. Recommendation

11.1. See Action Required in the Executive Summary above.

12. Background Papers

12.1. Internal audit strategy, our approach and 2019-20 audit plan
Internal audit terms of reference (Charter)
Section C Financial Regulations

Officer Contact

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

Officer name : Adrian Thompson

Tel No. : 01603 222784

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



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

Norfolk Audit Services

Final Reports Issued in the Quarter ending 30 September 2019

NOTE: This report is for audits completed to the 30 September 2019. Any audits completed up to the October Audit Committee will be reported verbally at the meeting.

Final Reports: - Quarter 2 2019-20

2018/19 Audit Plan Carried forward: -

Opinion Work

- | | |
|---|--------------------|
| 1. Third River Crossing | Acceptable |
| 2. Transforming Care Programme | Key Issues – Red |
| 3. Governance of Communities and Environmental Grants | Key Issues - Amber |

Advisory Work

- | | |
|----------------------|-----|
| 1. Appraisal Process | N/a |
|----------------------|-----|

2019/20 Audit Plan: -

Opinion Work

- | | |
|--------------------------------|------------|
| 1. Blue Badges | Acceptable |
| 2. Concessionary Travel Scheme | Acceptable |

School Traded

- | | |
|---------------------------------|------------|
| 1. Caston Primary School | Acceptable |
| 2. Little Melton Primary School | Acceptable |
| 3. Millfield Primary School | Acceptable |
| 4. Drayton CE VC Junior School | Acceptable |

Other Work

- | | |
|------------------------------|-----|
| 1. Teachers' Pensions Return | N/a |
|------------------------------|-----|

Management letters

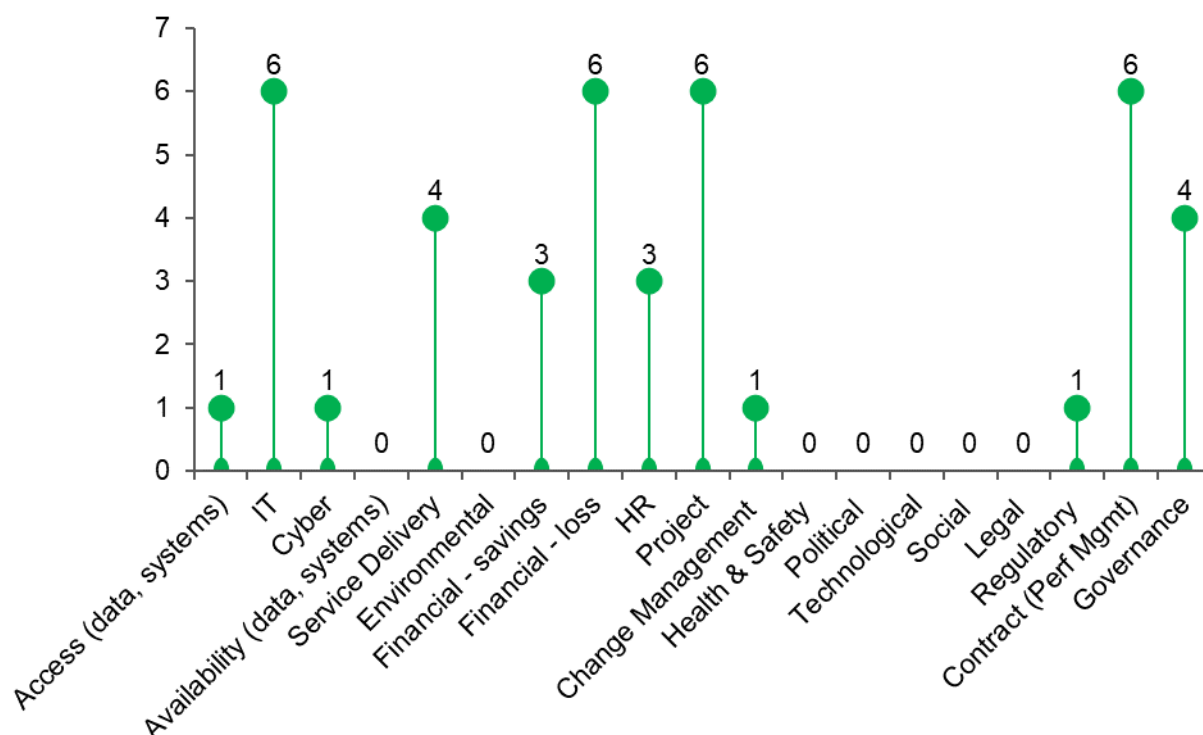
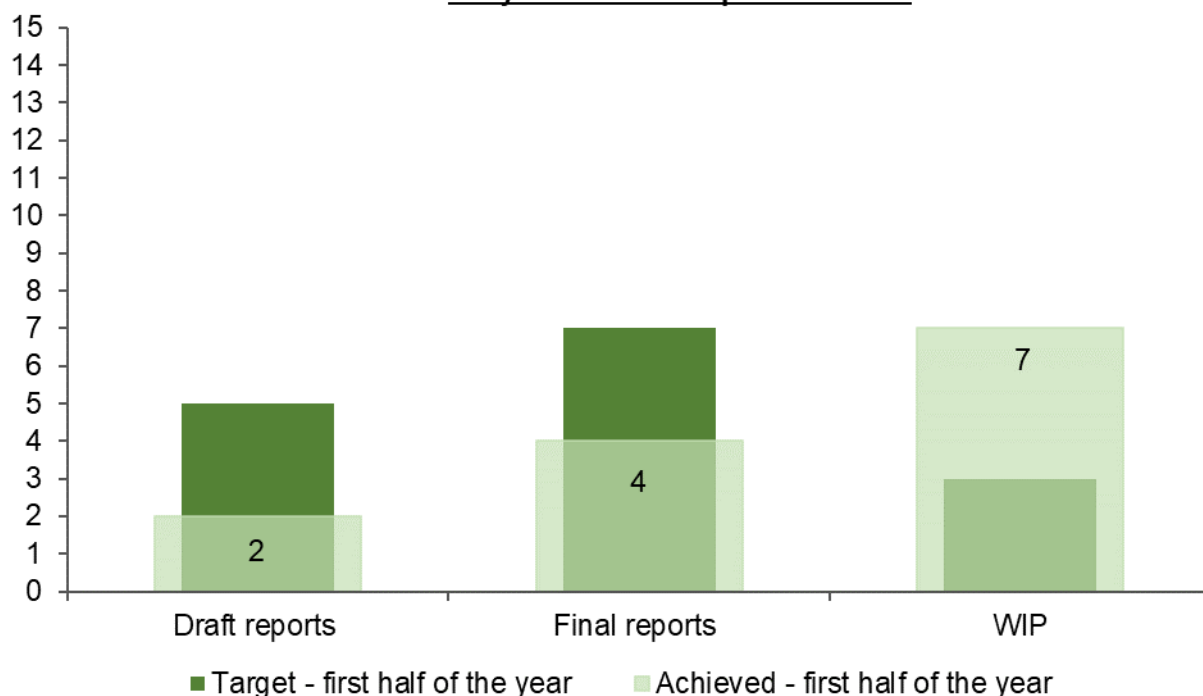
- | | |
|--------------------------|-----|
| 1. Thematic Audit – GDPR | N/a |
|--------------------------|-----|

Grants Certified

1. EU Green Pilgrim (P/e 30 June 2019)
2. EU Endure (P/e 30 June 2019)
3. EU CATCH (P/e 31 Jul 19)
4. EU PROWAD (P/e 30 Sep 19)
5. Police and Crime Panel (PCP) (P/e 30 Sep 19)
6. Family Focus (P/e September 2019)
7. LGA Fire and Transforming Care (P/e 30 June 2019), Disabled Facilities Grant, National Productivity Investment Fund, CES, LA Bus Subsidy (P/e 30 September 2019)

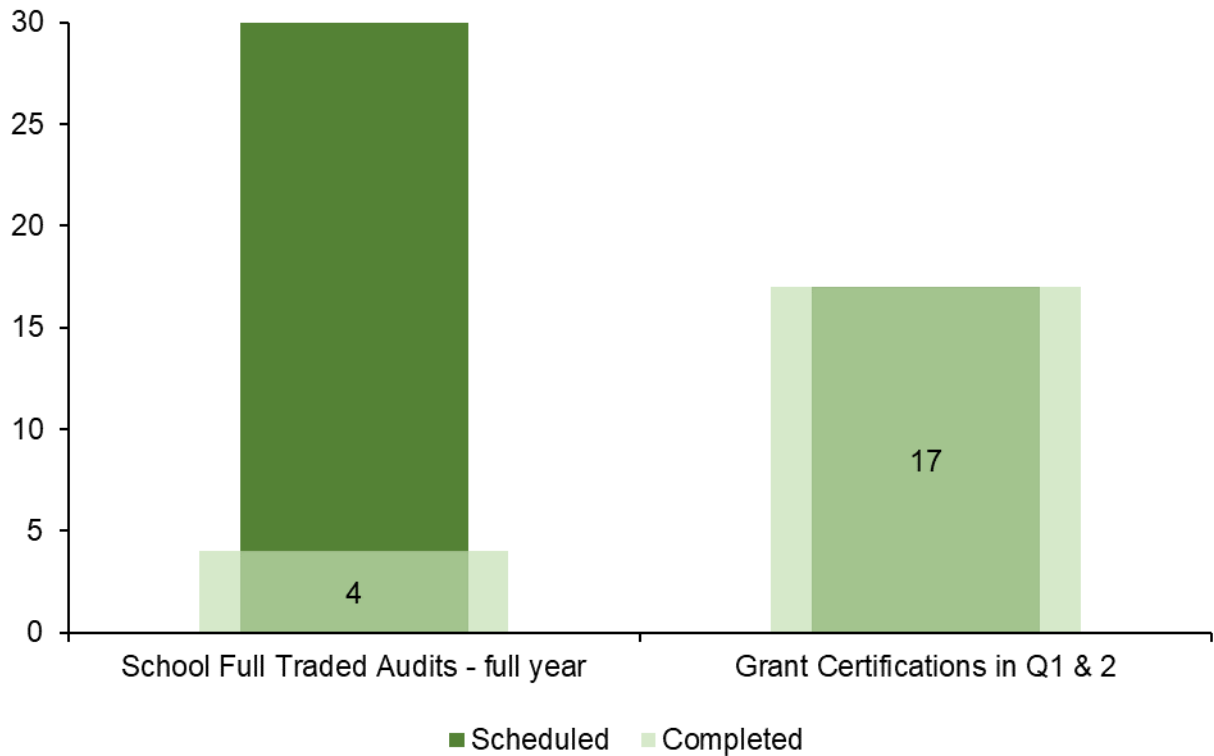
Norfolk Pension Fund

- | | |
|--|------------|
| 1. Member Benefit Payments | Acceptable |
| 2. Information Security - unannounced visits | N/a |

NAS Dashboard**1. Audit Plan 2019/20 - coverage by risk category****2. Progress with the status of 2019/20 opinion work for the first half of the year as at 30 September 2019**

Note: The targets for the first half of the year have not been achieved. This is due to the loss of an auditor, work from the first half of the year moving to the second half of the year and the amount of 2018/19 carried forward work needing completion.

3. Progress with the status of School traded audits completed and grants certified for the first half of the year as at 30 September 2019



Note: The target for the number of traded audits completed is for the full year whereas the target for the number of grants certified is for the first half of the year only. Traded audits are only completed in quarter 1 in the first half of the year during to the school holidays. Circa 30 traded audits will be completed in total in 2019/20 and the majority are scheduled to take place in quarters 3 and 4.

Technical Notes

Work to support the opinion

Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described on page 12 of that plan.

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

- Final reports issued in the period (**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

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

The progress with resolving the Corporate High Priority Findings is acceptable. A more robust process has been put into place to ensure NAS undertake follow up audit work on Corporate High Priority Findings which should result in speedier sign off of these. Previously reliance was placed on departmental owner's confirmation that satisfactory action has been taken.

Whistleblowing, investigations and Anti-Fraud and Corruption

See separate reports elsewhere on this agenda for detail.

France (Channel) England (FCE) Update

A new audit year has now started for the Audit Authority and good progress has been made against the delivery of the audit plan. Systems audits are underway. The sample for the audits of operations has now been selected and audit visits planned over the summer, such that all reports should be finalised by the end of September.

Report to Audit Committee

Item No 7.

Report title:	Risk Management
Date of meeting:	24th October 2019
Responsible Cabinet Member:	N/A
Responsible Director:	Simon George, Executive Director of the Finance and Commercial Services department
Is this a key decision?	No

Executive Summary/Introduction

The Committee's Terms of reference include to:

- Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council
- Consider the effectiveness of the system of risk management arrangements
- Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary
- Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.

This report references the corporate risk register as it stands in October 2019, following the latest review conducted during August and early September 2019. Risk management is reported separately to performance and financial reporting, but is aligned with, and complements, the performance and financial reporting.

This corporate risk register was last reported to Cabinet in September 2019 as part of the Risk Management Framework report, following a refresh of corporate risks. The corporate risks (including five new risks) have been reviewed and accepted by Cabinet, and a summary of significant changes to corporate risks since they were last reported to this Committee has been included in **Appendix A** for information purposes. The corporate risks are included in **Appendix B**.

Required

To consider and;

- Agree that there continues to be an effective governance structure in place to manage corporate risks under the adopted Cabinet system.
- Note the changes to the corporate risk register for information (**Appendix A**),
- Note the refreshed corporate risks in **Appendix B**;
- Note the scrutiny options for managing corporate risks, (**Appendix C**);
- Note the heat map of corporate risks (**Appendix D**);
- Note the background information to the report (**Appendix E**).

1. Background and Purpose

- 1.1 One of the Audit Committee's roles is to consider the Council's risk management. Assurance, on the effectiveness of risk management and the corporate risk register as a tool for managing risk, helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the performance management framework.

Cabinet Members and Executive Directors have been consulted in the preparation of the corporate risk register, along with the risk reviewers who have reviewed and updated the risks where there have been changes since the last report.

2. Proposals

- 2.1. The recommendations of this report can be found above. Members of this Committee are asked to note the changes to the reporting of risk from the Committee system to the Cabinet system including;
- A quarterly risk management update to Audit Committee including a summary of significant changes to any corporate risks for information purposes, to provide assurance of effective management and governance of risk within the Council.
 - Corporate risks now being reported on a quarterly basis to Cabinet with Cabinet Member engagement in the corporate risks that sit within their portfolio.

3. Impact of the Proposal

- 3.1. With corporate risk management reports now being reported to Cabinet, a new reporting structure has been identified and implemented. Corporate risks are brought to the Corporate Board where the Leader, Deputy Leader, Executive Directors and other officers sitting on the Corporate Board can scrutinise the content of the corporate risks in order to provide recommendations to Cabinet on any actions to be taken. Cabinet Members have corporate risks as part of their portfolios and are now briefed on risks sitting within their portfolios by Executive Directors.

4. Evidence and Reasons for Decision

- 4.1. Given the change to the new Cabinet system, along with the launch of the Council's business plan 'Together, For Norfolk' in June 2019, it was an opportunity to review and refresh the corporate risks. That was to ensure risks are in line with what the Council is looking to achieve in the next six years (looking at what major risks could affect the delivery of the objectives of the business plan), but also to ensure the adoption of a refreshed set of corporate risks by Cabinet Members, ensuring continued engagement with officers to ensure that these are being managed appropriately.

5. Alternative Options

- 5.1. Alternative courses of action relating to the scrutiny of corporate risks can be found in **Appendix C**.

6. Financial Implications

- 6.1. There are no financial implications to note within the scope of this report.

7. Resource Implications

7.1. Staff:

Whilst there is a new corporate risk (RM029) of NCC not having the employees (or enough employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term, there are no specific implications relating to the governance or structure of risk management around the Council.

7.2. Property:

There are no implications to property to highlight within this report.

7.3. IT:

There are no specific IT implications to note relating to the governance of risk management.

8. Other Implications

8.1. Legal Implications

There are no legal implications to highlight within this report.

8.2. Human Rights implications

There are no human rights implications to highlight within this report.

8.3. Equality Impact Assessment (EqIA) (this must be included)

There are no Equality impact assessments to note within this report.

8.4. Health and Safety implications (where appropriate)

A new corporate risk (RM028) has been identified on the risk of any failure to monitor and manage health and safety standards of third-party providers of services. Both the Corporate Board and Cabinet are monitoring the progress of implementing the mitigations for this risk.

8.5. Sustainability implications (where appropriate)

There are no sustainability implications to highlight within this report.

8.6. Any other implications

There are no other implications to report.

9. Risk Implications/Assessment

- 9.1. The risk implications are set out above.

10. Select Committee comments

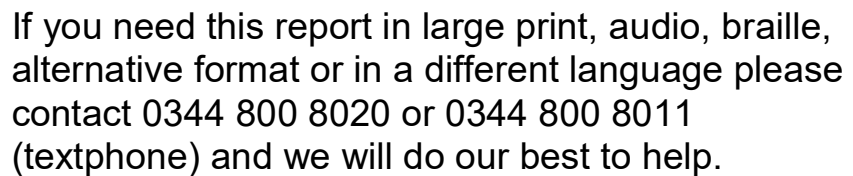
- 10.1. There are no recent Select Committee comments to report.

11.1. The action required can be found in the executive summary of this report.

12.1. There are no background papers to consider outside of this report.

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

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



Key Changes to Corporate Risks

The review and refresh of the corporate risk register has generated changes. These are captured below as follows;

Risk Number	Risk Score Change	Risk title Change	Risk Description Change	Mitigations Change	Risk Owner Change	New Risk
RM001		✓	✓	✓		
RM002			✓	✓		
RM003	✓	✓			✓	
RM004			✓	✓		
RM006			✓			
RM007	✓	✓		✓		
RM010	✓			✓		
RM013			✓			
RM016				✓		
RM022						
RM023		✓	✓			
RM024						
RM025	✓					
RM026						✓
RM027						✓
RM028						✓
RM029						✓
RM030						✓

New Risks

There are five new risks to report;

1. RM026 - Legal challenge to a procurement exercise
2. RM027 - Risk of failure of new HR and Finance system implementation
3. RM028 - Failure to monitor and manage health and safety standards of third party providers of services
4. RM029 - NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term
5. RM030 - Realisation of Children's Services Transformation change and expected benefits

Risk Score Changes

There are four risks to report score changes for;

1. RM003 – The current risk score has increased slightly from 8 to 9 (likelihood increased from 2 to 3, impact reduced from 4 to 3) which can be attributed in part to the larger volume of Special Access Requests (SARs) that the Council is receiving.

2. RM007 – The current risk score has increased from 8 to 12 (likelihood increased from 2 to 3) due to greater knowledge on what data management issues the Council faces. The tolerance target score has increased slightly from 4 to 6 in proportion to the revised current score increase.
3. RM010 – The prospects score has reduced from amber to green to reflect the steady progress mitigating the risks of IMT failure, and in running exercises to rehearse what would need to happen in the event of a failure. It also reflects the progress made with the new data centre which is scheduled to be operational by August 2019.
4. RM025 – Potential Change of governance in the Fire and Rescue Service – The current score has decreased from 15 to 10 (likelihood reduced from 3 to 2) to reflect the progress that has been made with the shared work programme on the Emergency Services Collaboration Board and Operational Group.

Current risk score changes can be viewed visually on the heat map risk matrix in **Appendix C**.

Amended Risk Titles

RM001

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

To: Realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.

This reflects the focus of the risk being on the generation of infrastructure funding.

RM003

From: Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security

To: Potential for failure to comply with information compliance and information security requirements.

This simplifies the risk title.

RM007

From: Potential risk of organisational failure due to data quality issues

To: Risk of poor data quality leading to poor decisions being made affecting outcomes for Norfolk citizens.

This clarifies the cause and effect of the risk.

RM023

From: Lack of clarity and failure to act upon changes to demography, funding, and government policy, with particular regard to Adults Services

To: Lack of clarity on sustainable long-term funding approach for Adult Social Services at a time of increasing demographic pressures and growing complexity of need.

This emphasises the long-term funding element of the risk.

Risk Description Changes

There are changes to six risk descriptions. For brevity, the corporate risks affected are as set out in the table above.

Risk Level Changes

There are three risks which have been identified to be managed at department rather than at corporate level;

RM011 - The potential risk of failure to implement and adhere to an effective and robust performance management framework.

This risk is deemed to be no longer corporately significant and can be managed within department.

RM014a - The increasing demand for SEND assessments coupled with the amount spent on home to school transport at significant variance to predicted best estimates

This risk is now being managed at a departmental level, feeding into corporate risk RM030, as a part of the transformation programme.

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

The savings set have been achieved, and this risk is deemed to be no longer corporately significant as it does not meet the corporate risk criteria.

Risk Number	RM001					Date of update		06 August 2019		
Risk Name	Realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan									
Portfolio lead	Cllr. Martin Wilby					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			03 June 2019		
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 attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education.										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	3	2	6	Mar-20	Amber
Tasks to mitigate the risk										
1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment. 1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment. 1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks. 1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers.) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the emerging Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner. 1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.										
Progress update										

Progress update

1.1) Maintain up-to-date project pipeline of future schemes and develop evidence and business cases for priority projects. Work with Transport East on development of Regional Evidence Base: WSP commissioned to undertake Regional Evidence Base. Norfolk County Council have commissioned work on Business Cases for: Norwich Western Link; Long Stratton Bypass; West Winch Housing Access Relief Road.

Work on developing priorities for next round of funding streams including Business Rates Pool, successor to Growth Deal and other identified potential funding streams: Working on Strategic Outline Business case for Transforming Cities funding for submission in June.

1.2) Developing schemes and projects including the following, part-funded from Pooled Business Rates:

- King's Lynn Transport; Norwich Western Link; Fakenham Market Town Study; Downham Market Market Town Study; Wroxham / Hoveton Market Town Study; Wymondham Market Town Study; Long Stratton; Bypass; West Winch Housing Access Relief Road.

1.3) Work to secure investment into the strategic road network. This includes:

- Business cases to support NCC A47 priority schemes (Acle Straight and East Winch to Tilney dualling) completed.
- NCC led Just Dual It campaign with EDP and Norfolk Chamber. Event at Westminster took place end of June which the Ministers for Roads attended.
- Norfolk MPs briefing held 14 May. As a result, Brandon Lewis MP has written to Highways England seeking assurances over delivery timetable for committed A47 schemes
- Study on wider economic benefits from A47 priority improvement schemes commissioned.

Work to secure investment into the rail network. This includes:

- Continuing to work on GEML (Great Eastern Main Line; Norwich to London). Network Rail have produced a draft study setting out infrastructure constraints for Norwich in 90 services. Local authorities commissioned study on wider economic benefits.
- Continuing to work on Ely Task Force. Network Rail is producing a business case for infrastructure improvements required to unlock a range of additional passenger and freight services
- Continuing to support East West Rail Consortium; Eastern Section prospectus recently published.

1.4) Review of Planning Obligations Standards completed, and agreed at EDT Committee on 8 March 2019. Further report went to Select Committee in July 2019, and further report scheduled for Cabinet in September 2019.

1.5) Work with Transport East on Regional Evidence Base and transport strategy:

- WSP completed work on the Regional Evidence Base for Transport East. Transport East submitted this alongside its priorities for Major Scheme Funding and Major Road Network funding to DfT at the end of July 2019. This included priorities in Norfolk of Norwich Western Link, Long Stratton Bypass, West Winch Housing Access Road and A47/A17 junction King's Lynn. We expect government to make initial announcements on these funding streams in the autumn 2019 budget.

- SOBCs and OBCs being undertaken for our priorities of Norwich Western Link, Long Stratton bypass and West Winch Housing Access Relief Road. Detailed engagement with DfT on these business cases starting.

- Met with DfT to discuss Transport East 4 June 2019.

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

Appendix B

Risk Number	RM002				Date of update			04 July 2019		
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams									
Portfolio lead	Cllr. Andrew Jamieson				Risk Owner		Simon George			
Risk Description				Date entered on risk register				31 May 2019		
<p>This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2018/19- 2021/22 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.</p> <p>Overall risk treatment: Treat</p>										
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-20	Amber
Tasks to mitigate the risk										
<p>Medium Term Financial Strategy and robust budget setting within available resources.</p> <p>No surprises through effective budget management for both revenue and capital.</p> <p>Budget owners accountable for managing within set resources.</p> <p>Determine and prioritise commissioning outcomes against available resources and delivery of value for money.</p> <p>Regular and robust monitoring and tracking of in-year budget savings by Corporate Board and members.</p> <p>Regular finance monitoring reports to Cabinet.</p> <p>Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants.</p> <p>Plans to be adjusted accordingly once the most up to date data has been received.</p>										
Progress update										

Progress update

Government's 2018-19 local government finance settlement reflected in the 2019/20 budget and Medium Term Financial Strategy.

The council's external auditors gave an unqualified audit opinion on the 2018-19 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2019.

The commitment to additional funding for the NHS (<https://www.gov.uk/government/news/prime-minister-sets-out-5-year-nhs-funding-plan>) inevitably means less funding will be available for other government priorities. However, the plan sets out a commitment that the Government will ensure that adult social care doesn't impose additional pressure on the NHS. The former Prime Minister has also signaled the intention to produce proposals to put social care on a more sustainable footing, and to set out budgets for social care and public health as part of the forthcoming spending review. As such the implications for the Council of the Government's various funding commitments across the public sector will not become fully clear until later in 2019. P&R Committee on 28.01.19 considered the latest budget position and recommended to Full Council a balanced budget for 2019/20. County Council on 11.02.19 approved the 2019/20 budget and future medium Term Financial Strategy taking into account the Final Local Government Finance settlement for 2019/20.

Risk Number	RM003					Date of update		16 July 2019		
Risk Name	Potential for failure to comply with information compliance and information security requirements.									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Helen Edwards		
Risk Description					Date entered on risk register			05 June 2019		
There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance, coupled with a risk of loss of sensitive data. This could lead to significant reputational and financial risk for NCC. This risk is separate to RM007, which looks at the risk of not having the correct or accurate data to make key decisions.										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	1	3	3	Mar-20	Green
Tasks to mitigate the risk										
1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities. 2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions. Continue CS data project to retain / destroy data appropriately. 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) Ensure that the mandated eLearning Data Protection 3 year refresher data continues to be sent to CLG on a monthly basis for review and action. 5) 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. 6) NCC is NHS Information Governance Toolkit compliant to Level 2 7) Embedding and enhacing Cyber Security techniques and Protocols through recommendations from the Cyber Security Audit - i.e data loss, ransomware and system outages etc. in line with National Cyber Security Centre best practice. 8) Embedding of GDPR 9) Undertake a six month review to reduce demand and increase capacity										
Progress update										

Progress update

The Chief Legal Officer has responsibility as SIRO and DPO.

GDPR programme of work has been implemented with all but low risk areas. Programme of work is now continuing for the low risk areas. There is an increased volume of Special Access Requests (SARs). A six monthly review is in place to reduce demand and increase capacity.

Audit successfully undertaken by Internal Audit in regards to the use and implementation of Caldicott Guardians across Childrens and Adults with no significant or high outcomes. Quarterly meetings are in place to monitor the Caldicott process. Work is underway to promote and prevent potential data security breaches followed by departmental checking and reporting of compliance.

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

Norfolk County Council is NHS IG Toolkit accredited to Level 2 by NHS Digital in lines with NHS partners within Norfolk and Waveney STP.

There are different aspects to this risk, which when considered together, make up the current risk score.

Risk Number	RM004					Date of update		21 August 2019		
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner	Simon George			
Risk Description					Date entered on risk register			02 June 2019		
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes. The council spends some £700m on contracted goods and services each year.										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	Mar-20	Amber
Tasks to mitigate the risk										
1) By October 2019 implement a proactive system to identify early signs of potential supplier financial failure and respond appropriately. Next steps: - Develop robust process to respond to CreditSafe alerts by end June 2019 - Develop robust process to spot other early warning signs eg late filing of accounts, media monitoring by end September 2019										
2) Continue to report the pipeline of expiring contracts to Corporate Board every six months. Continue to discuss the pipeline of expiring contracts with CES DMT every quarter. Next steps: - Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers on a quarterly basis from quarter 3 of 2019										
3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively. Next steps: a) Review roles and responsibilities around contract management for major contracts and categories by end of August 2019 b) Develop deliverables and obligations matrices for major contracts and categories by end of September 2019 c) Develop KPIs for contract management by end August 2019 4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively by end June 2019 5) From 2017 internal audit to conduct an audit of 2 contracts each year from the list of top 50 contracts by value 6) Internal audit to undertake audits of the contract management control environment in the three service directorates in second half of the financial year.										
Progress update										

Progress update

The actions set out in the action plan are progressing well but assurance is required about the control environment and this will be provided by the planned audits. Once internal audit has gathered sufficient information, the scoring of this risk will be reviewed. Progress on actions is set out below.

1) The list of suppliers that we receive CreditSafe alerts about has been updated to reflect our major contracts and alerts go to a procurement officer to forward to senior management if necessary.

2) Corporate Board received a report on 21 May 2019 to scope the contract compliance and optimisation workstream and agreed to continue to receive the pipeline six-monthly. Pipeline continues to go quarterly to CES DMT and is discussed quarterly with relevant senior commissioners in adults and children's. Children's has made an officer responsible for liaison with procurement regarding actions arising from the pipeline.

Pipeline reporting has been reimplemented in SharePoint to make production faster and prompt for updates to enable the report to be more up to date.

3) Corporate Board agreed the scope of the contract compliance and optimisation workstream on 21 May 2019.

a) A matrix setting out contract management responsibilities has been produced and a series of workshops is under way to allocate responsibilities to relevant officers. Children's services has made significant progress in stratifying contracts by risk and value and establishing an appropriate contract management structure. The adult commissioning team is currently being restructured and this will give greater focus to the most significant contracts.

b) A model deliverables and obligations matrix has been developed and will be final by the end of September. The matrix will be completed by the end of September and completed for one of the council's largest contracts – Norse Care – by that date. It will then be rolled out to other major contracts except where it is agreed that the format is not applicable.

c) The development of the KPIs has been de-prioritised in favour of work on deliverables and obligations.

In addition to the above, contract management training has now been provided to 87 contract management staff, and consultancy management training has been provided to chief officers and other relevant officers.

4) A standard evaluation question has been developed for contract transitions but as there are no major procurement exercises in train that involve transition of health and care services the standard specification has been delayed so that full lessons can be learnt from the transition from children's centres to the early childhood and families service. A detailed transition specification is being developed for the Oracle ERP replacement, where the issues are somewhat different.

5) Six of the most significant contracts have been audited so far. Findings have been minor and have been addressed.

6) The first audit of the contract management control environment – for CES – will take place in September 2019.

Risk Number	RM006					Date of update		04 July 2019		
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			13 June 2019		
The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users.										
Overall risk treatment: Treat										
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-21	Green
Tasks to mitigate the risk										
1) Clear robust framework, 'Together for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand. 2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets. 3) A robust annual process to provide evidence for Members to make decisions about spending priorities. 4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures. 5) Sound engagement and consultation with stakeholders and the public around service delivery. 6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.										
Progress update										
Regular budget and performance monitoring reports to Cabinet now set out how the Council is delivering against the 2019/20 budgets and priorities set for each of our services. The Council has a robust and established process, including regular reporting to members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports.										

Risk Number	RM007					Date of update		02 July 2019		
Risk Name	Risk of poor data quality leading to poor decisions being made affecting outcomes for Norfolk citizens									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Simon George		
Risk Description					Date entered on risk register			05 June 2019		
This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff. This risk is separate to RM003, which looks at the risk of failure to adhere to national and/or local statute or codes of practice relating to information compliance or information security.										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	Mar-21	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) Develop and link in to department risks on the management of departmental data.										
Progress update										

Progress update

The ICG has clear terms of reference and a work plan to cover its responsibilities. Data Quality (DQ) audits have been undertaken by internal audit with no significant or concerning outcomes.

Manual records management project looking at retention periods of manual records held with BoxIt is providing positive results.

Moving forward all new systems being procured like Liquid Logic have more validation and integrity checks on the data/information at field level, row level and at page level thus ensuring the data/information is treated as a corporate asset inline with the NCC IM Strategy.

We have undertaken significant data cleansing work this year or so in the migration to Liquid Logic for Social Care data and in preparation for a new ERP system (Financial & Procurement data in particular). We have also conducted extensive work to cleanse data in files-shares and paper documents in storage, also scanning extensively to support Liquid Logic & Oracle EBS and associated systems. DQ audits undertaken have also shown reasonable findings.

The Risk Management Officer will consult with departments to ensure risks associated with the management of their data are considered.

Bringing Liquid Logic into service provided an opportunity to understand where issues lie. Additional understanding gained from new Liquid Logic reports being written relying on accurate data.

Risk Number	RM010					Date of update			02 July 2019		
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.										
Portfolio lead	Cllr. Tom Fitzpatrick					Risk Owner		Simon George			
Risk Description					Date entered on risk register				01 July 2019		
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood, or supplier failure - 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: Treat.											
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	3	6	2	3	6	1	3	3	Sep-20	Green	
Tasks to mitigate the risk											
1) Full power down completed periodically. 6) Replace ageing Local Area Network (LAN) equipment 8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory) 9) Implement Cloud-based business systems with resilient links for key areas 10) Replace voice services (contact center / desk phones) with resilient cloud based services 11) Review and Implement suitable arrangements to protect against possible cyber / ransomware attacks including <ul style="list-style-type: none">• Carry out recommendations from Cyber Security Audit• Carry out recommendations from Phishing Simulation exercise, and repeat• Retire Windows 2003• Implement new client service security for Windows 10 build• Independent IT Health Check for PSN accreditation 12) We will be running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack 13) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios 14) Implement new data centre to reduce the risk of power failure, loss of data connectivity and reduce ICT hardware failures											
Progress update											

Progress update

- 1) Full power down completed periodically.
 - 6) New Local Area Network equipment has been procured and we are planning the implementation over the next month for delivery Q2 2019
 - 8) Access to services if County Hall was lost was tested during the Disaster Recovery (DR) exercise migrating services to the new DR site
 - 9) We Implement Cloud-based business systems with resilient links for key areas as they are procured
 - 10) Contact services are being migrated to a cloud based system, due to be finished by Q2 2019, Telephony resilience will be improved as part of the Microsoft Teams (Formerly Skype for Business project)
 - 11) We are working through the cyber audit actions target date for 90% completion end of Q1 2019
 - 12) The Cyber Attack exercise with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack will be scheduled for Q2/Q3 2019
 - 13) We have already held a Business Continuity exercise to understand and reduce the impact of risk scenarios and this will be re-run within 12 months to further reduce the risk.
 - 14) The new data centre to be implemented by August 2019.
- The projects score is based upon steady progress mitigating the risks and running exercises to rehearse what we do in the event of a failure. The current score will reduce further when the new Data Centre is made operational by August 2019.

Risk Number	RM013					Date of update		02 July 2019		
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.									
Portfolio lead	Cllr. Greg Peck					Risk Owner		Simon George		
Risk Description					Date entered on risk register			02 July 2019		
The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incurring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2018-19.										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	4	1	4	4	1	4	4	Mar-20	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.</p> <p>The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.</p> <p>The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.</p> <p>2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Strategy and Governance for the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.</p> <p>3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.</p>										
Progress update										

Progress update

- 1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register.
- 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA 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 then Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected. All County Council subsidiary limited company Directors have been approved in accordance with the Constitution. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC. A further strengthening of the Board is proposed with the appointment of two independent Non-Executive Directors with one vote each. As with Repton the appointments would be made through a transparent process of advertisement, interview and appointment.
- 4) The ED of F&CS directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution.
- 5) The Outline Business Case for Repton Property Developments Ltd has been approved.
- 6) There is Shareholder representation from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.

Risk Number	RM016					Date of update		06 August 2019							
Risk Name	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.														
Portfolio Lead	Cllr Andrew Proctor					Risk Owner	Tom McCabe								
Risk Description					Date entered on risk register			22 June 2019							
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).															
Overall risk treatment: Treat															
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	4	8	Mar-20	Amber					
Tasks to mitigate the risk					Progress update										
'1) All corporately agreed critical activities must have comprehensive Business Continuity plans which are exercised. Plans to be agreed by Senior Managers.					1) 86% of critical services have plans which are up-to-date. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The next annual audit has started.										
					2) To develop the Professional Development Centre (PDC) Norwich, which was agreed as a key corporate Work Area Recovery (WAR) site by Corporate Board.					2) January 2019 - live exercise with ASSD during powerdown at CH. February 2019 - Exercise Horseshoe to test the IMT access and Disaster Recovery site. Actions as a result of Exercise Horseshoe are being completed. We will complete the exercise annually. Follow up exercises are being scheduled for example the CSC exercise to check telephony took place successfully on the 19th July.					
										3) The Business Continuity for Managers course continues to be run through the year. The Emergency Planning awareness course has been launched, this course will provide managers with an insight into how an incident would be managed in the event of several agencies being involved. All plans must be exercised once per year. The percentage is increasing gradually - our target for the end of the years is 80%, currently we are on 65%. Resilience representatives and the Resilience Team are focusing and providing support on this. Good progress has been made on our e-learning package which is now being reviewed by colleagues across the organisation and it will be launched this year.					
3) Embedding Business Continuity - Ensure there is a programme of work to embed BC into the organisation. This includes awareness raising initiatives and training for support staff and resilience representatives. Training also includes the BC e-learning package which needs to be reviewed, relaunched, and the uptake monitored. Departments must ensure staff attend training and complete exercises/tests.															

Tasks to mitigate the risk	Progress update
4) Implement the Business Continuity Framework	4) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework. This has been developed further by communicating the position of the departments using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers. These reports were completed in 2018, with departments receiving a report listing departmental strengths and weaknesses in relation to Resilience.
5) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs.	5) A further update was provided to Corporate Board on 4th June 2019. IMT confirmed that the document would be finalised by the end of June ready to be circulated to the business. This has not yet been finalised, but is very close to being completed. IMT have confirmed that the Recovery Time Objectives (timescale of system recovery) have been based on variety of scenarios not just recovery in the event of us losing County Hall. The aspiration is that what the business has documented within the BIAs should be used to help shape IMT infrastructure projects and the DR development.

Risk Number	RM022					Date of update			04 July 2019		
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit').										
Portfolio lead	Cllr. Graham Plant					Risk Owner		Tom McCabe			
Risk Description					Date entered on risk register			01 July 2019			
Four important implications to the Council: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – substantial change needed structured around No Deal scenario and likelihood of No Deal. 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.											
Overall risk treatment: Treat											
Original			Current			Tolerance Target					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
3	3	9	3	3	9	2	3	6	Oct-19	Amber	
Tasks to mitigate the risk											
1) Norfolk County Council should continue to monitor Brexit developments and developing responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact). 2) We are members of the LGA Brexit Sounding Board and local authority officer network to keep abreast of local government thinking and influencing of post Brexit policy. We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area. 3) We have agreed the principals and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured. 4) Human Resources to support managers and staff who may be affected by this issue. 5) Regular meetings are taking place with the Ministry for Housing, Communities and Local Government and the Department for Business, Energy and Industrial Strategy (BEIS) regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met. 6) Understand the risks and implications of Brexit to service delivery, wider community and business continuity. This includes managing particular risks around the supply of food and fuel, to enable us to support vulnerable people.											
Progress update											

Progress update

- 1) MHCLG have advised that they will be issuing new set of planning assumptions around a no deal Brexit in due course. Brexit Silver Group Meetings will be reconvened prior to October 2019 to understand how departments are preparing for a no-deal Brexit scenario, to minimise disruption to their services post 31st October 2019, and feed any info. from the Norfolk Resilience Forum back to NCC and vice versa. In addition, with the Risk Management Officer we are developing a specific and more detailed corporate Brexit risk register to manage risks arising from leaving the European Union that are within our control.
- 2) The NCC website now offers information for businesses and individuals
<https://www.norfolk.gov.uk/what-we-do-and-how-we-work/preparing-for-brexit>
- 3) The Treasury Guarantee provides assurance that funding is assured in the event of a deal for projects committed by 31 December 2020 (rather than 19 March 2019 as had been anticipated). Payment mechanisms to manage this remain to be explored.
- 3) The Green Paper regarding the Shared Prosperity Fund has still not yet been published and is not expected for some time until the Brexit situation has been clarified: We continue to work with New Anglia and other relevant partners and will in due course prepare a joint response and report the proposals and our response to members when it has been published. NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt.
- 4) The Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from Ministry of Housing, Communities & Local Government that they will meet our liabilities in order to close the Programme. The Ministry for Housing, Communities and Local Government have raised the issue with Ministers, as is our MA status after we leave the EU. This will now fall under the detailed work around payment mechanisms following the confirmation of extended programme completion. The renewed Treasury Guarantee supports this approach.
- 5) We have raised the issue of Trading Standards (their ability to act as a National Body certified by the EU, charging for highway services) with the LGA to play into their negotiations with DExEU.
- 6) A task force has been set up, asking each Directorate to provide a summary of the risk posed to them and their service provision by Brexit. Service delivery risks involving the availability of fuel and supply of food are being managed to ensure that the Council is prepared for any such eventualities.

Risk Number	RM023					Date of update			04 June 2019	
Risk Name	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.									
Portfolio lead	Cllr. Bill Borrett					Risk Owner		James Bullion		
Risk Description						Date entered on risk register			04 June 2019	
Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. At the same time, the pressures of demography and complexity of need continue to increase. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Cause: Lack of clarity on future funding, and government policy. Event: The Council has to take short-term decisions instead of following effective and sustainable transformation. Effect: Outcomes for Norfolk citizens may worsen.										
Overall risk treatment: Treat										
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	4	5	20	2	4	8	Mar-20	Amber
Tasks to mitigate the risk										
1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future. 2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care. 3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system. 4) Judicious use of one-off winter funding, as announced by Government. 5) Close tracking of government policies, demography trends and forecasts. 6) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.										
Progress update										

Progress update

- 1) Demand and demography modelling continues to be refined through the cost and demand model. Five main themes for transformation: Services for people with a learning disability; maximising digital technology; embedding strengths-based social work through Living Well; 3 conversations; health and social care integration and housing for vulnerable people.
- 2) Sector based plans for providers which model expected need and demand associated with demographic and social change
- 3a) Strengthened investment in prevention, through additional reablement, social prescribing, local initiatives for reducing social isolation and loneliness
- 3b) Workforce – continued recruitment campaign to sustain levels of front line social workers and occupational therapy staff.
- 3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care.
- 4) Close joint working with NHS, through the STP, to shape and influence future integration of health and social care
- 5) We are still awaiting the Green Paper on Social Care; will now review the NHS 10-year Plan and establish how this will impact on the direction of travel for health and social care
- 6) Collaboration with children's services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning.

Risk Number	RM024					Date of update		06 August 2019		
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)									
Portfolio lead	Cllr. Martin Wilby					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			14 June 2019		
There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes.										
Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.										
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	4	8	2	4	8	2	3	6	Jan-23	Amber
Tasks to mitigate the risk										
The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are: 1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings. 2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes. This will include independent audits and contract/legal advice on key contract risks as necessary. 3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board. 4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored. 5) All opportunities to be explored through board meetings to reduce risk and programme duration.										
Progress update										

Progress update

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

1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. Progress update report provided to Audit Committee on 31 July 2018. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there are no significant concerns identified that undermine the project delivery). Internal audit on governance ongoing during Feb 19 - report still to be finalised.

2) Specialist cost and commercial consultants have been appointed and will continue to review project costs. The first element of work for the cost consultant was to review project forecasts. They will continue to assess on a quarterly basis, reporting to the board and supporting the work of the commercial team which is now operational.

No issues highlighted to date and budget is considered sufficient - this work was used to update the business case submitted to and accepted by DfT.

A further budget review is being completed following appointment of the contractor (however initial assessments based on tendered submissions provided sufficient confidence to award the contract - in accordance with delegated authority).

3) An overall project programme has been developed and will be owned and managed by the dedicated project manager. Any issues will be highlighted to the board as the project is delivered. Programme updated to fully align procurement and Development Consent Order (DCO) processes. Following the award of the contract, from January 2019, the programme is now focussed on delivering the DCO. Development Consent Order submitted to the Planning Inspectorate by end of April 19 as per agreed timescales. DCO also confirmed as accepted by the Planning Inspectorate.

4) Learning from the NDR and experience of the commercial specialist support has been utilised to develop contract details ahead of the formal commencement of the procurement process, which was 27 February 2018. Further work is ongoing and has fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019).

5) The project board will receive regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates.

Risk Number	RM025		Date of update		06 August 2019					
Risk Name	Potential change of governance in the Fire and Rescue Service									
Portfolio lead	Cllr. Margaret Dewsbury			Risk Owner	Tom McCabe					
Risk Description				Date entered on risk register	30 May 2019					
<p>A change in governance for the Fire and Rescue service has been proposed by the PCC. If this proposal was to go ahead in the future, it would create a number of issues which would lead to a less resilient service which is less able to address community risk and will impact on public safety:- 1) the service will be fully exposed to budget pressures and reductions in a way that they are not currently, and may need to make service reductions to manage these. 2) proposed changes to operations are not clearly articulated and have not been risk assessed, and could lead to inappropriate and unsafe practices being put in place. 3) a change in governance, if agreed, would take 14 months to implement and would require significant resource, which would distract resource from service operations and improvements. It would also cost around £1m, which would create an additional budget pressure. 4) there may be an impact on the morale of staff impacted by the change, and it is possible that there could be strike action.</p>										
Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	2	5	10	2	4	8	Dec-19	Amber
Tasks to mitigate the risk										
<p>1) Participate in the public consultation being carried out by the PCC until 05/09/2018 to ensure that the County Council's views and concerns can be understood, and taken into account.</p> <p>2) Keep affected staff updated on progress as and when there are further developments.</p> <p>3) Encourage Norfolk communities and other stakeholders to participate in the PCC's public consultation by 05/09/2018.</p> <p>4) Re-fresh and reinvigorate collaboration with other emergency services, in particular Norfolk Constabulary.</p>										
Progress update										

Progress update

- 1) COMPLETE A special meeting of the Communities Committee took place on 29 August to consider and agree the County Council's formal response to the consultation, and the agreed formal response was submitted to the PCC 4 September 2018. The Committee also agreed to recommend that this risk is managed at corporate level. It was considered and agreed by the Policy and Resources Committee at the October 2018 meeting.
- 2) Regular messages were sent to staff to keep them up to date on progress up to the point that the PCC made a decision to pause the process. Further staff updates and briefings will be arranged, if needed.
- 3) COMPLETE Information on the County Council's views published on the Norfolk County Council website, along with information about how to respond to the PCC's public consultation. The public consultation closed on 5 September 2018. The responses have been reviewed.
- 4) Refreshed arrangements for Emergency Services Collaboration Board are now in place. A Memorandum of Understanding has been signed by the PCC and the Leader of NCC and Communities Committee have approved a formal collaboration agreement between Norfolk Fire and Rescue and Norfolk Constabulary. The new Emergency Services Collaboration Board and Operational Group are meeting regularly, a shared work programme has been developed and some elements of work are complete.

Risk Number		RM026		Date of update		21 August 2019				
Risk Name		Legal challenge to procurement exercise								
Portfolio lead		Cllr. Andrew Jamieson		Risk Owner		Simon George				
Risk Description				Date entered on risk register		04 June 2019				
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation										
Overall risk treatment: Treat										
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-20	Green
Tasks to mitigate the risk										
Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC). 1) At team meeting w/c 10 June 2019, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale 2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises. 3) Seek corporate board sign-off for new approach with consistently adequate timelines,fewer evaluators and greater control over choice of evaluator 4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim. 5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801 in w/c 3 June 2019 6) Review standard scoring grid and test 'offline' on tender NCCT41830 w/c 10 June 2019 7) Review template provisional award letter w/c 17 June 8) Develop standard report to decision-maker w/c 17 June 9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender. 10) Pilot new scoring grid in a future tender 11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives.										
Progress update										
As these are new mitigations, updates will follow to capture the progress against the mitigation tasks proposed to manage this risk.										

Risk Number	RM027					Date of update		29 July 2019		
Risk Name	Risk of failure of new Human Resources and Finance system implementation									
Portfolio lead	Cllr. Tom FitzPatrick					Risk Owner		Fiona McDiarmid		
Risk Description					Date entered on risk register			16 August 2019		
Risk that there is a significant impact to HR and finance services through potential lack of delivery of the new HR & finance system.										
Overall risk treatment: Treat										
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	2	2	4	Sep-21	Green
Tasks to mitigate the risk										
1) Thorough business case to assess Current issues, and solutions available, approved by Cabinet. 2) Third party assurance of plans and timescales 3) Rigorous procurement process - procurement to begin on 31st October 2019. 4) benefits focus, including senior role with responsibility for benefits realisation 5) Rapid recruitment of programme team to avoid delay 6) Strong governance of time and budget										
Progress update										
1) Cabinet approved the business case in May 2019. 2) On-going visibiillty of the plans via Assurance and Compliance Group, also 3) Procurement starts 31st October for the release of the ITT (invitation for tender) 4) Eight benefit themes applied to the project from the outset, programme board are responsible for delivering against these benefits 5) Recruitment for phase one has started, planning for phase two roles TBC 6) Governance managed by project board and programme board for project plans and budget										

Risk Number	RM028					Date of update		29 July 2019		
Risk Name	Risk of any failure to monitor and manage health and safety standards of third party providers of services									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Fiona McDiarmid		
Risk Description					Date entered on risk register			29 July 2019		
The potential for the Council not proactively monitoring and managing 3rd party providers to ensure the standards of health and safety. There is a risk of prosecution for health and safety failings, reputational damage and a failure to deliver services.										
Overall risk treatment: Treat										
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	4	5	20	1	5	5	Mar-21	Green
Tasks to mitigate the risk										
1) HSW team to undertake remote monitoring of high risk areas e.g accomodation providers 2) Departments to investigate specific concerns raised by the surveys 3) Departments to review their approach to contract management and implement sustainable improvements in monitoring with the support of Health and Safety Team (HSW)										
Progress update										
1) Monitoring undertaken by HSW Q3 2017/18 Report taken to CLT with findings Q4 2017/18 - actions 2 & 3 agreed at the then CLT. Corporate Board ensuring progress made and plans delivered. 2) Departments have reviewed their approach to contract management and proposed changes to structures to ensure responsibilities are clear in particular roles. 3) A robust action plan has been agreed an will be implemented and managed through the commissioning functions.										

Risk Number	RM029		Date of update		29 July 2019					
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner	Fiona McDiarmid					
Risk Description			Date entered on risk register		29 July 2019					
There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors										
Overall risk treatment: Treat										
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	Mar-21	Green
Tasks to mitigate the risk										
<ul style="list-style-type: none">• Identification of what new critical skills are required in services – As each directorate makes their changes to make savings / manage demand• Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand• Challenge ourselves, is there another way this can be delivered?• Explore further integration with other organisations to fill the gaps in our workforce - ongoing• Develop talent pipelines working with schools, colleges and universities• Undertake market rate exercises as appropriate and review employment packages• Explore / develop the use of apprenticeships; this will help grow talent and act as a retention tool• Work with 14 – 19 providers and HEIs to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements										
Progress update										
As these are new mitigations, updates will follow to capture the progress against the mitigation tasks proposed to manage this risk.										

Appendix B

Risk Number		RM030		Date of update		14 August 2019				
Risk Name		Realisation of Children’s Services Transformation change and expected benefits								
Portfolio lead		Cllr. John Fisher		Risk Owner		Sara Tough				
Risk Description				Date entered on risk register		08 August 2019				
The risk is Children’s Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time.										
Overall risk treatment: Treat										
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	5	5	Mar-23	Amber
Tasks to mitigate the risk										
1) A demand management and prevention strategy and associated business cases have been completed and a 5 year transformation programme has been established covering social care and education 2) Significant investment has been provided to delivery transformation including £12-15 million for demand management and prevention in social care and £120m for capital investment in Specialist Resource Bases and Specialist Schools 3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change 4) Scrutiny structures are in place through the Norfolk Futures governance processes to track and monitor the trajectories of the programme benefits, risks and issues 5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance etc 6) Interdependencies with other enabling transformation programmes e.g. smarter working will be aligned to help maximise realisation of benefits.										
Progress update										

Progress update

- 1) Business cases for Safer Children and Resilient Families Programme and the SEND and Alternative Provision programmes have been agreed.
- 2) Current profile of £12-15m investment is flat at £2m per year rather than front loaded.
- 3) Leads and transformation team in place. Roles involved in transformation will increase and decrease in line with programme demand
SEND transformation workstreams are established, project mandates agreed and the capital programme for the first build is underway.
SEND consultation stages / work with IMPOWER completed and design stage underway for Specialist Resource Bases (SRBs)
- 4) Governance structures and reporting processes in place and being actively used through stocktake meetings and trajectory reports.
- 5) High level of engagement from corporate departments. Finance and HR use business partner model to embed expertise directly in department. Resource requirements are being managed in line with demand.
- 6) Business transformation “interlocks” are being used to manage interdependencies between programmes in Children’s Service and the Business Transformation Programme. Other change programme are managed as required e.g. the alignment of the roll-out of new mobile devices and apps to enable greater mobile working.

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

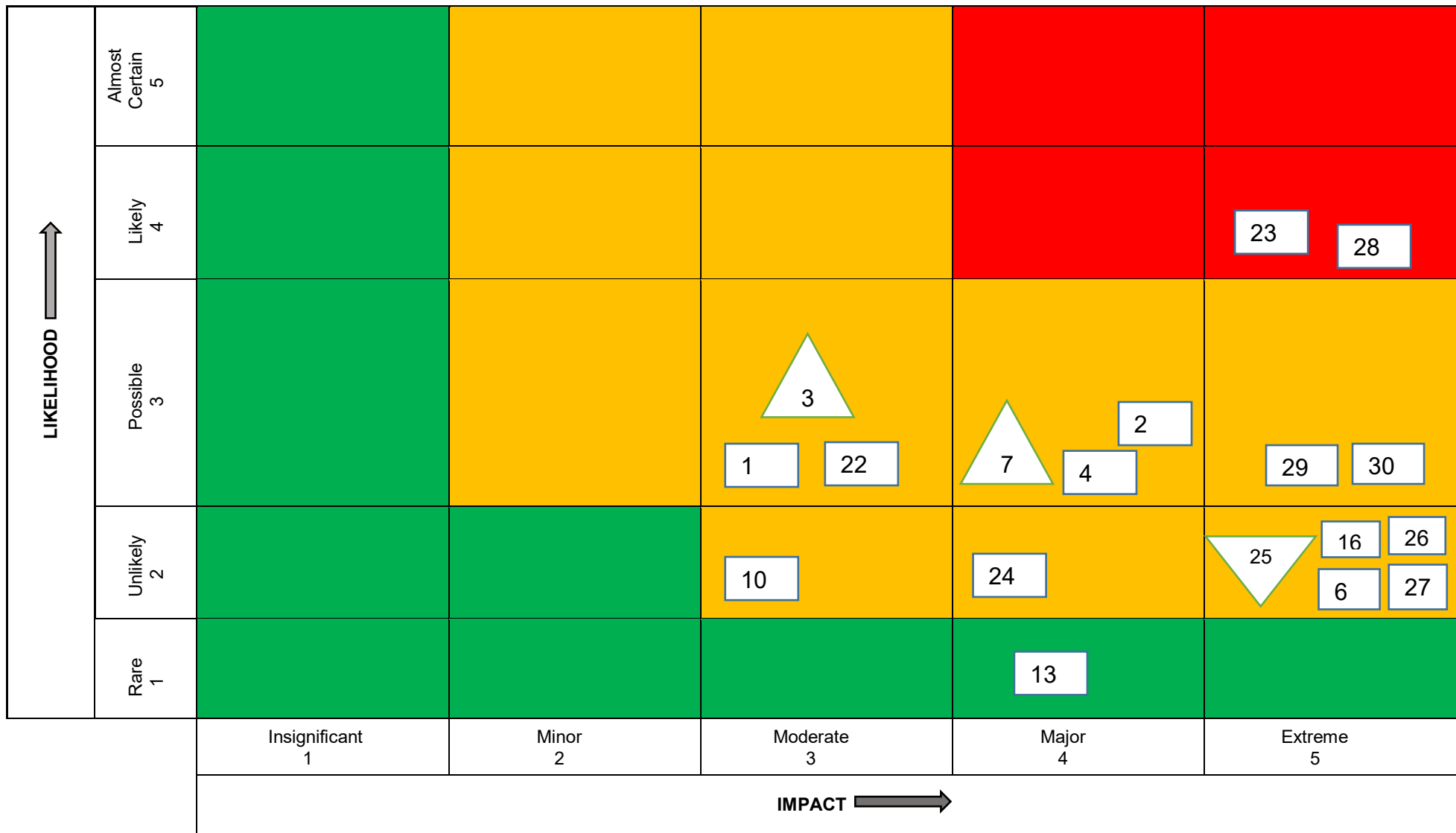
A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.

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)	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to the 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 Corporate Board	Identify key actions for risk management improvement and refer to Corporate Board for action
6	Refer to Cabinet	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to Cabinet for action.

Corporate Strategic Risks - Heat Map

**Key**

= Risk score increase



= no score change



= risk score decrease

No.	Risk description	No.	Risk Description
1	Realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	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.
2	The potential risk of failure to manage significant reductions in local and national income streams.	16	Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services.
3	Potential for failure to comply with information compliance and information security requirements.	22	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff ('Brexit').
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	23	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.
6	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	24	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
7	Risk of poor data quality leading to poor decisions being made affecting outcomes for Norfolk citizens.	25	Potential change of governance in the Fire and Rescue Service.
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.	26	Legal challenge to procurement exercise.
		27	Risk of failure of new Human Resources and Finance system implementation.
		28	Risk of failure to monitor and manage health and safety standards of third party providers of services.
		29	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
		30	Realisation of Children's Services Transformation change and expected benefits.

Background Information

A Corporate Risk is one that:

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

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

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

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

Treat

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

Tolerate

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

Transfer

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

Terminate

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

Report to Audit Committee

Item No. 9

Report title:	Norfolk Audit Services Report for the 2nd Half of the Year Internal Audit Plan 2019/20
Date of meeting:	24 October 2019
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No

Executive Summary

In accordance with the UK Public Sector Internal Auditing Standards (PSIAS), 'The chief audit executive must review and adjust the plan (the audit plan), as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.'. This is completed formally, halfway through the audit year and informally, throughout the audit year in response to emerging issues and requests, informed to the Audit Committee via the quarterly report. This report details the revised Audit Plan known as 'The 2nd Half of the Year Internal Audit Plan, 2019/20' for Audit Committee approval.

The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.

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.

The Council has an approved Business Plan, 'Together for Norfolk' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in supporting Service Plans.

Action Required

To approve the 2nd Half of the Year Internal Audit Plan, 2019/20.

1. Background and Purpose

- 1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015.
- 1.2 Under these regulations, the County Council 'must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
- 1.3 Also, the County Council 'must, each financial year (a) conduct a review of the

effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'

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

UK Public Sector Internal Audit Standards

- 1.5 CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) has produced the UK Public Sector Internal Audit Standards (PSIAS) which came into force on 1 April 2013 and latest revised version is dated, 1 April 2017. CIPFA, in collaboration with the CIIA, also published in February 2019 the Local Authority Guidance Note (LAGN) for the Standards, which remain current.

Crime and Disorder

- 1.6 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.

This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. This report introduces the latest internal audit plan to provide an opinion on the effectiveness of risk management and internal control.

2. Proposals

- 2.1 The Audit Committee is asked to approve the 2nd Half Year of the Internal Audit Plan 2019-20.

The requirements

- 2.2 In accordance with UK PSIAS the Chief Audit Executive, the Council's Chief Internal Auditor (CIA), must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Council's goals and must review and adjust the plan (the audit plan), as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.
- 2.3 In developing our risk-based plan, we must consult with senior management and obtain an understanding of the Council's strategies, key business objectives, associated risks and risk management processes and the plan must be reviewed and adjusted as necessary, in response to changes in the business, risks, operations, programmes, systems, and controls. Our approach to this for our revised audit plan is detailed below.
- 2.4 Our audit plan must incorporate or be linked to a strategic or high-level statement of how our service will be delivered and developed in accordance with our Terms of Reference (this is our Internal Audit Strategy as detailed in **Appendix A**) and how it links to the Council's objectives and priorities (this is shown in our detailed 2nd Half of the Year Audit Plan, 2019/20 in **Appendix B**).
- 2.5 In addition, the internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control

processes using a systematic, disciplined, and risk-based approach.

- 2.6 The risk-based plan must also consider the requirement to produce an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement (AGS) and must conclude on the overall adequacy and effectiveness of the County Council's framework of governance, risk management and control.
- 2.7 As Section 151 Officer, the Executive Director of Finance and Commercial Services has a duty to consider the adequacy of the internal audit coverage. Our audit plan is discussed with the Executive Director of Finance and Commercial Services.

Our approach to revising the Audit Plan

- 2.8 We have consulted with Assistant Directors and other senior and key managers and Finance Business Partners to discuss the audits planned for their areas and determined whether these are still relevant for the achievement of service / departmental objectives.
- 2.9 We also discussed any key issues facing the department or service and where the risks were significant, these areas were included in the audit plan.
- 2.10 We have reviewed the latest Corporate Risk Register and considered whether the time is right to include audits on any of these where there is currently no audit coverage.
- 2.11 We also considered, matters discussed with other Heads of Internal Audit, as well as applying our own professional judgement, audit knowledge and experience in devising an appropriate audit plan.

Days available

(The figures in brackets below are those shown in the Audit Plan presented to the Audit Committee in January 2019)

- 2.12 The revised total days available to deliver all the services provided by NAS for the year is 2,088 (2,161). Of these days 795 (835) days are delivered to external clients.
- 2.13 Of the remaining 1,293 (1,326) days available to deliver the services to internal clients, 754 days (787) are available to deliver the audit opinion work from the department's staffing resources. It is proposed that this is increased by an additional 160 (45) days, to be provided by external contractors, to deliver the audit opinion days required for the second half of the year, (see 3.4 below for further detail on the audit days required), making the total audit days available for the year, 914. This is deemed sufficient to provide an opinion on the adequacy and effectiveness of the County Council's framework of internal control.
- 2.14 To deliver the risk management and investigative auditor roles, 381 (381) days are available, and the remaining 158 (158) days are available to deliver the other services provided by NAS, as detailed in **Appendix A** (our Internal Audit Strategy) shows a comparison with 2018/19 and the revised split of days across the two halves of the Audit Plan.

Audit days required

- 2.15 The detailed audit plan for the second half of the year for 2019/20 is shown in **Appendix B**. This shows that the audit days required for audit opinion work for the 2019/20 year is now 831 (787).
- 2.16 The audit days required for audit opinion work for the second half of the year, 570 days, is significantly higher than the first half of the year, 261 days. This is the same for full traded school audits days; 84.5 days in the second half of the year compared to 17.5 days in the first half of the year.
- 2.17 The second half of the year also has a larger proportion of audit assignments (27 opinion audits and 24 full traded school audits) than the first half of the year (11 opinion audits and 5 full traded school audits).
- 2.18 The total audit days delivered in the first half of the year is estimated to equate to 426 days compared to a requirement to deliver a total of 807 days in the second half of the year. As outlined in 2.13 above, it is proposed that 160 additional days are provided by external contractors to help deliver the audits required for the second half of the year. However, the Audit Plan will still be over subscribed. To manage this, audits will be prioritised on a risk basis and it is likely that some audits will be deferred into 2020/21 or cancelled at the scoping stage.
- 2.19 The reasons for this difference in days between the two halves of the year are because less staffing resources are available in the first half of the year, due to the summer holidays and term time working and we are under resourced by one auditor due to a resignation in May 2019. Some time is also necessary to complete audits still in progress from 2018/19 in the first half of the year, which equated to approximately 70 days, and full traded school audits cannot be completed over the summer holiday break.

France Channel England (FCE)

- 2.20 The Audit Authority works to its own Audit Strategy, refreshed annually in January and endorsed by the FCE Consultative Audit Group. The Audit Strategy is developed to ensure that the Audit Authority fulfils the expectations and meets the requirements laid out in EU Regulations. The strategy has three main strands: audit of the systems, audit of the expenditure and audit of the accounts. The Audit Authority summarises the audit results in its Annual Control Report, which is submitted to the EC alongside the programme's annual accounts.
- 2.21 The work of the Audit Authority relates to the prior accounting year, similar to the work of external auditors, as it aims to support the opinion on the accounts.
- 2.22 The revised days available for FCE work is 395.

NAS budget

- 2.23 The net budget for delivering all the services provided by NAS remains at circa £540K for 2019/20. Projected income is now estimated to be circa £195K.

3. Impact of the Proposal

- 3.1. The internal audit work supports the effective and efficient delivery of the Council's business plan 'Together for Norfolk'. The audits give assurance that

controls are in place or; if action is required, that there are adequate plans in place.

4. Evidence and Reasons for Decision

4.1. Not applicable.

5. Alternative Options

5.1. There are no alternative options.

6. Financial Implications

6.1. The service expenditure falls within the parameters of the annual budget agreed by the Council.

7. Resource Implications

7.1. **Staff:**

There are no staff implications.

7.2. **Property:**

There are no property implications.

7.3. **IT:**

There are no IT implications.

8. Other Implications

8.1. **Legal Implications:**

There are no legal implications to consider within this report.

8.2. **Human Rights implications**

There are no human rights implications to consider within this report.

8.3. **Equality Impact Assessment (EqIA) (this must be included)**

No implications.

8.4. **Health and Safety implications** (where appropriate)

There are no health and safety implications.

8.5. **Sustainability implications** (where appropriate)

There are no sustainability implications.

8.6. **Any other implications**

There are no other implications.

9. Risk Implications/Assessment

9.1. Not applicable.

10. Select Committee comments

10.1. Not applicable.

11. Recommendation

- 11.1. See Action Required in Executive Summary above.

12. Background Papers

- 12.1. Internal Audit Strategy, Our Approach, and 2019/20 Audit Plan
NAS's Terms of Reference (Our Internal Audit Charter)
Section C of the Financial Regulations

Officer Contact

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Days available to deliver NAS services 2019/20

Appendix A

Element	Total Days proposed 2019/20	% of NCC plan (excludes external clients)	Actual Days Q1 & Q2	Proposed Days Q3 & Q4	Actual Total Days 2018/19	% of NCC plan (excludes external clients)
Reporting to the Audit Committee quarterly and annually	35	3%	17	18	35	3%
Facilitation of the delivery of the Annual Governance Statement to the Audit Committee and the Joint Committees	8	1%	8	0	8	1%
Provision of assurance to the Executive Director of Finance and Commercial Services (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority.	20	2%	10	10	20	2%
Undertaking audit work to support the internal audit opinion	754	57%	261	493	765	62%
Provision of advice and assistance with respect to Internal Control to Executive Directors and other Senior Officers	95	7%	47	48	45	4%
Delivery of the Anti Fraud and Corruption strategy, including preliminary assessments and investigations	191	15%	96	95	192	15%
Delivery of the Risk Management Strategy including servicing of Committees in respect of risk management	191	15%	96	95	167	13%
*Provision of chargeable Internal Audit Service to Schools	101		50	51	76	
*Provision of an Internal Audit Service to Norfolk Pension Fund	67		30	37	80	
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	5		6	0	6	
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	226		113	113	173	
*Delivering the Audit Authority Function to the FCE programme	395		197	198	458	
Gross Total	2,088	100%	931	1,158	2,025	100%
*Less Delivered to external Clients	795		397	398	793	
Total Available days to deliver the Audit Plan	1,293	100%	534	760	1,232	100%

Available productive days as per resource model

2,088

Detailed Audit Plan for the 2nd Half of the Year, 2019/20**Appendix B**

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.	Q1&2 Audit Days	Q3&4 Audit days
Community and Environmental Services						
Transforming Cities Programme	Project risk	20	Assurance that governance arrangements are adequate and effective.	Strong Communities		20
Third River Crossing Audit 2	Project risk RM024	20	Assurance that project controls are adequate and effective.	Strong Communities		20
Highways Commercialisation	Contract - managing performance risk RM004	20	Assurance that the controls in place to manage the agreement with and performance of Norse Highways are adequate and effective.	N/a		20
Concessionary Travel Scheme	Service risk	20	Assurance over the adequacy and effectiveness of key internal controls in respect of reimbursements to operators (fixed reimbursement pot).	Strong Communities	20	
Blue Badge Permits	Service risk	15	Assurance that key processes and controls are working efficiently and effectively.	N/a	15	
NCLS - Deferred from 18-19	Financial risk Governance risk	15	Assurance that key processes and controls are working efficiently and effectively.	Strong Communities		15
Total Community & Environment Services		110			35	75

Adult Social Services						
All departments						
Project, change management and financial savings	Project, Change Mgmt, Financial RM002, RM006, RM023	40	Assurance on the adequacy and effectiveness of controls in place to mitigate the risks associated with managing projects and change, to deliver the required financial savings on time.	Thriving People		40
Contract Management within ASS	Contract - managing performance risk RM004	20	Assurance on the adequacy and effectiveness of controls in place to manage ASS contracts.	Thriving People		20
Strategy and Transformation						
Delayed Transfer of Care Part 2 - Follow Up of Part 1 Action Plan - Deferred from 18-19	Service risk	15	Assurance that the action plan for Part 1 of the audit completed in 2018/19 has been implemented	Thriving People Strong Communities		15
Integrated Operations (MH/LD)						
Total Adult Services		75			0	75

Children's Services						
Education						
Capital Programme for Schools	Financial risk, Project risk RM014a	20	Assurance on the adequacy and effectiveness of the controls in place to manage capital projects so that these are delivered as expected, on time and budget.	Thriving People	20	
Contract Management within the non-maintained independent sector	Contract - managing performance risk RM004	20	Assurance on the adequacy and effectiveness of controls in place to manage contracts within the non-maintained independent sector.	Thriving People	20	
Thematic Audit - GDPR	IT risk RM003	15	Assurance on the adequacy and effectiveness of controls in place to ensure compliance with GDPR.	N/a	15	
Thematic Audit - Recruitment Checks	HR risk	15	Assurance on the adequacy and effectiveness of controls in place to ensure appropriate and required recruitment checks are completed prior to employment.	N/a		15
Social Work						
Looked after Children (LAC)	Service risk	20	Assurance on the adequacy and effectiveness of controls in place to ensure plans with the transformaton programme are on track and achievable.	Thriving People		20
Demand Led Budgets Deferred from 1819	Financial risk	15	A follow up audit on progress with implementing the recommendations made in the 2016/17 audit.	Thriving People		15
Ormiston Families - Contract Monitoring	Service risk	20	Assurance that this comntract is being adequately and effectively monitored and managed.	Thriving People		20
Total Children's Services		125			55	70

Strategy and Governance						
Human Resources						
HR Audit	HR risk	15	Topic to be agreed on a risk assessed basis	N/a		15
HR Audit	HR risk	15	Topic to be agreed on a risk assessed basis	N/a		15
Strategic Delivery Unit						
Governance of County Community Safety Partnership	Governance risk RM013	15	Assurance that effective governance arrangements are in place for County Community Safety Partnership	Strong Communities		15
Governance arrangements at the County Council	Governance risk RM013	15	Assurance that effective governance arrangements are in place.	N/a		15
Total Strategy and Governance		60			0	60
Finance						
Credit Control	Financial risk	20	Assurance on the adequacy and effectiveness of the controls in place to collect debts.	N/a		20
Expenses	Financial risk	15	Assurance that the controls for the new electronic system are adequate and effective.	N/a		15
Teacher's Pension Return (TPA)	Financial risk	15	Required annually by external auditor	N/a	15	

Corporate Property Team						
NCC Phase 3 Works	Project risk, Financial risk	20	Assurance on the adequacy and effectiveness of the controls in place to manage these capital works so that these are delivered as expected, on time and budget.	N/a	20	
Repton Housing Development Company	Governance risk RM013	15	Assurance that effective governance arrangements are in place for the development company	Growing Economy	15	
Project Qube (system for collecting and paying rents, rates and service chgs as a landlord and a tenant)	Financial risk	15	Assurance that the controls established for the Project Qube system are appropriate and working in practice.	N/a		15
Procurement						
Contract Monitoring - Top 50 Contracts - Senior Mgmt Monitoring	Contract - managing performance risk RM004	30	Topic to be agreed on a risk assessed basis.	N/a	5	25
Contract Monitoring - Top 50 Contracts	Contract - managing performance risk RM004	20	Topic to be agreed on a risk assessed basis.	N/a		20

Information Management Technology						
Cyber Security	Cyber risk RM003, RM010	30	Assurance that the controls to prevent unauthorised access to and exploitation of our electronic systems and networks are adequate and effective.	N/a		30
Access Controls	Access risk RM003	35	Assurance that controls for the new MyIT portal ensure that data access is controlled so that legal and regulatory responsibilities are met, the right staff have access to the right ICT systems at the right time and that leavers' access is removed promptly.	N/a	20	15
Data Sharing (ASS)	IT risk RM003, RM007	20	Assurance that the Guide for Practitioners is being adhered to when data is shared between ASS and the NHS to ensure that data is shared securely.	Strong Communities		20
IT Computer Asset Disposal & Inventory Controls	IT risk RM003, RM010	35	Assurance that controls are appropriate and effective for managing software assets and the secure decommissioning of IT assets.	N/a	20	15
DPIA Deferred from 18-19	IT risk RM003, RM010	15	Assurance on the adequacy and effectiveness of the controls in place to ensure that DPIAs are completed as required.	N/a		15
Data Quality - Liquidlogic	IT risk RM007	15	Assurance on the adequacy and effectiveness of the controls in place to ensure the quality of data from Liquidlogic	N/a		15
Local Full Fibre Network Programme (LLFN) Deferred from 18-19	IT risk, Project risk	15	Assurance on the adequacy and effectiveness of the controls in place to deliver the local full fibre network programme as bid for and comply with the requirements of the LLFN Challenge Fund	Strong Communities		15
Total Finance		315			95	220

Days to complete 2018/19 audits		70			70	
Days to complete Q1&2 audits		65				65
HPF FU		11			6	5
Total Opinion Days to be delivered in 2019/20		831			261	570
Grants		232.5			117	115.5
Pensions		67			30	37
Schools		102			17.5	84.5
Total Audit Days to be delivered in 2019/20		1232.5			426	807

Report to Audit Committee

Item No 10.

Report title:	Counter Fraud, Bribery and Corruption Progress Report
Date of meeting:	24 October 2019
Responsible Cabinet Member	Not applicable
Responsible Director:	Helen Edwards, Chief Legal Officer
Is this a key decision?	No
<p>Executive Summary</p> <p>The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy was approved by the Audit Committee on 21 September 2017. Appendix A of this report provides and update in respect of the ongoing counter fraud activity undertaken by NAS during the current financial year.</p> <p>Key messages are that:</p> <ul style="list-style-type: none"> • Following a pilot program at Breckland District Council, work is ongoing to enhance counter fraud measures around council tax single person discount (across Norfolk Local Authorities) by employing enhanced data matching techniques. • Bespoke Anti-Fraud training sessions have been arranged in collaboration with the DWP for team members working in financial exchequer services (FES). A total of three sessions will take place in October and November 2019 covering 40 employees. • Pro-active whistleblowing awareness was completed during July and August 2019. A total of 250 leaflets were distributed throughout County hall, along with posters in prominent areas such as lifts and notice boards. A further campaign targeting external premises is planned for November 2019. • Work has begun to review where and how the Council (as an organisation) completes identity checking of individuals across all areas of the Council's services and employment practices. This is intended to highlight areas of high risk for a more focussed review. <p>Action Required:</p> <p>To;</p> <ul style="list-style-type: none"> • Consider and agree that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing Progress Report (Appendix A), the key messages, that the progress is satisfactory, and arrangements are effective. 	

1. **Background and Purpose**

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

2. **Proposals**

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

The report at **Appendix A** provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the current financial year (2019/20), including Whistleblowing.

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

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

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

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

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

Prevent: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

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

3. **Impact of the Proposal**

The Council can demonstrate commitment and progress to fighting fraud locally and to fulfil the Crime and Disorder Act 1998.

4. **Evidence and Reasons for Decision**

Not applicable

5. **Alternative Options**

Not applicable

6. **Financial Implications**

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

7. **Any other implications**

- 7.1 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to consider.

9. **Risk Implications/Assessment:** Not applicable

10. **Select Committee Comments:** None

11. **Recommendation**

- 11.1 See Action Required at Executive summary

Background Papers: None

Officer Contact

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

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

**For presentation
at the Audit
Committee
meeting on:**

24 October 2019

1. Introduction

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

This report provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period 1 July 2019 – 30 September 2019.

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section **five** of this report.

1. Key messages

- Following a pilot program at Breckland District Council, work is ongoing to enhance counter fraud measures in the area of council tax single person discount (across Norfolk Local Authorities) by employing enhanced data matching techniques.
- Bespoke Anti-Fraud training sessions have been arranged in collaboration with the DWP for team members working in financial exchequer services (FES). A total of three sessions will take place in October and November 2019 covering 40 employees.
- Pro-active whistleblowing awareness was completed during July and August 2019. A total of 250 leaflets were distributed throughout County hall, along with posters in prominent areas such as lifts and notice boards. A further campaign targeting external premises is planned for November 2019.
- Work has begun to review where and how the Council (as an organisation) completes identity checking of individuals across all areas of the Council's services and employment practices. This is intended to highlight areas of high risk for focussed review.

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

2. Proactive Work Summary

The table below provides a summary of activities completed/commenced during the reporting period. These follow the draft plan of activity.

	Activity
	<p>The NAS Anti-Fraud, Bribery and Corruption activity plan was updated for the period 1 April 2019 – 31 March 2020.</p> <p>A number of activities have commenced in accordance with the plan:</p>
1.	<p>Collaboration with the Department of Work and Pensions (DWP) fraud teams resulting in the arrangement of Anti-Fraud Workshops for staff working in Financial Exchequer Services.</p> <p>The workshops have been arranged for October and November 2019. A total of three sessions will take place covering 40 employees.</p> <p>The Investigative Auditor continues to liaise with external organisations including districts to promote collaboration within the anti-fraud remit.</p>
2.	<p>Work is ongoing to implement mandatory eLearning relating to Fraud, Bribery and Corruption for office-based staff.</p> <p>The current offering has been updated to include telephone and email scams and internal policies are currently being produced in respect of the training.</p> <p>The eLearning package will form part of a wider mandatory training update being rolled out across the Council and is expected to be implemented by year end.</p>
3.	<p>Data matching fieldwork involving the Cabinet Office National Fraud Initiative (NFI) is ongoing.</p> <p>The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI exercise takes place bi-annually.</p> <p>This year further resource has been committed to investigating matches in the areas of sickness absence. This is where we have identified employees with sickness absence records who also have secondary employment.</p> <p>Enquiries are then made to establish if those identified worked for a second employer whilst in receipt of sick pay from the Council.</p> <p>Any significant findings will be reported to the Audit Committee and/or considered for further investigation upon conclusion of the fieldwork.</p>
4.	<p>As previously reported, in addition to the NFI; NCC and District Councils are collaborating to complete regular data matching exercises via the NFI Fraud</p>

	Activity
	<p>Hub.</p> <p>Fraud Hub is an additional resource available within the NFI functionality and utilises up to date NFI data so that matching can be completed more regularly.</p> <p>Following a pilot program at Breckland District Council, work is ongoing to enhance counter fraud measures around council tax single person discount (across Norfolk Local Authorities) by employing enhanced data matching techniques.</p> <p>The Chief internal auditor has fed back to a recent group meeting to explain the work moving forward and prepare a report on this topic. this is being progressed and will be promoted to the Norfolk Finance Officers Group in due course.</p>
5.	<p>Work has begun to research where and how the Council (as an organisation) completes identity checking of individuals across all areas of the Council's services and employment practices.</p> <p>The use of fraudulent or false identification has reached record levels in the UK and has implications in the areas such as payments, employment, human trafficking, money laundering and services. The Council is therefore exposed to identity fraud risks.</p> <p>Areas of focus will include how services ensure that identity information received is genuine and what steps can be taken to keep staff up to date with emerging risks.</p>
6.	<p>The Investigative Auditor has met/liased with the following departments/personnel throughout NCC to discuss fraud, bribery and corruption issues during the period:</p> <ul style="list-style-type: none"> • Educator Solutions (ES) Head of Finance, Leadership & Governance Services • NP Law solicitors. • Blue badge investigator • Client Services Exchequer Manager. • Compliments and complaints team <p>The purpose of these meetings was to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.</p>
7.	<p>NAS continues to support Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards. The work undertaken by NAS includes promoting fraud and scams awareness to Norfolk Schools.</p> <p>NASP is a partnership of organisations committed to taking a stand against</p>

	Activity
	<p>scams and aims to make Norfolk a scam free county.</p> <p>This work has resumed with the new school term with face to face discussions about scams during audits and email communications to schools when new scam risks emerge.</p>
8.	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) launched its fifth Counter Fraud and Corruption tracker (CFaCT).</p> <p>The Investigative Auditor has provided annual data for inclusion in tracker to CIPFA to assist with national benchmarking.</p> <p>The outcomes of the survey will be reported to the Audit Committee and inform future counter fraud work and activity plans.</p>

3. Reactive Investigation Update

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

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

Cases brought from 2018/2019	Total referrals received 2019/2020 to date	Cases closed - Fraud Detected	Cases closed – No Further action	Total cases on-going
4	5	3	2	4

Of the 3 cases noted above as closed where fraud was detected; The Council has recovered (or is recovering) all amounts lost as a result of fraudulent activity.

A summary of any financial loss and/or any recovery action will be provided in the 2019-2020 Anti-Fraud, Bribery and Corruption annual report.

4. The Effectiveness of the Whistleblowing Policy - Update

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

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

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

- Pro-active whistleblowing awareness was completed during July and August 2019. A total of 250 leaflets were distributed throughout County hall, along with posters in prominent areas such as lifts and notice boards. A further campaign targeting external premises is planned for November 2019.
- Four new referrals have been made in the current financial year in the areas of residential care, data protection and employment. All cases are being dealt with in accordance with procedures.

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

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

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

Contact

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Report to Audit Committee

Item No. 11

Report title:	Work Programme
Date of meeting:	24 October 2019
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
<p>Executive Summary</p> <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>Actions Required</p> <p>To consider and agree:</p> <ul style="list-style-type: none"> • the work programme for the Committee • if further information is required 	

1. Background and Purpose

- 1.1. In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposals

- 2.1. The proposed work is set out in the tables below:

January 2020	
NAS Quarterly Report Quarter ended December 2019 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance and Commercial Services
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance and Commercial Services
Risk Management	Executive Director of Finance and Commercial Services
Internal Audit Strategy, Approach, Strategic Plan 2019-2022 and Internal Audit Plan for 2020-21	Executive Director of Finance and Commercial Services
Audit Committee Terms of Reference	Executive Director of Finance and Commercial Services
Audit Committee Work Programme	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer

April 2020	
NAS Quarterly Report Quarter ended April 2020	Executive Director of Finance and Commercial Services
Risk Management	Executive Director of Finance and Commercial Services
Risk Management Annual Report 2019-20	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Annual Report 2019-20	Chief Legal Officer
Audit Committee Work Programme	Executive Director of Finance and Commercial Services
Norfolk Audit Services Annual Report 2019-20	Executive Director of Finance and Commercial Services
Monitoring Officer Annual Report 2019-20	Chief Legal Officer

July 2020	
NAS Quarterly Report Quarter ended June 2020	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Statement of Accounts and Annual Governance Statement	Executive Director Adult Social Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer
External Auditor Report/Letters of Representation	Executive Director, Finance and Commercial Services

3. Impact of the Proposal

- 3.1. As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

- 4.1. Not applicable.

5. Alternative Options

- 5.1. There are no alternative options.

6. Financial Implications

- 6.1. The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

- 7.1. **Staff:**

There are no staff implications.

7.2. Property:

There are no property implications

7.3. IT:

There are no IT implications

8. Other Implications

8.1. Legal Implications:

There are no specific legal implications to consider within this report

8.2. Human Rights implications

There are no specific human rights implications to consider within this report

8.3. Equality Impact Assessment (EqIA) (this must be included)

No implications

8.4. Health and Safety implications (where appropriate)

There are no health and safety implications

8.5. Sustainability implications (where appropriate)

There are no sustainability implications

8.6. Any other implications

There are no other implications

9. Risk Implications/Assessment

9.1. Not applicable

10. Select Committee comments

10.1. Not applicable

11. Recommendation

11.1. See Action Required in the Executive Summary above.

12. Background Papers

12.1. None.

Officer Contact

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

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