

Audit Committee

Item No.....

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

Strategic impact

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

Executive summary

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

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

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

Real Jobs – No specific jobs in this period

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

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

The Audit Committee is recommended to consider and comment on:

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

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

2. Evidence

2.1 This section covers:

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

2.2 Work to Support the opinion

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

- Final reports issued in the period (representing a proportion of the planned audit coverage for the year) **Appendix A**
- The results of any follow up audits,
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

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

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

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

Table 1: Final Audit Reports

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

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

- 2.6 There has been an increase in the take up of the Traded Schools Audits. 31 schools have requested and received a traded audit for 2016/17 financial year.
- 2.7 There were no formal investigations in the six month period.
- 2.8 Work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working':
- Strategy into Action/Accountability
 - Commerciality/Business Like
 - Data Analytics/Evidence Based
 - Collaboration/Influencing

Whistleblowing

- 2.9 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. Investigations are delegated to a Senior Officer in the relevant department or to Internal Audit for financial concerns.
- 2.10 There are three whistleblowing referrals in progress and one completed since the transfer of responsibility.

Anti-Fraud and Corruption

- 2.11 The six monthly update will be included in the September 2017 committee. NAS has appointed an Investigative Auditor who will commence employment on 5 June 2017, this will allow him the opportunity to understand the needs of NCC and to update the Anti-fraud action plan to ensure that it reflects the way he will take this role forward. His first projects will be to review and update the following:
- The Council's Anti-Fraud and Corruption Strategy
 - The e-learning packages research for the business case for mandatory completion for all employees
 - Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)

External Review to meet PSIAS

- 2.12 It is a requirement that very five years an independent review of our compliance with the Public Sector Internal Audit Standards is undertaken. CIPFA Services have been commissioned to undertake an external review of our compliance with the Public Sector Internal Audit Standards. This review was undertaken early May 2017. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we are in the process of considering and implementing these.
- 2.13 A self review of the quality of audit files was undertaken during quarter 4 as part of our ongoing quality assurance improvement plan. Minor

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

- 2.14 Our Audit Universe and Audit Needs Assessment continue to be reviewed during each quarter to ensure topics remain relevant and that new topics are considered on a risk assessed basis.
- 2.15 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.16 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 19 responses in the 6 months ending 31 March 2017, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.
- 2.17 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily (see 2.20 below).
- 2.18 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

2.19 **Other relevant information**

Highways Network Asset

- 2.20 Reports to previous Audit Committees have flagged up a major proposed change to the way that the Councils would have to account for their “Highways Network Asset” which would have resulted in a material increase in the value of net assets in the Council’s balance sheet. However, at its meeting on March 8th, the CIPFA/LASAAC Local Authority Accounting Code Board decided NOT to proceed with the introduction of the Highways Network Asset Code. The Board decided that in the absence of support for key elements of the valuation which were to be provided centrally, the benefits would be outweighed by the costs of implementation for local authorities. The Board will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities. As a result, the internal audit work planned for this specific area can be removed from the plan for the foreseeable future.
 - 2.21 The Policy and Resources Committee receives regular reports on Performance and Risk and the delivery of financial savings.
- #### 2.22 **France (Channel) England (FCE) update –**
- 2.23 The team has continued progressing the setting up of the Audit Authority. In particular, a supplier has now been selected for the delivery of audit work

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

- 2.24 In addition to this, following the issue of our final report and unqualified opinion to DCLG, in November 2016, the Managing Authority and Certifying Authority have been formally designated by the EC.
- 2.25 Finally, the Consultative Audit Group met in January 2017 and endorsed the refreshed Audit Strategy for the next 3 years. The Audit Strategy includes a programme of internal control audits, which will start in May 2017.
- 2.26 The FCE team staff continues to attend relevant training events organised by the European Commission or Member States in order to build capacity and knowledge at the required levels.

2.27 External Matters of Note

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

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

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

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. Norfolk Audit Services has delivered approved savings in 2016-17 by adhering to the planned budget and preparing for ongoing savings as required.
- 3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2016-17 has been set to deliver 100% of audit work is within budget. At present 46% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. Other factors that have contributed to completion of work being over budget these past six months included staff changes. In addition we delivered a number of complex audits that required more time than planned. Audit budgets will be actively managed to ensure all future audit work is kept within budget.
- 3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

4. Issues, risks and innovation

- 4.1. There are no implications with respect to:

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

5. Background

- 5.1. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations (England) 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.
- 5.2. There is no relevant input or comments from other committees to include within this report.

Officer Contact

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

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

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Norfolk Audit Services

Final Reports Issued in the Six months ending 31 March 2017

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

Final Reports

Adults Social Services

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

Children's Services

4. Schools with concern

Communities and Environment

5. Customer Services: Customer Relationship Management System

Finance

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

Pensions

11. Data Quality- record keeping and record management

Traded Audits

Schools (Traded – full audit)

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

School Traded Healthchecks

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

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

Management Letters

Adult Social Services

- 27. Implementation of Care Act 2014 statutory obligations

Community & Environmental Services

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

Finance & Commercial Services

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

Resources

- 32. Equality Act

Pensions

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

Certified Grants

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

Technical Details

Notes for section 2

2.1 Productive Time

- 2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 61.1% for the 2016-17 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

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

Notes for section 4

4.1 Crime and Disorder Act 1998

- 4.1.1 Under Section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing. The profile of Anti- Fraud and Corruption arrangements remains high and we are responding to the challenges that arise.
- 4.1.2 This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2 Sustainability

- 4.2.1 Norfolk Audit Services makes every effort to reduce its carbon footprint. Distance travelled is taken into account when booking audits outside of the County Hall, booking auditors living closest to the venues. Our team uses all recycling facilities available to us working at County Hall in order to reduce consignment to landfill. We monitor our printing/photocopying usage half yearly and encourage people to reduce where they can.
- 4.2.2 Norfolk Audit Services continually review our performance and costs. We participate in an Audit Benchmarking Club which compares us to similar County Council Internal Audit teams. No significant exceptions have been noted.

Notes for Section 5

5.1 Audit Opinions

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

5.2 The difference we are making

- 5.2.1 Audit findings have provided assurance or where necessary led to agreed actions to address any identified weaknesses in risk management and internal control. This demonstrates the Council's good Value for Money and thus supports the Council's Plan and its Strategic Ambitions. No actual savings or potential savings have been noted as a result of our audit work and grant claim certification in the last quarter.
- 5.2.2 Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy".
- 5.2.3 The work undertaken by Norfolk Audit Services complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit coverage to all areas of the Council's activities. Norfolk Audit Services is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.

5.2.5 Feedback received was as follows:

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

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